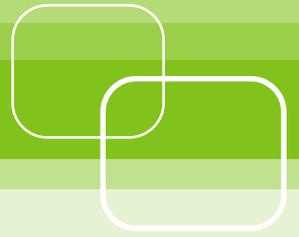


雅視
Arts *Optical*



Arts Optical International
Holdings Limited

Annual Report 2001



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Corporate Information

BOARD OF DIRECTORS

Executive directors

NG Hoi Ying, Michael – *Chairman*
NG Kim Ying
LEE Wai Chung

Independent non-executive directors

Francis George MARTIN
KWONG Kam Kwan Alex

COMPANY SECRETARY

LEE Wai Chung

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Allen & Overy
Conyers Dill & Pearman

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 308, 3rd Floor, Sunbeam Centre
27 Shing Yip Street, Kwun Tong
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR

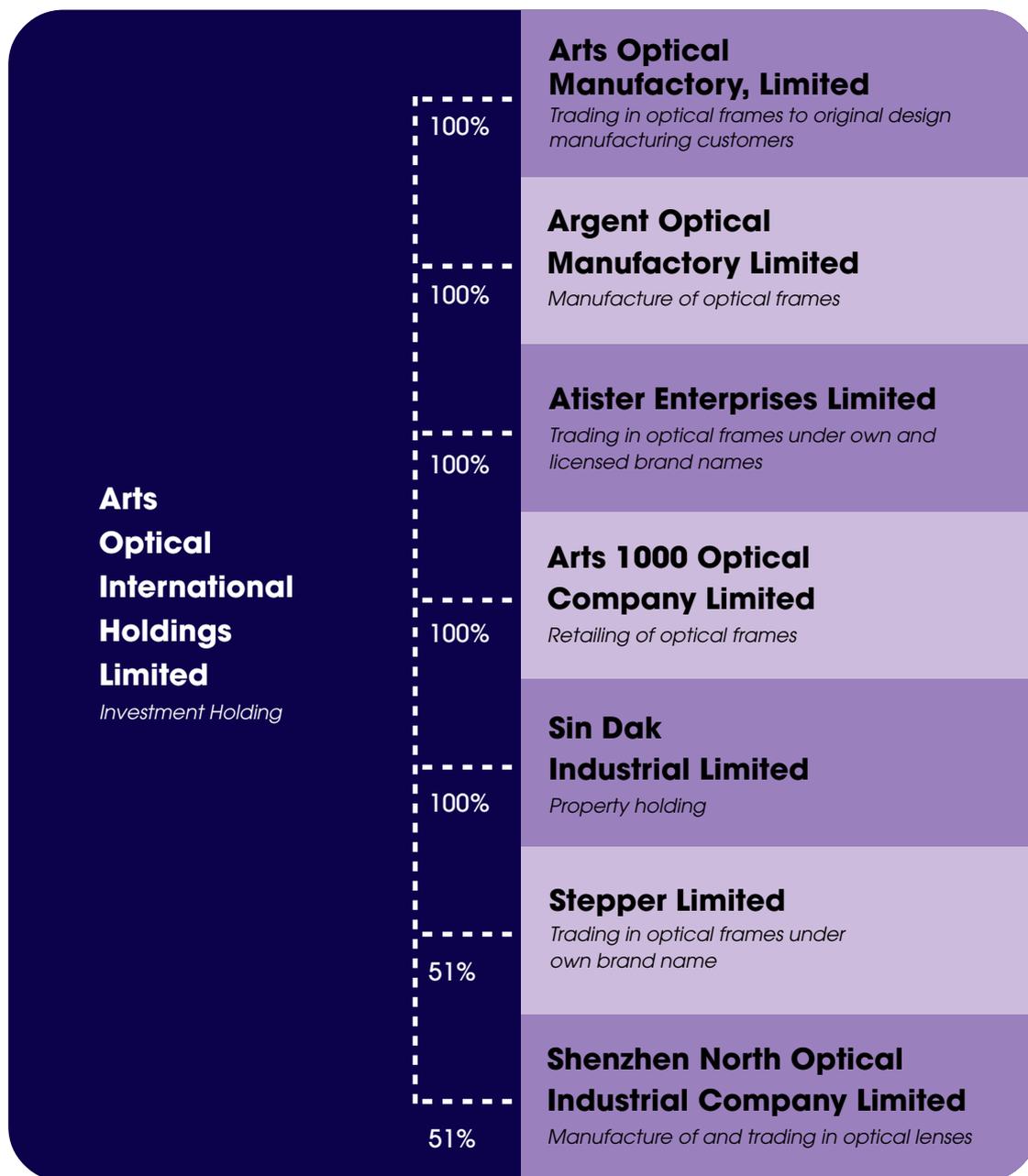
The Bank of Bermuda Limited
6 Front Street, Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Secretaries Limited
5th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

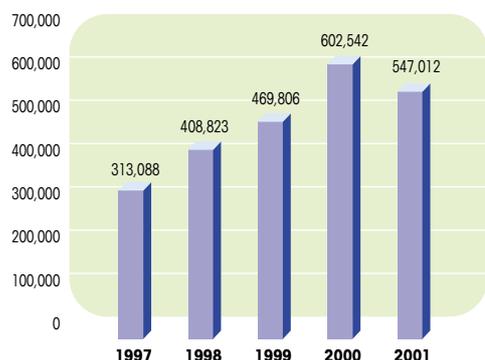
Bank of America (Asia) Limited
Bank of China Hong Kong Branch
Credit Agricole Indosuez
Dah Sing Bank Limited
Hang Seng Bank Limited
Jian Sing Bank Limited



Financial Highlights

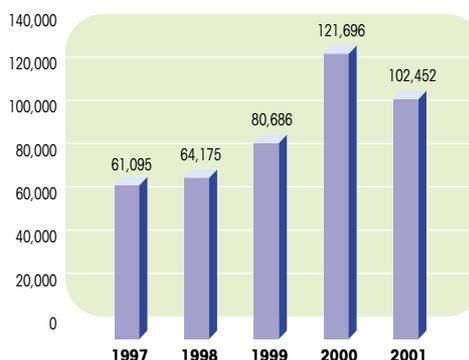
Consolidated turnover

(HK\$ '000)

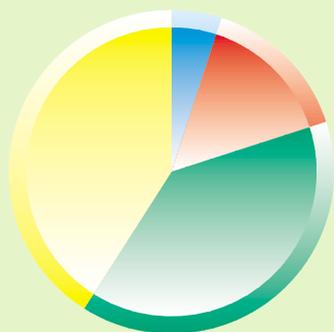


Net profit for the year

(HK\$ '000)

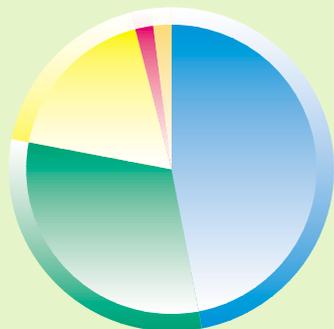


Consolidated turnover by geographical locations in 2001



- **41%** Europe
- **39%** United States
- **15%** Asia
- **5%** Others

Turnover of ODM division by product range in 2001



- **47%** Metal based optical frames
- **31%** Plastic based hand-made optical frames
- **18%** Titanium based optical frames
- **2%** Plastic based injection moulded optical frames
- **2%** Spare parts



ARTS

Chairman's Statement



SUMMARY OF RESULTS

2001 was a difficult year for the Group. The Group's consolidated turnover and net profit decreased by 9% and 16% to HK\$547.0 million (2000: HK\$602.5 million) and HK\$102.5 million (2000: HK\$121.7 million) respectively in 2001. Earnings per share also decreased by 18% to 29.2 cents (2000: 35.8 cents) in 2001.

DIVIDENDS

The Directors have resolved to recommend a final dividend of 8 cents per share for the year ended 31st December, 2001. Subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on 29th

May, 2002, the final dividend will be payable on 10th June, 2002 to shareholders whose names appear on the Register of Members of the Company on 29th May, 2002.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23rd May, 2002 to 29th May, 2002, both days inclusive, during which period no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on 22nd May, 2002 in order to qualify for the final dividend mentioned above.

