

Chairman's Statement



Ng Hoi Ying, Michael

RESULTS

2000 was a record year for the Group which reported its fifth full year results with consecutive growth since the shares of the Company were listed in 1996. The Group's consolidated turnover and net profit increased by 28% and 51% to HK\$602.5 million (1999: HK\$469.8 million) and HK\$121.7 million (1999: HK\$80.7 million) respectively in 2000. Basic earnings per share also increased by 50% to 35.8 cents (1999: 23.9 cents) in 2000.

DIVIDENDS

The Directors have resolved to recommend a final dividend of 7.0 cents per share for the year ended 31st December, 2000. Subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on 31st May, 2001, the final dividend will be payable on 11th June, 2001 to shareholders whose names appear on the Register of Members of the Company on 31st May, 2001.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 25th May, 2001 to 31st May, 2001, 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 24th May, 2001 in order to qualify for the final dividend abovementioned.



BUSINESS REVIEW AND PROSPECTS

Original design manufacturing (ODM) division

The robust economic performance of the export markets of the Group's products and the substantial investment made to increase the production capacity during 2000 provided the main momentum for the satisfactory growth of the ODM division. Sales to ODM customers increased by 28% to HK\$550.7 million (1999: HK\$431.6 million) in 2000. United States and Europe accounted for 48% and 40% respectively (1999: 55% and 34%) of the turnover of ODM division. As a result of the effects of economies of scale, implementation of cost control measures and further diversification into higher margin products, the gross margin improved in 2000.

Distribution division

2000 was the first year that the distribution arm of the Group in China reported its full year results. The joint venture with Rayner & Keeler Group, a prominent optical group in the United Kingdom, also commenced business in the last quarter of 2000. Turnover of the distribution business increased by 125% to HK\$30.1 million (1999: HK\$13.4 million) in 2000. Asia, in particular the greater China region, was the major market of the distribution division.

Retailing division

The Group continued to expand its retail network cautiously in China and operated a total of 21 retail outlets (1999: 13 outlets) in various major cities in China as at 31st December, 2000 (6 shops in Beijing, 2 shops in Nanjing, 8 shops in Shenzhen, 5 shops in Guangdong Province excluding Shenzhen). Business performance improved during 2000 because of the effects of economies of scale achieved in certain cities such as Beijing and Nanjing.

Financial position, liquidity and gearing

Despite substantial capital investment made by the Group in 2000, the financial position of the Group remained strong throughout the whole year. As at 31st December, 2000, the Group had a balance of cash and cash equivalents of HK\$132.4 million (1999: HK\$112.4 million). The current ratio of the Group as at 31st December, 2000 was 2.4 to 1 (1999: 2.6:1) with HK\$343.2 million (1999: HK\$294.1 million) of current assets and HK\$142.0 million (1999: HK\$114.7 million) of current liabilities. Stock and account receivables levels were closely monitored by the management.

As at 31st December, 2000, the Group had 350,640,000 shares (1999: 338,000,000 shares) in issue with a total shareholders' funds amounting to HK\$429.5 million (1999: HK\$345.3 million). Net asset value per share was HK\$1.22 (1999: HK\$1.02). 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 (1999: HK\$0.8 million) and 1.7% (1999: 0.2%) respectively.

The Group had limited exposure to foreign exchange rate fluctuations as most of its transactions, including borrowings, were conducted in United States dollars, Hong Kong dollars or Renminbi and the exchange rates of these currencies were relatively stable in 2000.

The Group believes that its cash reserves and future cash generated from its core operations will provide a solid base for it to pursue new investment opportunities and fund its capital expenditure and working capital requirements in 2001.

Pledge of assets

At 31st December, 2000, leasehold properties with an aggregate net book value amounting to approximately HK\$15,405,000 (1999: HK\$15,990,000) and bank deposits of approximately HK\$11,293,000 (1999: HK\$5,411,000) were pledged against certain current liabilities to banks to secure general banking facilities granted to the Group.



A man and a woman are featured in a promotional image for eyewear. The man, on the left, has dark hair and is wearing a black suit jacket over a dark shirt. He is wearing thin, clear-framed glasses and has his hands clasped in a thoughtful pose. The woman, on the right, is shown from the chest up, wearing a bright blue blazer over a white top. She is also wearing thin, clear-framed glasses and has a serious expression. The background is a solid, vibrant red. The text is centered in the middle of the image.

The fashion
on your eyes
in
2001

Contingent liabilities

As at 31st December, 2000, the Group had bills discounted with recourse amounting to HK\$12,148,176 (1999: HK\$21,368,360).

At 31st December, 2000, the Group had given a corporate guarantee in favour of a minority shareholder of a subsidiary to the extent of RMB1,020,000 (approximately HK\$953,000) (1999: Nil), in considerations of the guarantee given by this minority shareholder in favour of banks to secure general banking facilities to the extent of RMB2,000,000 (approximately HK\$1,869,000) (1999: Nil) granted to this subsidiary.

Employee and remuneration policies

As at 31st December, 2000, the Group employed approximately 5,160 full time staff in mainland China, Hong Kong and Europe. The Group remunerates its employees based on their performance, experience and prevailing market price 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

General

The world economy continues to show signs of slowing down since the second half of 2000. The Group believes that 2001 will be a year of consolidation for the businesses of the Group. The guiding principles will be the enhancement of efficiency and further diversification of products and markets while at the same time, maintaining financial stability so that the Group can be fully prepared to seize new investment opportunities when they arise.

Manufacturing

After the substantial increase in production capacity in 2000, the Group will focus on improving its production efficiency by implementing the Group's enterprises resources planning system, change in product mix to an increased proportion of higher margin products such as titanium frames and further integration between the manufacturing base in China and logistics functions in Hong Kong.

Chairman's Statement

China business expansion

With the impending entry of China into the World Trade Organization and the implementation of the Tenth Five-Year Plan, China will definitely be the most promising place for business expansion of the Group. The Group will continue to expand its distribution and retailing network to other major cities in China such as Shanghai. The Group believes that investments in China will not only provide a solid platform to capture the huge market potential there, but also at the same time cushion it against volatility in its export markets.

Further diversification

An agreement was reached in March, 2001 between the Group and Optical Dynamics Corporation, a company specializing in the research and development of ophthalmic lens fabrication systems in the United States. Pursuant to the agreement, the Group has been granted the exclusive right to manufacture and distribute patented ophthalmic lens fabrication systems and related products and materials in China, Russia and certain other countries in Asia. Production will start in the second half of the year.

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, 20th April, 2001