

# DIRECTORS' REPORT

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

## PRINCIPAL ACTIVITIES

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

## RESULTS AND APPROPRIATIONS

The results and appropriations of the Group for the year ended March 31, 2001 are set out in the consolidated income statement on page 18.

An interim dividend of 3.4 Hong Kong cents per ordinary share was paid during the year. The directors recommend a final dividend of 6.8 Hong Kong cents per ordinary share of the Company for the year ended March 31, 2001.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 47% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 15% of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers during the year comprised approximately 42% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 15% of the Group's 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 five largest suppliers or customers of the Group.

## RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 21 to the financial statements.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five years is set out on page 38.

## PROPERTY, PLANT AND EQUIPMENT

Certain of the Group's land and buildings were revalued at March 31, 2001. The revaluation resulted in a deficit below their carrying amount of approximately HK\$1,102,000, which has been charged to the consolidated income statement.

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$46,099,000 for the expansion of its production capacity. Details of this and other movements in the property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 18 to the financial statements.

## **DIRECTORS**

The directors of 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

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

Ku Yiu Tung  
Li, Leslie Wai Kit

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

Lo Wa Kei, Roy  
Lee Kwong Yiu (appointed on May 1, 2001)  
Chan Wing Kwan (resigned on May 1, 2001)

In accordance with Article 87 of the Company's bye-laws, Messrs. Ku Yiu Tung and Ku Ka Yung retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All other remaining directors continue in office. Also, in accordance with Article 86 (1) of the Company's bye-laws, Mr. Lee Kwong Yiu, who was appointed on May 1, 2001 to fill the vacancy left by Dr. Chan Wing Kwan's resignation which took effect on May 1, 2001, will offer for re-election as director at the coming annual general meeting of the Company.

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 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.

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.

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN SHARES

At March 31, 2001, the interests of directors and their associates in the ordinary shares of the Company 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 ordinary shares held as other interest	Number of ordinary shares held as personal interest
Ku Ngai Yung, Otis	122,388,000 ( <i>Notes</i> )	–
Ku Ka Yung	122,388,000 ( <i>Notes</i> )	–
Ku Ling Wah, Phyllis	122,388,000 ( <i>Notes</i> )	–
Cheung Chiu Hung	–	1,350,000
Tsang Wing Leung, Jimson	–	1,636,000

*Notes:*

- (1) 122,388,000 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 18 years of age.
- (2) In addition, United Vision International Limited is the holder of 25,400,000 warrants issued to it as a result of a bonus issue of warrants as set out in note 19 to the financial statements.

As at March 31, 2001, the following directors had interests recorded in the register kept under section 29 of the SDI Ordinance being options granted under the Company's share option scheme to subscribe for shares, details of which are set out in note 20 to the financial statements.

Name of director	Number of share options granted on March 3, 2000 and outstanding at March 31, 2001 (personal interests)
Ku Ngai Yung, Otis	3,600,000
Ku Ka Yung	3,600,000
Ku Ling Wah, Phyllis	3,600,000

*Note:* The options can be exercised at the price of HK\$0.75 per share at any time from the date of grant to the business date preceding the fifth anniversary of the date of grant. No share option was exercised during the year.

Other than the share option scheme described above and the 25,400,000 warrants issued to United Vision International Limited as set out in note 2 to the section "Directors' interest in shares" 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, 2001.

## **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**

At March 31, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that 122,388,000 ordinary shares of the Company were held by United Vision International Limited, the details of which are disclosed under the heading "Directors' Interests In Shares". Other than this interest, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital.

## **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.

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

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

## **CORPORATE GOVERNANCE**

None of the directors is aware of any information which would reasonably indicate that the Company is not, or was not for any part of the year ended March 31, 2001 in compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules.

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 financials of the Group.

## **JOINT AUDITORS**

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu and 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 20, 2001