BUSINESS REVIEW AND PROSPECTS

Original design manufacturing (ODM) division

As most of the customers of the Group's ODM division were importers or distributors, they actively ran down their inventory level since the United States ("US") economy began to slow down in the second half of 2000. This inventory reduction process had adversely affected the global demand of the Group's products in 2001. The September 11 incident in the US further delayed the Group's exports in the period between September to November of 2001. Sales to ODM customers decreased by 12% to HK\$483.6 million (2000: HK\$550.7 million) in 2001. US and Europe each accounted for 44% (2000: 48% and 40%) of the turnover of the Group's ODM division. The Group continued its efforts to further diversify into higher margin metal and titanium frames. This diversification helped to relieve the pressure on the Group's gross margin as a result of the decline in sales and production volume. Metal frames, handmade plastic frames, titanium frames, injection moulded plastic frames and spare parts accounted for 47%, 31%, 18%, 2% and 2% respectively of the Group's turnover of ODM business in 2001 (2000: 40%, 46%, 11%, 2% and 1% respectively).



Distribution division

The Group's 51% joint venture company with Rayner and Keeler Group of the United Kingdom reported its first full year results in 2001 and this contributed towards most of the increase in the Groups' turnover of its distribution division. Sales of the Group's own-branded and licensed branded products (including both optical frames and lenses) increased by 15% to HK\$34.5 million in 2001 (2000: HK\$30.1 million). Sales to Asia and Europe (mainly United Kingdom) accounted for 58% and 30% respectively of the Group's turnover of distribution division in 2001 (2000: 86% and 12% respectively).

Retailing division

The Group continued to expand its retail chain "ARTS 1000" in mainland China and operated a total of 29 retail outlets in various major cities as at 31st December, 2001 (2000: 21 outlets) with 11 shops in Beijing, 7 shops in Shanghai, 7 shops in Shenzhen and 4 shops in Nanjing. The Group also launched another retail chain "SUNNY ARTS" specializing in selling high-end sunglasses in late 2001. As at 31st December, 2001, the Group operated a total of 13 Sunny Arts shops (7 shops in Guangzhou and 6 shops in Shenzhen). Turnover of the retail division increased by 33% in 2001 to HK\$28.9 million (2000: HK\$21.7 million). Performances were mixed during 2001 due to the different stages of development and scale of operations of the various outlets.

Financial position and liquidity

The financial position of the Group remained strong and healthy throughout 2001. As at 31st December, 2001, the Group did not have any bank borrowings (2000: HK\$4.0 million) and had a net cash position (bank and cash balances plus pledged bank deposits net of any bank borrowings) of HK\$156.9 million (2000: HK\$139.9 million). The current ratio of the Group as at 31st December, 2001 was 3.9 to 1 (2000: 2.9 to 1) with HK\$358.1 million of current assets (2000: HK\$343.2 million) and HK\$92.0 million of current liabilities (2000: HK\$117.4 million). Inventory turnover period (ratio of inventory balance to cost of sales) decreased from 94 days in 2000 to 90 days in 2001 as a result of the management's continued efforts in monitoring and controlling inventory flow. Debtors turnover period (ratio of the total of debtors and discounted bills balances to sales) increased from 60 days in 2000 to 66 days in 2001 as export deliveries were more concentrated in the last month of 2001 after the September 11 incident in the United States, resulting in a higher level of debtor balances at the end of 2001.



Chairman's Statement

As at 31st December, 2001, the Group had 353,450,000 shares (2000: 350,640,000 shares) in issue with a total shareholders' funds amounting to HK\$507.4 million (2000: HK\$454.1 million). Net asset value per share was HK\$1.44 (2000: HK\$1.29). Total long term liabilities and debt to equity ratio (expressed as a percentage of total long term liabilities over shareholders' funds) were HK\$7.3 million (2000: HK\$7.3 million) and 1.4% (2000: 1.6%) respectively.

The Group had limited exposure to foreign exchange rate fluctuations as most of its transactions, including borrowings, were conducted in either United States dollars, Hong Kong dollars and Renminbi and the exchange rates movements between these currencies were relatively stable.

Pledge of assets

At 31st December, 2001, leasehold properties with an aggregate net book value amounting to approximately HK\$14,821,000 (2000: HK\$15,405,000) and bank deposits of approximately HK\$8,981,000 (2000: HK\$11,293,000) were pledged to banks to secure short term banking facilities granted to the Group.

Contingent liabilities

	THE GROUP	
	2001 HK\$	2000 HK\$
Bills discounted with recourse	4,781,046	12,148,176

At 31st December, 2001, the Group had given a corporate guarantee in favour of the minority shareholder of a subsidiary to the extent of RMB1,020,000 (2000: RMB1,020,000) (approximately HK\$962,000 (2000: HK\$953,000)) in consideration of the guarantee given by this minority shareholder in favour of banks to secure general banking facilities to the extent of RMB2,000,000 (2000: RMB2,000,000) (approximately HK\$1,887,000 (2000: HK\$1,869,000)) granted to this subsidiary.

Employee and remuneration policies

As at 31st December, 2001, the Group employed approximately 5,100 (2000: 5,160) full time staff in mainland China, Hong Kong and Europe. The Group remunerates its employees based on their performances, experiences and prevailing market salaries while performance bonuses are granted on a discretionary basis. Other employee benefits include insurance and medical cover, subsidised educational and training programmes, mandatory provident fund scheme as well as a share option scheme.



PROSPECTS

ODM division

The Group believes that the inventory reduction process of its ODM customers had been substantially completed in 2001 and is cautiously optimistic about the performance of its ODM division in the coming year. Market sentiment has been gradually improving since March, 2002, but any significant impact on the Group's financial performance is only expected to be reflected in the last quarter of 2002. Strenuous efforts are being implemented by the management in enhancing its competitiveness in this business division by internal streamlining of its operations and implementation of a new enterprises resources planning system in January, 2002. Major emphasis will be placed on shortening delivery lead time, producing more innovative designs, improving quality of service and products as well as reduction of inventory carrying costs.

Distribution and retailing divisions

The Group will continue to adopt a cautious approach in developing its global distribution business and retail network in mainland China and firmly believes that execution is the key element in its diversification plan. The objectives of such diversification are to develop a long term recurrent income base for the Group and to strengthen the relationship between the Group and its ODM customers. The number of retailing outlets in mainland China is expected to double in the coming 12 to 18 months. Despite its rapid expansion, the Group does not expect its operations in mainland China to generate any significant return to its operating profits before 2004 because of the time required to achieve economies of scale under its current business plan.

Impact of accession by China to the World Trade Organisation ("WTO")

The Group believes that China's accession to the WTO in 2001 will have a mixed impact on the various business divisions within the Group. While the Group is currently not directly competing with its mainland counterparts in the ODM business due to the differences in the market focus and product segments, accession to the WTO will definitely facilitate mainland Chinese manufacturers to compete in the international optical arena. On the other hand, accession to WTO will bring long term favourable impact on the Group's distribution and retail businesses due to the increasing affluence of the general population, improvement in the overall regulatory environment and planned reductions in import duties as well as value added taxes.

Financial and cash flow management

The Group will continue its emphasis on balance sheet management and cash earnings. The core ODM division will continue to generate healthy cash inflow to the Group and any capital expenditure will be carefully evaluated before commitment and implementation. Diversification projects are currently under periodic review by management and adjustments will be made when necessary. Despite the business uncertainty discussed in preceding paragraphs, the management is confident that the Group will be able to maintain a satisfactory dividend payout in 2002.

Chairman's Statement

Summary

Although the repercussions arising from the slowdown in the US economy in recent years and the September 11 incident have created volatility and uncertainty on the business performance of the Group, the Directors believe that, given its guiding management principles of business diversification and financial prudence, the Group is able to cope with such challenges and is well positioned to capture any business opportunities ahead.

