

The directors present their annual report and the audited financial statements for the year ended 31st December, 2000.

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, 2000 are set out in the consolidated income statement on page 19.

An interim dividend of 7.0 cents per share amounting to HK\$24,079,300 was paid to the shareholders of the Company during the year. The directors now recommend the payment of a final dividend of 7.0 cents per share amounting to HK\$24,544,800 to the shareholders of the Company whose names appear on the register of members on 31st May, 2001 and the retention of the remaining profit for the year.

FINANCIAL SUMMARY

A financial summary of the Group is set out on page 50.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 20 to the financial statements.

SHARE OPTIONS

Particulars of the Company's share option scheme for employees are set out in note 21 to the financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the financial statements.

INVESTMENT PROPERTY

The investment property of the Group was revalued as at 31st December, 2000 as set out in note 12 to the financial statements.

The resulting deficit arising on revaluation, which amounted to HK\$900,000, has been charged directly to the consolidated income statement.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately HK\$107,614,000 as a result of business expansion.

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 86(2), 87(1) and 87(2) of the Company's Bye-laws, Messrs. Kwong Kam Kwan Alex and Francis George Martin will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

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.

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' 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, 2000, 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	2,040,000	2,146,000	172,380,000 (<i>Note a</i>)
Ng Kim Ying	600,000	–	37,620,000 (<i>Note b</i>)
Lee Wai Chung	2,250,000	–	–
Chow Fu Kee, Felix	–	200,000	–

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, 2000, 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

Details of a share option scheme, under which the directors of the Company may be granted share options to subscribe for shares in the Company, are set out in note 21 to the financial statements.

During the year, certain directors of the Company were granted share options pursuant to the share option scheme. A summary of the movements in share options granted to the directors during the year is as follows:

Name of director	Date of grant	Balance at 1.1.2000	Number of share options		Balance at 31.12.2000
			Granted during the year	Exercised during the year	
Ng Hoi Ying, Michael	7th July, 2000	-	5,100,000	(2,040,000)	3,060,000
Ng Kim Ying	7th July, 2000	-	1,500,000	(600,000)	900,000
Lee Wai Chung	7th July, 2000	-	3,500,000	(1,400,000)	2,100,000

Save as disclosed 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, 2000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2000, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 32% of the Group's total turnover and the amount of turnover attributable to the Group's largest customer was approximately 9% of the Group's total turnover. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 42% of the Group's total purchases and the amount of purchases attributable to the Group's largest supplier was approximately 10% 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 suppliers.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the share options set out in note 21 to the financial statements, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31st December, 2000 and there has been no exercise of any 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.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2000 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 and other donations totalling HK\$29,800.

AUDITORS

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

On behalf of the Board
Ng Hoi Ying, Michael
Chairman

Hong Kong, 20th April, 2001