

Report of the Directors

The directors have pleasure in submitting their annual report together with the audited accounts for the year ended 31 March 2001.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the Group are the design, manufacture, distribution and retailing of optical products.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in notes 2 and 3 on the accounts.

Subsidiaries

Particulars of the Company's subsidiaries at 31 March 2001 are set out in note 12 on the accounts.

Accounts

The profit of the Group for the year ended 31 March 2001 and the state of the Company's and the Group's affairs at that date are set out in the accounts on pages 25 to 67.

An interim dividend of HK2.4 cents (2000: HK2.2 cents) per share was paid on 16 March 2001. The directors recommend the payment of a final dividend of HK1.0 cent (2000: HK2.6 cents) per share in respect of the year ended 31 March 2001.

Fixed assets

Movements in fixed assets during the year are set out in note 11 on the accounts.

Bank loans and overdrafts

Particulars of bank loans and overdrafts of the Group at 31 March 2001 are set out in note 22 on the accounts.

Convertible notes

Particulars of convertible notes issued on 2 September 1999 and the details of amendments to the notes pursuant to a conditional supplementary agreement dated 5 February 2001 are set out in note 25 on the accounts.

Share capital

During the year, the Company issued 47,405,008 shares by way of scrip dividend. Movements in share capital during the year are set out in note 26 on the accounts.

Reserves

Details of movements in reserves are set out in note 27 on the accounts.

Interest capitalisation

Interest capitalised by the Group during the year amounted to HK\$3,637,000 (2000: HK\$1,323,000).

Customers and suppliers

For the financial year ended 31 March 2001, the largest customer and the largest five customers accounted for 10% (2000: 8%) and 35% (2000: 33%) of the Group's sales respectively while the largest supplier and the largest five suppliers represented 6% (2000: 5%) and 22% (2000: 19%) of the Group's purchases.

None of the directors, their associates or shareholders which to the knowledge of the directors own more than 5% of the Company's share capital has an interest in the customers or suppliers disclosed above.

Directors

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

Executive directors

Ma Bo Kee, *Chairman*
 Ma Bo Fung, *Vice Chairman*
 Ma Bo Lung, *Vice Chairman*
 Ma Lit Kin, *Cary, Managing Director*
 Ma Hon Kin, Dennis
 Wong Piu Lung, Peter
 Tong Ka Wai, Dicky

Non-executive directors

Ng Tai Chiu, David
 Chau Cham Son
 Lee Meow Chan, Derrick
 Knight Dean A
 Lee Kiu Wing, Kenneth (Appointed on 6 April 2000)
 Yu Kit Wai, Laetitia (Appointed on 6 April 2000)
 (Alternate director to
 Lee Kiu Wing, Kenneth)
 Poon Yick Pang, Philip (Appointed on 12 October 2000)
 (Alternate director to
 Lee Meow Chan, Derrick)
 Lee Sin Mei, Olivia (Appointed on 8 December 2000)
 Chan Wing Wah (Appointed on 16 July 2001)
 (Alternate director to
 Chau Cham Son)

In accordance with the Bye-laws of the Company, Messrs Knight Dean A, Lee Kiu Wing, Kenneth and Lee Sin Mei, Olivia, shall retire from office by rotation and, being eligible, offer themselves for re-election.

Report of the Directors

Directors' interests in shares

As at 31 March 2001, the beneficial interests of the directors in the shares of the Company (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register kept by the Company under Section 29 of the SDI Ordinance were as follows:

	Number of Ordinary Shares			
	Personal interests	Family interests	Corporate interests	Other interests
Ma Bo Kee	—	—	—	818,151,323 (note 1)
Ma Bo Fung	—	—	—	818,151,323 (note 1)
Ma Bo Lung	—	—	—	818,151,323 (note 1)
Ma Lit Kin, Cary	—	—	—	824,599,932 (note 2)
Ma Hon Kin, Dennis	41,921	—	—	824,220,601 (note 3)
Lee Sin Mei, Olivia	213,352	—	—	—

Notes:

1. These shares are owned by KFL Holdings Limited, the entire capital of which is held by BNP Jersey Trust Corporation Limited as trustee for the Ma Family Trust, a discretionary trust whose objects include Messrs Ma Bo Kee, Ma Bo Fung, Ma Bo Lung, Ma Lit Kin, Cary, Ma Hon Kin, Dennis and their family members.
2. 818,151,323 of these shares are held as note 1 above. In addition, 6,448,609 of these shares are held by United Will Holdings Limited for and on behalf of Mr Ma Lit Kin, Cary.
3. 818,151,323 of these shares are held as note 1 above. In addition, 6,069,278 of these shares are held by United Will Holdings Limited for and on behalf of Mr Ma Hon Kin, Dennis.