APPRECIATION

On behalf of the Board of Directors, I would like to express my sincere appreciation and thanks to our shareholders, customers, suppliers, bankers and staff for their effort and commitment.

Ng Hoi Ying, Michael

Chairman

Hong Kong, 12th April, 2002

Executive directors

NG Hoi Ying, Michael ("Mr. Ng"), aged 47, is the founder and the Chairman of the Group. Mr. Ng is responsible for the corporate policy making and strategic planning of the Group. He has 34 years of experience in the optical products industry. Mr. Ng won the Young Industrialist Award of Hong Kong organised by the Federation of Hong Kong Industries in 1995. Mr. Ng is currently a Vice President of the Hong Kong Optical Manufacturers Association Ltd. and Hong Kong Commerce and Industry Associations Limited and the President of the Hong Kong Wong Tai Sin Industry And Commerce Association Limited. He is also a member of The People's Political Consultative Committee of Haizhu District, Guangzhou City.

NG Kim Ying, aged 46, is an executive director of the Group. Mr. Ng Kim Ying joined the Group in 1985 and is responsible for the implementation and application of information technology to the business of the Group. He has 17 years of experience in the optical products industry and is the brother of Mr. Ng.

LEE Wai Chung, aged 35, is the financial controller of the Group and company secretary of the Company. Mr. Lee joined the Group in 1995 and is responsible for the Group's finance, accounting and company secretarial matters. He holds a Bachelor degree in Social Sciences from the University of Hong Kong and is a certified public accountant in both Hong Kong and the United States and a non-practising member of the Chinese Institute of Certified Public Accountants. He has 14 years of experience in accounting and auditing.

Independent non-executive directors

Francis George MARTIN, aged 61, has been the President of the American Chamber of Commerce in Hong Kong since 1990. He was formerly the President and Chief Executive of Security Pacific Asian Bank for 14 years and has over 34 years of experience in the financial services industry. Mr. Martin joined the Group in 1996.

KWONG Kam Kwan Alex, aged 36, is a certified public accountant in Hong Kong. He has 14 years of experience in accounting and auditing and holds a Bachelor degree in Social Sciences from the University of Hong Kong. Mr. Kwong joined the Group in 2001.

Senior management

XU Saying, aged 31, is the general manager (China business) of the Group. Ms. Xu joined the Group in 2001 and is responsible for the formation of business strategy and management of operations of the Group's distribution and retailing businesses in China. She has 13 years of experience in conducting business in China, including 4 years in the optical products industry and holds a Master degree in Business Administration from the University of Southern California in the United States. Ms. Xu is the wife of Mr. Ng.

CHEUNG Chan Wing Hung, aged 39, is the general manager (business) of the Group. Mrs. Cheung joined the Group in 1987 and is responsible for corporate business promotion, formulation and implementation of marketing strategies of the Group as well as the management of the marketing team. She holds a Master of Business Administration degree from the Newport University in the United States.

Biographical Details of Directors and Management

Senior management (*Continued*)

Li Chi Hung, aged 41, is the general manager of the Group's production plants in Shenzhen and Zhongshan. Mr. Li joined the Group in 1976 and assisted Mr. Ng in the establishment and expansion of these two production plants. He is also responsible for the overall management and development of these plants and has 26 years of experience in the optical products industry.

HUNG Chao Chia, aged 49, is the deputy general manager of the Group's production plants in Shenzhen and Zhongshan. Mr. Hung joined the Group in 1988 and is responsible for the financial management and administration of the two production plants. Mr. Hung has 24 years of experience in the optical products industry.

WONG Kwok Leung, Alan, aged 44, is the deputy general manager of the Group's production plants in Shenzhen and Zhongshan. Mr. Wong joined the Group in 1989 and is responsible for production and technology development of the Group. Mr. Wong has 22 years of experience in production management, including 18 years in the optical products industry.



The directors present their annual report and the audited financial statements for the year ended 31st December, 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, manufacture and sales of optical products.

RESULTS AND APPROPRIATIONS

The results of the Group and appropriations of the Company for the year ended 31st December, 2001 are set out in the consolidated income statement on page 20.

An interim dividend of 8 cents per share amounting to HK\$28,248,000 was paid to the shareholders of the Company during the year. The directors now recommend the payment of a final dividend of 8 cents per share amounting to HK\$29,756,000 to the shareholders of the Company whose names appear on the register of members on 29th May, 2002 and the retention of the remaining profit for the year.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 22 to the financial statements.

SHARE OPTIONS

The Company's share option scheme was adopted at a special general meeting of the Company held on 24th October, 1996 (the "Share Option Scheme") for the primary purpose of providing incentives to the employees of the Group. Under the Share Option Scheme, the board of directors of the Company may, at its discretion, grant options to eligible employees, including executive directors, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than 80% of the average of the closing prices of the shares quoted on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of grant of the options or the nominal value of the shares, whichever is the higher. The Share Option Scheme will expire on 23rd October, 2006.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not exceed 10% of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25% of the maximum number of shares in respect of which options may be granted under the Share Option Scheme. HK\$1 is payable by each eligible employee upon acceptance of the share options.

Directors' Report

SHARE OPTIONS *(Continued)*

On 7th July, 2000, share options were granted under the Share Option Scheme to certain eligible employees of the Group to subscribe for 33,100,000 shares in the Company. These share options are exercisable between 7th July, 2000 and 23rd October, 2006 at an exercise price of HK\$0.88 per share as follows:

Exercisable period	Maximum % of share options exercisable
7th July, 2000 to 6th July, 2001	Up to 40%
After 6th July, 2001	Up to 50%
After 6th July, 2002	Up to 60%
After 6th July, 2003	Up to 70%
After 6th July, 2004	Up to 80%
After 6th July, 2005	Up to 100%

No share options were granted by the Company during the year. A summary of the movements in share options which were granted to certain eligible employees of the Group on 7th July, 2000 is as follows:

	Outstanding at 1st January, 2001	Number of share options Exercised during the year	Lapsed during the year	Outstanding at 31st December, 2001
Category: Directors				
Ng Hoi Ying, Michael	3,060,000	(510,000)	–	2,550,000
Ng Kim Ying	900,000	(150,000)	–	750,000
Lee Wai Chung	2,100,000	(350,000)	–	1,750,000
	6,060,000	(1,010,000)	–	5,050,000
Category: Employees				
	14,400,000	(1,800,000)	(4,200,000)	8,400,000
Total all categories	20,460,000	(2,810,000)	(4,200,000)	13,450,000

As at the date of the directors' report, the total number of shares available for issue under the Share Option Scheme is 6,750,000, representing 1.8% of the shares of the Company in issue at that date.



RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 24 to the financial statements.

INVESTMENT PROPERTY

The investment property of the Group was revalued as at 31st December, 2001 as set out in note 12 to the financial statements. There was no surplus or deficit arising on revaluation of the investment property as at 31st December, 2001.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately HK\$57,555,000.

Details of this and other movements in property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

DIRECTORS AND SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Ng Hoi Ying, Michael – Chairman
Ng Kim Ying
Lee Wai Chung

Independent non-executive directors:

Kwong Kam Kwan Alex	(appointed on 6th February, 2001)
Francis George Martin	
Chow Fu Kee, Felix	(passed away on 21st January, 2001)

In accordance with Clauses 87(1) and 87(2) of the Company's Bye-laws, Mr. Ng Kim Ying will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

The director being proposed for re-election at the forthcoming annual general meeting does not have any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The term of office for each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES

At 31st December, 2001, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong's Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Number of shares held		
	Personal interests	Family	Other interests
Ng Hoi Ying, Michael	2,550,000	6,682,000	172,380,000 <i>(Note a)</i>
Ng Kim Ying	750,000	–	37,620,000 <i>(Note b)</i>
Lee Wai Chung	2,050,000	–	–

Notes:

- (a) These shares are held by Ratagan International Company Limited ("Ratagan"). The entire issued share capital of Ratagan is held by Centre Trustees (C.I.) Limited as trustee for The Arts 1996 Trust, a discretionary trust, the beneficiaries of which include Mr. Ng Hoi Ying, Michael and his family members.
- (b) These shares are held by Universal Honour Developments Limited ("Universal Honour"). The entire issued share capital of Universal Honour is held by Centre Trustees (C.I.) Limited as trustee for The Optical 2000 Trust, a discretionary trust, the beneficiaries of which include Mr. Ng Kim Ying and his family members.

