

# ***DIRECTORS' REPORT***

The directors present their annual report and the audited financial statements for the year ended March 31, 2003.

## **PRINCIPAL ACTIVITIES**

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

## **RESULTS AND APPROPRIATIONS**

The results and appropriations of the Group for the year ended March 31, 2003 are set out in the consolidated income statement on page 22.

An interim dividend of 4 Hong Kong cents per share amounting to HK\$9,873,000 and a special dividend of 2 Hong Kong cents per share amounting to HK\$4,937,000, were paid to the shareholders of the Company during the year. The directors now recommend a final dividend of 8 Hong Kong cents per share amounting to approximately HK\$19,747,000 to the shareholders of the Company whose names appear on the register of members on September 4, 2003 and the retention of the remaining profit for the year of approximately HK\$55,519,000.

## **MAJOR CUSTOMERS AND SUPPLIERS**

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 45% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 10% of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers during the year comprised less than 30% of the total purchases.

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

## **PROPERTY, PLANT AND EQUIPMENT**

Certain of the Group's land and buildings were revalued at March 31, 2003. The revaluation resulted in a surplus over their carrying amount of approximately HK\$72,000, which has been credited to the consolidated income statement.

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$69,498,000 to increase production capacity. Details of the acquisitions and other movements in property, plant and equipment of the Group during the year are set out in note 10 to the financial statements.

## **SHARE CAPITAL AND WARRANTS**

Details of movements in the share capital and warrants of the Company during the year are set out in notes 17 and 19 to the financial statements respectively.

# ***DIRECTORS' REPORT***

## **DIRECTORS**

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

### **Executive directors:**

Ku Ngai Yung, Otis (*Chairman*)

Ku Ka Yung (*Deputy Chairman*)

Ku Ling Wah, Phyllis

Tsang Wing Leung, Jimson

Cheung Chiu Hung

Chan Chi Sun

Ma Sau Ching

### **Non-executive director:**

Ku Yiu Tung

### **Independent non-executive directors:**

Lo Wa Kei, Roy

Lee Kwong Yiu

In accordance with Article 87 of the Company's bye-laws, Messrs. Ku Ka Yung, Cheung Chiu Hung and Lee Kwong Yiu will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All other remaining directors continue in office.

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

## **DIRECTORS' SERVICE CONTRACTS**

Each of the executive directors has entered into a service agreement with the Company. Each of Messrs. Ku Ngai Yung, Otis, Ku Ka Yung, Ku Ling Wah, Phyllis, Tsang Wing Leung, Jimson, Cheung Chiu Hung has entered into a service agreement with the Company for an initial term of two years commencing on May 1, 1999 and continuing thereafter until terminated by not less than three months' written notice served by either party.

Each of Messrs. Chan Chi Sun and Ma Sau Ching has entered into a service agreement with the Company for an initial term of two years commencing on December 14, 2001 and continuing thereafter until terminated by not less than three months' written notice served by either party.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a 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.

## SHARE OPTIONS

Particulars of the Company's share scheme are set out in note 18 to the financial statements.

The following table discloses movements in the Company's share options held by the directors during the year:

Directors	Option grant date	Number of share options		
		Outstanding at April 1, 2002	Exercised during the year	Outstanding at March 31, 2003
Ku Ngai Yung, Otis	March 3, 2000	3,600,000	–	3,600,000
Ku Ka Yung	March 3, 2000	3,600,000	–	3,600,000
Ku Ling Wah, Phyllis	March 3, 2000	3,600,000	(1,000,000)	2,600,000
Ma Sau Ching	June 11, 2001	1,000,000	(100,000)	900,000
		<u>11,800,000</u>	<u>(1,100,000)</u>	<u>10,700,000</u>

Details of each category of share options are as follows:

Date of grant	Exercise period	Exercise Price HK\$
March 3, 2000	March 3, 2000 – March 2, 2005	0.75
June 11, 2001	June 11, 2001 – June 10, 2006	0.92

No share option was granted by the Company during the year.

At the date of this report, the number of shares in respect of which share options had been granted and remained outstanding under the share option scheme was 10,700,000, representing 4.3% of the shares of the Company in issue.

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN SHARES

At March 31, 2003, the interests of directors and their associates in the shares of the Company (in addition to those already disclosed under section "Share Options" above) as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Number of shares	
	Personal interest	Other interest
Ku Ngai Yung, Otis	–	136,288,000 ( <i>Notes 1&amp;2</i> )
Ku Ka Yung	–	136,288,000 ( <i>Notes 1&amp;2</i> )
Ku Ling Wah, Phyllis	1,000,000	136,288,000 ( <i>Notes 1&amp;2</i> )
Cheung Chiu Hung	1,350,000	–
Tsang Wing Leung, Jimson	1,636,000	–
Chan Chi Sun	1,526,000 ( <i>Note 3</i> )	–
Ma Sau Ching	100,000	–

Note:

- (1) 136,288,000 ordinary shares were held by United Vision International Limited, which is ultimately and wholly-owned by The Vision Trust, a discretionary trust settled by Mr. Ku Ngai Yung, Otis and Mr. Ku Ka Yung, the discretionary objects of which include Mr. Ku Ngai Yung, Otis and his spouse, Mr. Ku Ka Yung and his spouse, Ms. Ku Ling Wah, Phyllis and their respective children who are under the age of 18.
- (2) United Vision International Limited has exercised its rights on September 10, 2002 to subscribe for 25,400,000 shares at the price of HK\$1.2 per share in the Company pursuant to a bonus issue of warrants to it by the Company on October 4, 2000.
- (3) Mr. Chan Chi Sun has exercised his rights on September 19, 2002 to subscribe for 20,000 shares at the price of HK\$1.2 per share in the Company pursuant to a bonus issue of warrants to him by the Company on October 4, 2000.

Other than the holdings disclosed above and the share option scheme of the Company described under the heading "Share Options" above, (a) at no time during the year was the Company, its holding 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; and (b) none of the directors, their spouses or children under the age of 18, had any right to subscribe for shares of the Company, or had exercised any such right during the year.

Save as disclosed above, none of the directors nor their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance as at March 31, 2003.

## CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company, its holding 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.

## **SUBSTANTIAL SHAREHOLDERS**

Other than the interests disclosed under the heading “Directors’ Interests In Shares” above, Value Partners Limited, which held 24,806,000 ordinary shares in the Company, is also interested in more than 10% of the issued share capital of the Company as at March 31, 2003 as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance.

## **PRE-EMPTIVE RIGHTS**

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

## **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.

## **CORPORATE GOVERNANCE**

Throughout the year ended March 31, 2003 the Company has complied 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.

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice throughout the accounting period covered by this report. During the year, the audit committee has reviewed with the management and the external auditors the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters, including the review of the interim and annual financial statements of the Group.

## **JOINT AUDITORS**

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu and KLL Associates CPA Limited (formerly known as K.L. Lee & Partners C.P.A. Limited) as joint auditors of the Company.

On behalf of the Board

*CHAIRMAN*

**Ku Ngai Yung, Otis**

Hong Kong, July 4, 2003