Save as disclosed above and other than certain nominee shares in subsidiaries held by Ratagan in trust for the Group, at 31st December, 2001, none of the directors and their associates had any interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Scheme disclosed under the heading "Share Options" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the directors, or their spouse or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the year.



SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed under the heading "Directors' Interests in Shares" above, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no other person as having an interest representing 10% or more of the issued share capital of the Company as at 31st December, 2001.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2001, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 31% of the Group's total turnover and the amount of turnover attributable to the Group's largest customer was approximately 10% of the Group's total turnover. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 30% of the Group's total purchases and the amount of purchases attributable to the Group's largest supplier was approximately 9% of the Group's total purchases.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has any interest in any of the Group's five largest customers or suppliers.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the Share Option Scheme and the exercise of share options during the year disclosed under the heading "Share Options" above, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31st December, 2001 and there has been no exercise of any other convertible securities, options, warrants or similar rights during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Directors' Report

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

An Audit Committee (the "Committee") has been established by the Company since 1998 to act in an advisory capacity and make recommendations to the board. The Committee currently comprises Messrs. Kwong Kam Kwan Alex (appointed on 6th February, 2001) and Francis George Martin, both of whom are independent non-executive directors of the Company. During the year, the Committee members met with representatives from the management and/or external auditors of the Company to review the interim and annual reports of the Group as well as various auditing, financial reporting and internal control matters.

DONATIONS

During the year, the Group made charitable donations totalling HK\$17,500.

EVENT AFTER THE BALANCE SHEET DATE

Details of a significant event after the balance sheet date are set out in note 38 to the financial statements.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Ng Hoi Ying, Michael

Chairman

Hong Kong, 12th April, 2002



德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

TO THE SHAREHOLDERS OF ARTS OPTICAL INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 20 to 51 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong, 12th April, 2002

Consolidated Income Statement

For the year ended 31st December, 2001

	NOTES	2001 HK\$	2000 HK\$
Turnover	4	547,011,601	602,542,467
Cost of sales		(349,702,351)	(373,678,223)
Gross profit		197,309,250	228,864,244
Other revenue	5	6,970,219	9,603,243
Distribution costs		(17,916,814)	(24,632,026)
Administrative expenses		(68,236,699)	(77,876,711)
Other operating expenses		(7,788,878)	(6,881,718)
Profit from operations	6	110,337,078	129,077,032
Finance costs	7	(423,288)	(2,298,893)
Profit before taxation		109,913,790	126,778,139
Taxation	9	(9,766,265)	(9,816,372)
Profit before minority interests		100,147,525	116,961,767
Minority interests		(2,304,483)	(4,734,295)
Net profit for the year		102,452,008	121,696,062
Dividends	10	58,004,000	48,624,100
Earnings per share			
– Basic	11	29.2 cents	35.8 cents
– Diluted	11	28.8 cents	35.4 cents

Consolidated Balance Sheet

At 31st December, 2001



	NOTES	2001 HK\$	Restated 2000 HK\$
Non-current Assets			
Investment property	12	2,900,000	2,900,000
Property, plant and equipment	13	246,507,445	235,491,776
Goodwill	14	–	–
		249,407,445	238,391,776
Current Assets			
Inventories	17	86,329,873	95,997,134
Debtors, deposits and prepayments	18	110,184,491	103,266,113
Taxation recoverable		85,775	85,680
Other investment	19	4,580,000	–
Pledged bank deposits		8,981,078	11,293,321
Bank balances and cash		147,934,192	132,595,366
		358,095,409	343,237,614
Current Liabilities			
Creditors and accrued charges	20	81,989,253	106,003,458
Taxation payable		9,984,702	7,476,037
Bank borrowings	21	–	3,952,243
		91,973,955	117,431,738
Net Current Assets		266,121,454	225,805,876
Total Assets Less Current Liabilities		515,528,899	464,197,652
Capital and Reserves			
Share capital	22	35,345,000	35,064,000
Reserves	24	472,100,212	419,011,094
		507,445,212	454,075,094
Minority Interests		792,037	2,830,908
Non-current Liabilities			
Loan from a minority shareholder of a subsidiary	25	6,491,650	6,491,650
Deferred taxation	26	800,000	800,000
		7,291,650	7,291,650
		515,528,899	464,197,652

The financial statements on pages 20 to 51 were approved and authorised for issue by the Board of Directors on 12th April, 2002 and are signed on its behalf by:

Ng Hoi Ying, Michael
Director

Ng Kim Ying
Director

Balance Sheet

At 31st December, 2001

	NOTES	2001 HK\$	Restated 2000 HK\$
Non-current Assets			
Investments in subsidiaries	15	130,719,000	130,719,000
Amount due from a subsidiary	16	104,862,311	99,488,767
		235,581,311	230,207,767
Current Assets			
Prepayments		235,606	237,034
Dividend receivable		38,000,000	–
Taxation recoverable		75,666	75,666
Bank balances and cash		2,241,992	116,054
		40,553,264	428,754
Current Liabilities			
Creditors and accrued charges		1,147,229	3,664,874
Taxation payable		100,000	–
		1,247,229	3,664,874
Net Current Assets (Liabilities)		39,306,035	(3,236,120)
Total Assets Less Current Liabilities		274,887,346	226,971,647
Capital and Reserves			
Share capital	22	35,345,000	35,064,000
Reserves	24	239,542,346	191,907,647
		274,887,346	226,971,647

Ng Hoi Ying, Michael
Director

Ng Kim Ying
Director

Consolidated Statement of Recognised Gains and Losses

For the year ended 31st December, 2001

	2001 HK\$	2000 <i>HK\$</i>
Exchange differences arising on translation of financial statements of operations outside Hong Kong not recognised in the consolidated income statement	162,206	–
Net profit for the year	102,452,008	121,696,062
Total recognised gains	102,614,214	121,696,062
Effect of change in accounting policy on adoption of Statement of Standard Accounting Practice 9 (Revised) – see note 2 – increase in retained profits at 1st January, 2000		12,844,000

Consolidated Cash Flow Statement

For the year ended 31st December, 2001

	NOTES	2001 HK\$	2000 HK\$
Net cash inflow from operating activities	27	133,888,069	157,262,989
Returns on investments and servicing of finance			
Dividends paid		(52,792,800)	(36,923,300)
Dividends paid to minority shareholders of a subsidiary		(1,390,073)	–
Interest paid		(423,288)	(2,298,893)
Interest received		4,729,084	6,997,462
Dividends received from other investment		70,303	–
Net cash outflow from returns on investments and servicing of finance		(49,806,774)	(32,224,731)
Taxation			
Hong Kong Profits Tax paid		(7,257,695)	(7,852,457)
Investing activities			
Purchase of property, plant and equipment		(57,514,958)	(102,014,127)
Purchase of other investment		(4,580,000)	–
Acquisition of additional interests in subsidiaries		(296,048)	–
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	28	(242,385)	–
Decrease (increase) in pledged bank deposits		2,312,243	(5,882,271)
Proceeds from disposal of property, plant and equipment		315,817	14,392
Net cash outflow from investing activities		(60,005,331)	(107,882,006)
Net cash inflow before financing		16,818,269	9,303,795
Financing	29		
Proceeds from issue of shares upon the exercise of share options		2,472,800	11,123,200
Repayment of bank loans		(3,738,318)	(4,158,878)
New bank loans raised		–	3,738,318
Net cash (outflow) inflow from financing		(1,265,518)	10,702,640
Increase in cash and cash equivalents		15,552,751	20,006,435
Cash and cash equivalents at the beginning of the year		132,381,441	112,375,006
Cash and cash equivalents at the end of the year	30	147,934,192	132,381,441

Notes to the Financial Statements

For the year ended 31st December, 2001



1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, manufacture and sales of optical products.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. 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 these new and revised SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts 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 31st December, 2000 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 1st January, 2000 and 31st December, 2000 by HK\$12,844,000 and HK\$24,544,800, respectively.

As a result of the revision of SSAP 9 (Revised) "Events after the balance sheet date", SSAP 18 "Revenue" has also been revised. Accordingly, the dividends proposed or declared after the balance sheet date by the subsidiaries are not recognised by the Company at the balance sheet date. This change in accounting policy has also been applied retrospectively. The effect of this change has been to decrease shareholders' funds of the Company at 1st January, 2000 and 31st December, 2000 by HK\$15,000,000 and HK\$30,000,000, respectively.

Notes to the Financial Statements

For the year ended 31st December, 2001

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (*Continued*)

Leases

In the current year, the Group has adopted SSAP 14 (Revised) "Leases". Disclosures for the Group's operating lease arrangements as set out in note 33 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 an investment property and other investment.

The financial statements have been prepared 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 31st December 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.

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

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.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the terms of the relevant leases.



3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is credited to the income statement.

No depreciation is provided in respect of investment properties which are held on leases with unexpired terms, including the renewable period, of more than twenty years.

Property, plant and equipment

Property, plant and equipment, other than buildings under construction, are stated at cost less depreciation, amortisation and accumulated impairment losses.

The gain or loss arising from 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.

Depreciation and amortisation is provided to write off the cost of property, plant and equipment, other than buildings under construction, over their estimated useful lives, using the straight line method, as follows:

Leasehold land	Over the remaining terms of the leases
Buildings	Over the estimated useful lives of 25 years or the terms of the leases, if shorter
Leasehold improvements	Over the estimated useful lives of 3 years or the terms of the leases, if shorter
Furniture, fixtures and office equipment	Over 3 to 5 years
Others	Over 5 years

Buildings under construction

Buildings under construction are stated at cost, which comprises all direct costs incurred in relation to the construction. Depreciation is not provided until the construction work is completed and the buildings are ready for their intended use.

Notes to the Financial Statements

For the year ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisition of subsidiaries prior to 1st January, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisition of subsidiaries after 1st January, 2001 is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary, the attributable amount of unamortised goodwill/goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

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 acquisition of subsidiaries prior to 1st January, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

Negative goodwill arising on acquisition of subsidiaries after 1st January, 2001 is presented as a 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.

Investments in subsidiaries

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and the estimated costs necessary to make the sale.



3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these 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, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as revaluation decrease under that SSAP.

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

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes 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.

Operating leases

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

Notes to the Financial Statements

For the year ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Gains and losses arising on exchange are dealt with in the income statement.

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

4. SEGMENT INFORMATION

Geographical segments

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

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

For the year ended 31st December, 2001

	Europe HK\$	United States HK\$	Asia HK\$	Other regions HK\$	Consolidated HK\$
Revenue					
External sales	225,140,844	213,172,575	80,110,221	28,587,961	547,011,601
Result					
Segment result	53,939,465	53,375,184	(1,880,108)	6,003,776	111,438,317
Unallocated corporate expenses					(5,830,323)
Interest income on bank deposits					4,729,084
Profit from operations					110,337,078
Finance costs					(423,288)
Profit before taxation					109,913,790
Taxation					(9,766,265)
Profit before minority interests					100,147,525
Minority interests					(2,304,483)
Net profit for the year					102,452,008

Notes to the Financial Statements

For the year ended 31st December, 2001



4. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

At 31st December, 2001

Balance sheet

	Europe <i>HK\$</i>	United States <i>HK\$</i>	Asia <i>HK\$</i>	Other regions <i>HK\$</i>	Consolidated <i>HK\$</i>
Assets					
Segment assets	64,942,800	53,725,092	17,512,567	6,297,273	142,477,732
Unallocated corporate assets					465,025,122
					607,502,854
Liabilities					
Segment liabilities	-	-	-	-	-
Unallocated corporate liabilities					99,265,605
					99,265,605

Other information

	Europe <i>HK\$</i>	United States <i>HK\$</i>	Asia <i>HK\$</i>	Other regions <i>HK\$</i>	Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
Capital expenditure	-	-	-	-	57,555,399	57,555,399
Depreciation and amortisation	-	-	-	-	45,488,940	45,488,940
Other non-cash expenses	-	-	-	-	3,561,783	3,561,783

Notes to the Financial Statements

For the year ended 31st December, 2001

4. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

For the year ended 31st December, 2000

	Europe HK\$	United States HK\$	Asia HK\$	Other regions HK\$	Consolidated HK\$
Revenue					
External sales	221,714,224	263,837,440	78,285,793	38,705,010	602,542,467
Result					
Segment result	52,419,178	68,898,318	(1,358,698)	9,973,268	129,932,066
Unallocated corporate expenses					(7,852,496)
Interest income on bank deposits					6,997,462
Profit from operations					129,077,032
Finance costs					(2,298,893)
Profit before taxation					126,778,139
Taxation					(9,816,372)
Profit before minority interests					116,961,767
Minority interests					(4,734,295)
Net profit for the year					121,696,062

Notes to the Financial Statements

For the year ended 31st December, 2001



4. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

At 31st December, 2000

Balance sheet

	Europe <i>HK\$</i>	United States <i>HK\$</i>	Asia <i>HK\$</i>	Other regions <i>HK\$</i>	Consolidated <i>HK\$</i>
Assets					
Segment assets	51,349,536	54,259,016	18,749,663	10,706,562	135,064,777
Unallocated corporate assets					446,564,613
					581,629,390
Liabilities					
Segment liabilities	-	-	-	-	-
Unallocated corporate liabilities					124,723,388
					124,723,388

Other information

	Europe <i>HK\$</i>	United States <i>HK\$</i>	Asia <i>HK\$</i>	Other regions <i>HK\$</i>	Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
Capital expenditure	-	-	-	-	107,613,947	107,613,947
Depreciation and amortisation	-	-	-	-	40,798,661	40,798,661
Other non-cash expenses	-	-	-	-	2,623,588	2,623,588

Business segments

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

Notes to the Financial Statements

For the year ended 31st December, 2001

5. OTHER REVENUE

Included in other revenue are:

	2001 HK\$	2000 HK\$
Interest income on bank deposits	4,729,084	6,997,462
Dividend income from other investment	70,303	–

6. PROFIT FROM OPERATIONS

	2001 HK\$	2000 HK\$
Profit from operations has been arrived at after charging:		
Auditors' remuneration	900,000	913,645
Deficit arising on revaluation of an investment property	–	900,000
Depreciation and amortisation	45,488,940	40,798,661
Impairment loss on goodwill	2,664,604	–
Loss on disposal of property, plant and equipment	809,413	1,723,588
Staff costs		
– Directors' emoluments (note 8)	4,081,099	6,329,635
– Other staff		
– Salaries and other allowances	84,543,432	95,564,680
– Retirement benefit scheme contribution net of forfeited contribution of HK\$462,191 (2000: HK\$96,289)	555,191	1,055,200
	89,179,722	102,949,515
Operating lease rentals in respect of rented premises	9,768,649	6,491,677
and after crediting:		
Property rental income less negligible outgoings	477,623	–

7. FINANCE COSTS

The finance costs represent interest expense on bank borrowings wholly repayable within five years.

Notes to the Financial Statements

For the year ended 31st December, 2001



8. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

Directors' emoluments

The directors' emoluments are analysed as follows:

	2001 HK\$	2000 HK\$
Fees:		
Executive	–	–
Independent non-executive	266,000	288,000
	266,000	288,000
Other emoluments paid to executive directors:		
Salaries and other benefits	3,016,795	2,947,685
Performance related incentive payments	661,900	3,048,900
Retirement benefits scheme contributions	136,404	45,050
	3,815,099	6,041,635
	4,081,099	6,329,635

In addition to the above, rent-free accommodation was provided to two directors and the estimated rental values for the accommodation was approximately HK\$286,620 (2000: HK\$307,320).

The emoluments of the directors, including the estimated rental values for the rent-free accommodation, were within the following bands:

	2001 Number of directors	2000 Number of directors
Nil to HK\$1,000,000	3	2
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$3,000,001 to HK\$3,500,000	–	1
	6	5

Notes to the Financial Statements

For the year ended 31st December, 2001

8. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES (Continued)

Highest paid employees

The five highest paid individuals of the Group included three (2000: two) executive directors, details of whose emoluments are set out above. The emoluments of the remaining two (2000: three) highest paid employees, other than directors of the Company, are as follows:

	2001 HK\$	2000 HK\$
Salaries and other benefits	1,347,500	1,450,400
Performance related incentive payments	1,165,800	3,357,000
Retirement benefits scheme contributions	60,900	71,700
	2,574,200	4,879,100

The emoluments of the highest paid employees were within the following bands:

	2001 Number of employees	2000 Number of employees
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	-	2
	2	3

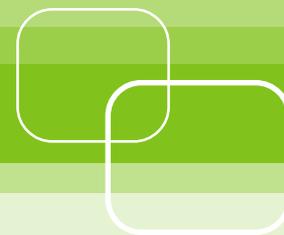
9. TAXATION

The charge represents Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the year.

A portion of the Group's profits neither arises in, nor is derived from, Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax. Further, in the opinion of the directors, that portion of the Group's profit is not at present subject to taxation in any other jurisdiction in which the Group operates.

Notes to the Financial Statements

For the year ended 31st December, 2001



10. DIVIDENDS

	2001 HK\$	2000 HK\$
Interim dividend paid in respect of 2001 of 8 cents (2000: 7 cents) per share	28,248,000	24,079,300
Final dividend proposed in respect of 2001 of 8 cents (2000: 7 cents) per share	29,756,000	24,544,800
	58,004,000	48,624,100

The final dividend in respect of 2001 of 8 cents (2000: 7 cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

11. EARNINGS PER SHARE

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

	2001 HK\$	2000 HK\$
Earnings for the purposes of basic and diluted earnings per share – Net profit for the year	102,452,008	121,696,062
	Number of shares	
Weighted average number of shares for the purpose of basic earnings per share	351,455,425	340,125,519
Effect of dilutive potential shares in respect of share options	4,656,307	4,001,636
Weighted average number of shares for the purpose of diluted earnings per share	356,111,732	344,127,155

12. INVESTMENT PROPERTY

	THE GROUP HK\$
VALUATION At 1st January, 2001 and at 31st December, 2001	2,900,000

The investment property was revalued at 31st December, 2001 by Vigers Hong Kong Limited, an independent firm of professional valuers, on an open market value basis. There was no surplus or deficit arising on revaluation of the investment property as at 31st December, 2001.

The investment property is situated in Hong Kong and is held under a medium-term lease.

The investment property is leased out under operating leases.

Notes to the Financial Statements

For the year ended 31st December, 2001

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties HK\$	Leasehold improve- ments HK\$	Plant and machinery HK\$	Furniture, fixtures and office equipment HK\$	Motor vehicles HK\$	Buildings under construction HK\$	Total HK\$
THE GROUP							
COST							
At 1st January, 2001	138,296,843	29,801,068	172,586,453	29,174,592	9,036,115	7,850,467	386,745,538
Currency realignment	-	44,997	96,812	10,421	4,081	-	156,311
Acquired on acquisition of a subsidiary	-	11,375	-	2,516	26,550	-	40,441
Additions	-	6,563,074	25,487,504	5,047,867	1,022,795	19,393,718	57,514,958
Disposals	(40,818)	(1,209,440)	(975,099)	(954,853)	(1,911,665)	-	(5,091,875)
Reclassification	22,033,342	-	-	-	-	(22,033,342)	-
At 31st December, 2001	160,289,367	35,211,074	197,195,670	33,280,543	8,177,876	5,210,843	439,365,373
DEPRECIATION AND AMORTISATION							
At 1st January, 2001	16,194,103	18,598,396	97,447,730	13,181,649	5,831,884	-	151,253,762
Currency realignment	-	28,429	46,862	3,598	2,982	-	81,871
Provided for the year	5,534,860	6,838,177	26,633,766	5,424,200	1,057,937	-	45,488,940
Eliminated on disposals	(11,525)	(625,327)	(754,206)	(686,047)	(1,889,540)	-	(3,966,645)
At 31st December, 2001	21,717,438	24,839,675	123,374,152	17,923,400	5,003,263	-	192,857,928
NET BOOK VALUES							
At 31st December, 2001	138,571,929	10,371,399	73,821,518	15,357,143	3,174,613	5,210,843	246,507,445
At 31st December, 2000	122,102,740	11,202,672	75,138,723	15,992,943	3,204,231	7,850,467	235,491,776

Notes to the Financial Statements

For the year ended 31st December, 2001



13. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group's property interests shown above comprise:

	Leasehold properties		Buildings under construction	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Properties situated in the People's Republic of China other than Hong Kong (the "PRC") held under medium-term leases	123,751,085	106,697,511	5,210,843	7,850,467
Properties situated in Hong Kong held under medium-term leases	14,820,844	15,405,229	–	–
	138,571,929	122,102,740	5,210,843	7,850,467

14. GOODWILL

THE GROUP
HK\$

COST

Arising on acquisition of additional interests in subsidiaries and balance at 31st December, 2001

1,588,700

AMORTISATION

Impairment loss recognised and balance at 31st December, 2001

(1,588,700)

NET BOOK VALUE

At 31st December, 2001

–

15. INVESTMENTS IN SUBSIDIARIES

THE COMPANY

	2001	2000
	HK\$	HK\$
Unlisted shares (Note)	130,719,000	130,719,000

Note: The carrying value of the unlisted shares is based on the underlying net tangible assets of the subsidiaries at the time when they became members of the Group pursuant to the group reorganisation in 1996.

Particulars of the principal subsidiaries at 31st December, 2001 are set out in note 39.

Notes to the Financial Statements

For the year ended 31st December, 2001

16. AMOUNT DUE FROM A SUBSIDIARY

The amount is unsecured, interest free and does not have fixed repayment terms. In the opinion of the directors, the amount will not be repaid within the next twelve months from the balance sheet date and, accordingly, the amount is shown as non-current.

17. INVENTORIES

	THE GROUP	
	2001 HK\$	2000 HK\$
Raw materials	23,358,341	35,581,928
Work in progress	48,352,339	47,150,983
Finished goods	14,619,193	13,264,223
	86,329,873	95,997,134

There are inventories of HK\$9,552,209 (2000: HK\$9,280,757) carried at net realisable value.

18. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows an average credit period of 30 days to 90 days to its trade debtors.

Included in the Group's debtors, deposits and prepayments are trade debtors of HK\$93,692,451 (2000: HK\$87,552,411), an aging analysis of which at the balance sheet date is as follows:

	THE GROUP	
	2001 HK\$	2000 HK\$
Current	70,215,765	62,518,010
1 to 90 days overdue	22,928,177	23,009,359
More than 90 days overdue	548,509	2,025,042
	93,692,451	87,552,411

The Company did not have any trade debtors at the balance sheet date.

Notes to the Financial Statements

For the year ended 31st December, 2001



19. OTHER INVESTMENT

	THE GROUP	
	2001	2000
	HK\$	HK\$
Equity securities:		
Listed – Hong Kong, at market value	4,580,000	–

20. CREDITORS AND ACCRUED CHARGES

Included in the Group's creditors and accrued charges are trade creditors of HK\$47,186,768 (2000: HK\$56,958,287), an aging analysis of which at the balance sheet date is as follows:

	THE GROUP	
	2001	2000
	HK\$	HK\$
Current to 90 days overdue	46,777,455	55,641,506
More than 90 days overdue	409,313	1,316,781
	47,186,768	56,958,287

The Company did not have any trade creditors at the balance sheet date.

21. BANK BORROWINGS

	THE GROUP	
	2001	2000
	HK\$	HK\$
The bank borrowings, which are all due within one year, comprise:		
Bank loans, secured	–	2,336,449
Bank loans, unsecured	–	1,401,869
Trust receipt and import loans, secured	–	213,925
	–	3,952,243

Notes to the Financial Statements

For the year ended 31st December, 2001

22. SHARE CAPITAL

	Number of shares	Amount HK\$
Shares of HK\$0.10 each		
<i>Authorised:</i>		
At beginning and at end of the years 2000 and 2001	1,000,000,000	100,000,000
<i>Issued and fully paid:</i>		
At 1st January, 2000	338,000,000	33,800,000
Issue of shares upon the exercise of share options	12,640,000	1,264,000
At 31st December, 2000	350,640,000	35,064,000
Issue of shares upon the exercise of share options	2,810,000	281,000
At 31st December, 2001	353,450,000	35,345,000

23. SHARE OPTIONS

No share options were granted by the Company during the year. A summary of the movements in share options which were granted to certain eligible employees of the Group on 7th July, 2000 is as follows:

Date of grant	Number of share options			Outstanding at 31st December, 2001
	Outstanding at 1st January, 2001	Exercised during the year	Lapsed during the year	
7th July, 2000	20,460,000	(2,810,000)	(4,200,000)	13,450,000

Notes to the Financial Statements

For the year ended 31st December, 2001



24. RESERVES

	Share premium HK\$	Special reserve HK\$	Contributed surplus HK\$	Goodwill reserve HK\$	Exchange reserve HK\$	Retained profits HK\$	Total HK\$
THE GROUP							
At 1st January, 2000							
– as originally stated	63,413,280	(3,269,460)	–	(2,081,774)	580,895	252,892,191	311,535,132
– prior year adjustment (note 2)	–	–	–	–	–	12,844,000	12,844,000
– as restated	63,413,280	(3,269,460)	–	(2,081,774)	580,895	265,736,191	324,379,132
Exercise of share options	9,859,200	–	–	–	–	–	9,859,200
Net profit for the year	–	–	–	–	–	121,696,062	121,696,062
Dividends paid	–	–	–	–	–	(36,923,300)	(36,923,300)
At 31st December, 2000	73,272,480	(3,269,460)	–	(2,081,774)	580,895	350,508,953	419,011,094
Exchange differences arising on translation of financial statements of operations outside Hong Kong	–	–	–	–	162,206	–	162,206
Exercise of share options	2,191,800	–	–	–	–	–	2,191,800
Impairment loss recognised	–	–	–	1,075,904	–	–	1,075,904
Net profit for the year	–	–	–	–	–	102,452,008	102,452,008
Dividends paid	–	–	–	–	–	(52,792,800)	(52,792,800)
At 31st December, 2001	75,464,280	(3,269,460)	–	(1,005,870)	743,101	400,168,161	472,100,212
THE COMPANY							
At 1st January, 2000							
– as originally stated	63,413,280	–	105,369,000	–	–	16,055,824	184,838,104
– prior year adjustments							
– restatement of dividend receivable (note 2)	–	–	–	–	–	(15,000,000)	(15,000,000)
– restatement of dividend payable (note 2)	–	–	–	–	–	12,844,000	12,844,000
– as restated	63,413,280	–	105,369,000	–	–	13,899,824	182,682,104
Exercise of share options	9,859,200	–	–	–	–	–	9,859,200
Net profit for the year (restated)	–	–	–	–	–	36,289,643	36,289,643
Dividends paid	–	–	–	–	–	(36,923,300)	(36,923,300)
At 31st December, 2000	73,272,480	–	105,369,000	–	–	13,266,167	191,907,647
Exercise of share options	2,191,800	–	–	–	–	–	2,191,800
Net profit for the year	–	–	–	–	–	98,235,699	98,235,699
Dividends paid	–	–	–	–	–	(52,792,800)	(52,792,800)
At 31st December, 2001	75,464,280	–	105,369,000	–	–	58,709,066	239,542,346

Notes to the Financial Statements

For the year ended 31st December, 2001

24. RESERVES (Continued)

Special reserve represents the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital and the surplus account of Allied Power Inc., the subsidiary which was acquired by the Company pursuant to the group reorganisation in 1996.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of Allied Power Inc. at the date on which the group reorganisation became effective and the nominal amount of the share capital of the Company issued under the group reorganisation.

In addition to the retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, the 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 goodwill reserve at the balance sheet date comprises HK\$1,178,549 (2000: HK\$2,254,453) and HK\$172,679 (2000: HK\$172,679) in respect of goodwill and negative goodwill respectively.

25. LOAN FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount is unsecured, interest free and does not have fixed repayment terms. The minority shareholder has agreed not to demand repayment of this amount within the next twelve months from the balance sheet date and, accordingly, the amount is shown as non-current.

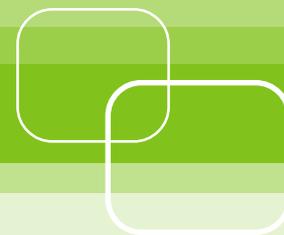
26. DEFERRED TAXATION

At the balance sheet date, the provision for deferred taxation liability was attributable to the excess of depreciation allowances claimed for tax purposes over accounting depreciation charged in the financial statements.

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

Notes to the Financial Statements

For the year ended 31st December, 2001



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

	2001 HK\$	2000 HK\$
Profit before taxation	109,913,790	126,778,139
Deficit arising on revaluation of an investment property	–	900,000
Depreciation and amortisation	45,488,940	40,798,661
Loss on disposal of property, plant and equipment	809,413	1,723,588
Impairment loss on goodwill	2,664,604	–
Interest income	(4,729,084)	(6,997,462)
Interest expenses	423,288	2,298,893
Dividend income from other investment	(70,303)	–
Decrease (increase) in inventories	10,376,565	(2,221,242)
Increase in debtors, deposits and prepayments	(6,503,284)	(20,563,889)
(Decrease) increase in creditors and accrued charges	(24,573,626)	14,546,301
Effect on foreign exchange rate changes	87,766	–
Net cash inflow from operating activities	133,888,069	157,262,989

28. ACQUISITION OF A SUBSIDIARY

	2001 HK\$	2000 HK\$
NET ASSETS ACQUIRED		
Property, plant and equipment	40,441	–
Inventories	709,304	–
Debtors, deposits and prepayments	415,094	–
Bank balances and cash	256,979	–
Creditors and accrued charges	(559,421)	–
Minority interests	(363,033)	–
	499,364	–
Satisfied by:		
Cash	499,364	–

Notes to the Financial Statements

For the year ended 31st December, 2001

28. ACQUISITION OF A SUBSIDIARY (Continued)

Net cash outflow arising on acquisition:

	2001 HK\$	2000 HK\$
Cash consideration paid	(499,364)	–
Bank balances and cash acquired	256,979	–
Net cash outflow arising on acquisition of a subsidiary	(242,385)	–

The subsidiary acquired during the year did not have any significant impact on the Group's cash flows or operating results.

29. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

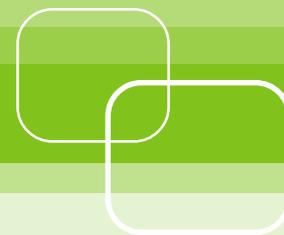
	Share capital and share premium HK\$	Bank loans HK\$
Balance at 1st January, 2000	97,213,280	4,158,878
Proceeds from issue of shares upon the exercise of share options	11,123,200	–
New bank loans raised	–	3,738,318
Repayment of bank loans	–	(4,158,878)
Balance at 31st December, 2000	108,336,480	3,738,318
Proceeds from issue of shares upon the exercise of share options	2,472,800	–
Repayment of bank loans	–	(3,738,318)
Balance at 31st December, 2001	110,809,280	–

30. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2001 HK\$	2000 HK\$
Bank balances and cash	147,934,192	132,595,366
Trust receipts and import loans	–	(213,925)
	147,934,192	132,381,441

Notes to the Financial Statements

For the year ended 31st December, 2001



31. MAJOR NON-CASH TRANSACTION

During the year ended 31st December, 2000, the following assets were acquired from the minority shareholder of a subsidiary (note 37) and the consideration was settled through a loan from the same minority shareholder:

	2001	2000
	HK\$	HK\$
Inventories	–	891,830
Property, plant and equipment	–	5,599,820
	–	6,491,650

32. RETIREMENT BENEFIT SCHEME

Prior to 1st December, 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 1st December, 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 contributions arising from the Defined Contribution Scheme and the MPF Scheme charged to the consolidated income statement represent contributions payable to the funds by the Group at rates specified in the rules of the schemes.

At the balance sheet date, there was no forfeited contributions available to reduce future contributions.

Notes to the Financial Statements

For the year ended 31st December, 2001

33. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

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

	THE GROUP	
	2001 HK\$	2000 HK\$
Within one year	10,554,392	2,176,893
In the second to fifth year inclusive	20,430,665	4,535,252
After five years	1,419,070	–
	32,404,127	6,712,145

Operating lease payments represent rentals payable by the Group for certain of its office, retail shops and other premises. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

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

The Group as lessor:

Property rental income earned during the year was HK\$477,623 (2000: nil). The properties held at the balance sheet date have committed tenants for an average term of two years.

	THE GROUP	
	2001 HK\$	2000 HK\$
Within one year	392,604	308,000
In the second to fifth year inclusive	355,472	616,000
	748,076	924,000

Notes to the Financial Statements

For the year ended 31st December, 2001



34. CAPITAL COMMITMENTS

	THE GROUP	
	2001 HK\$	2000 HK\$
Capital expenditure contracted for but not provided in the financial statements		
– buildings under construction	7,499,729	15,971,028
– leasehold improvements	1,816,996	742,034
– plant and machinery	3,439,059	3,937,410
– furniture, fixtures and equipment	36,180	563,416
	12,791,964	21,213,888

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

35. CONTINGENT LIABILITIES

	THE GROUP	
	2001 HK\$	2000 HK\$
Bills discounted with recourse	4,781,046	12,148,176

At 31st December, 2001, the Company had given corporate guarantees in favour of banks to secure general banking facilities to the extent of HK\$94,130,000 (2000: HK\$97,130,000) granted to its subsidiaries. Other than the bills discounted with recourse as stated above, these facilities were not utilised by the subsidiaries at 31st December, 2001 (2000: HK\$214,000).

Details of a corporate guarantee given by the Group in favour of the minority shareholder of a subsidiary are set out in note 37.

36. PLEDGE OF ASSETS

At 31st December, 2001, leasehold properties with an aggregate net book value amounting to approximately HK\$14,821,000 (2000: HK\$15,405,000) and bank deposits of approximately HK\$8,981,000 (2000: HK\$11,293,000) were pledged to banks to secure short term banking facilities granted to the Group.

Notes to the Financial Statements

For the year ended 31st December, 2001

37. RELATED PARTY TRANSACTIONS

	Notes	A minority shareholder of a subsidiary		A related company (note 3)	
		2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Sales of goods	1	–	–	6,171,117	688,788
Purchase of inventories	1	–	891,830	–	–
Purchase of property, plant and equipment	1	–	5,599,820	–	–
Loan from related party	2	6,491,650	6,491,650	–	–

Notes:

1. These transactions were carried out at prices agreed by the parties concerned.
2. The terms of the loan are set out in note 25.
3. The related company is a wholly owned subsidiary of the minority shareholder of a subsidiary.

In addition to the above, at 31st December, 2001, the Group had given a corporate guarantee in favour of the minority shareholder of a subsidiary to the extent of RMB1,020,000 (2000: RMB1,020,000) (approximately HK\$962,000 (2000: HK\$953,000)) in consideration of the guarantee given by this minority shareholder in favour of banks to secure general banking facilities to the extent of RMB2,000,000 (2000: RMB2,000,000) (approximately HK\$1,887,000 (2000: HK\$1,869,000)) granted to this subsidiary.

38. EVENT AFTER THE BALANCE SHEET DATE

Pursuant to an agreement dated 12th January, 2002 (the "Agreement") entered into among the Company, Universal Honour Developments Limited ("Universal Honour"), a substantial shareholder of the Company, and Templeton Strategic Emerging Markets Fund LDC ("Templeton"), Universal Honour has agreed to sell 28,500,000 shares of HK\$0.10 each in the Company at the price of HK\$1.70 per share to Templeton (the "Sale of Shares") and Universal Honour has conditionally agreed to subscribe for 18,500,000 new shares of HK\$0.10 each to be issued by the Company at the price of HK\$1.70 per share (the "Subscription of Shares").

The Sale of Shares and the Subscription of Shares were completed on 15th January, 2002 and 26th January, 2002 respectively.

The Company intends to use the net proceeds from the issue of new shares, which amounted to approximately HK\$31,000,000, for further expansion of the Group's distribution and retail network in the PRC.

Details of the above transactions have been disclosed in an announcement of the Company dated 14th January, 2002.

Notes to the Financial Statements

For the year ended 31st December, 2001



39. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31st December, 2001 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued ordinary shares/ contributed capital	Attributable equity interest of the Group		Principal activities
			Directly	Indirectly	
Allied Power Inc.	British Virgin Islands	C\$50,000	100%	–	Investment holding
Able Rich Enterprises Limited	British Virgin Islands	US\$1	–	100%	Investment holding
Argent Optical Manufactory Limited	Hong Kong/PRC	HK\$100,000	–	100%	Manufacture of optical frames
Artland Technology Limited	British Virgin Islands	US\$1	–	100%	Investment holding
Arts 1000 Optical Company Limited	British Virgin Islands/ PRC	US\$1	–	100%	Retailing of optical frames
Arts Optical Manufactory, Limited	Hong Kong	HK\$1,000,000	–	100%	Trading in optical frames
Atister Enterprises Limited	Hong Kong	HK\$30,000	–	100%	Trading in optical frames and investment holding
Business Executive Investment Limited	Hong Kong	HK\$2	–	100%	Investment holding
Champion Capital Industries Limited	Hong Kong	HK\$10,000	–	100%	Investment holding
Sin Dak Industrial Limited	Hong Kong	HK\$40,000	–	100%	Property holding
Stepper Limited	Hong Kong	HK\$100	–	51%	Trading in optical frames
深圳北方光學實業有限公司 (Shenzhen North Optical Industrial Company Limited)	PRC	HK\$17,675,600	–	51% (Note)	Manufacture of and trading in optical lenses

Note: The registered capital of this company is HK\$17,675,600. According to the latest official capital verification report dated 7th August, 2001, the amount of capital which has been verified amounting to HK\$17,675,600.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries, in the opinion of the directors, would result in particulars of excessive length.

None of the subsidiaries had any loan capital subsisting at 31st December, 2001 or at any time during the year.

Financial Summary

RESULTS

	Year ended 31st December,				2001 HK\$'000
	1997 HK\$'000	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000	
TURNOVER	313,088	408,823	469,806	602,542	547,012
PROFIT BEFORE TAXATION	64,962	69,375	87,137	126,778	109,914
TAXATION	(3,867)	(5,200)	(6,651)	(9,816)	(9,766)
PROFIT BEFORE MINORITY INTERESTS	61,095	64,175	80,486	116,962	100,148
MINORITY INTERESTS	–	–	(200)	(4,734)	(2,304)
NET PROFIT FOR THE YEAR	61,095	64,175	80,686	121,696	102,452

ASSETS AND LIABILITIES

	31st December,				2001 HK\$'000
	1997 HK\$'000	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000	
TOTAL ASSETS	316,106	370,448	468,351	581,629	607,503
TOTAL LIABILITIES	(48,735)	(56,562)	(102,607)	(124,723)	(99,266)
MINORITY INTERESTS	–	–	(7,565)	(2,831)	(792)
SHAREHOLDERS' FUNDS	267,371	313,886	358,179	454,075	507,445

Note: Certain comparative figures have been restated in order to reflect the effect of changes as a result of the adoption of SSAP 9 (Revised) "Events after the balance sheet date" pursuant to which dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date.