Saved as disclosed above and other than shares in subsidiaries held by the directors in trust for the Company, as at 31 March 2001, none of the directors or their respective associates had any interest in the share capital of the Company (within the meaning of the SDI Ordinance) as recorded in the register kept by the Company under Section 29 of the SDI Ordinance.

Directors' right to acquire shares

The directors of the Company had the following personal interests as at 31 March 2001 in shares options issued on 27 December 2000 to subscribe for shares of HK\$0.10 each in the Company, at a subscription price of HK\$0.62 per share, under the Share Option Scheme of the Company.

	Number of options outstanding
Ma Bo Kee	5,000,000
Ma Bo Fung	5,000,000
Ma Bo Lung	5,000,000
Ma Lit Kin, Cary	5,000,000
Ma Hon Kin, Dennis	3,000,000
Wong Piu Lung, Peter	3,000,000
Tong Ka Wai, Dicky	<u>3,000,000</u>
	<u><u>29,000,000</u></u>

The share options are exercisable in different periods under certain conditions as set out in note 26(b) on the accounts. No consideration has been received by the Company for the options granted.

None of the directors exercised their options to acquire shares during the year.

Saved as disclosed above, at no time during the year was the Company, its holding company or any of its subsidiary companies, a party to any arrangement to enable the directors of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial interests in the share capital of the Company

As at 31 March 2001, save for certain directors' interests in the share capital of the Company as disclosed above, no other person was recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance as having an interest of 10 % or more of the issued share capital of the Company.

Report of the Directors

Directors' interest in contracts

During the year, the Group sold four private residential properties, with an aggregate net book value of HK\$33,298,000, for an aggregate cash consideration of HK\$35,498,000, to Bold Motivation Investments Limited ("Bold Motivation"), a wholly-owned subsidiary of KFL Holdings Limited ("KFL"). The consideration is in excess of an estimated open market value. KFL is a substantial shareholder of the Group, and the entire capital of which is held by BNP Jersey Trust Corporation Limited as trustee for the Ma Family Trust. The beneficiaries of the Ma Family Trust include serving members of the board of directors of the Company and Bold Motivation. In addition, Mr Ma Hon Kin, Dennis is a substantial shareholder of the Company and Mr Ma Lit Kin, Cary is both a substantial shareholder of the Company and a director of Bold Motivation.

The directors consider that, having regard to the favourable sale price and prevailing conditions in the Hong Kong property market, it would be beneficial for the Group to dispose of the properties at a gain and to utilise the resulting sale proceeds for investing in and developing the Group's core business.

Saved as disclosed above, and connected transactions disclosed below, no contract of significance, to which the Company, its holding company or any of its subsidiary companies, was a party, in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Directors' service contracts

None of the directors have a service contract that is not determinable by the Company or any of its subsidiary companies within one year without payment of compensation, other than normal statutory obligations.

Waiver of directors' emoluments

During the year, Messrs Ma Bo Kee, Ma Bo Fung, Ma Bo Lung and Ma Lit Kin, Cary waived part of their emoluments amounting to HK\$5,000,000 (2000: HK\$3,917,000).

Connected transactions which are the subject of exemption under the Listing Rules

The Company has entered into guarantee agreements whereby the banking facilities granted by its bankers to non-wholly owned subsidiaries of the Group were guaranteed by the Company by ways of letters of guarantee issued in favour of the bankers. The details of the guarantees are as follows:

Date of agreement	Guaranteed amount HK\$'000	Non-wholly owned subsidiaries
26 November 1997	15,000	Bold Ware Optical (Metal) Manufactory Limited
13 May 2000	8,000	Creative Eyewear Limited
14 November 2000	35,000	Active Sino Group Limited Bold Ware Optical (Metal) Manufactory Limited
18 January 2001	30,000	Active Sino Group Limited Bold Ware Optical (Metal) Manufactory Limited Moulin Optical (Far East) Limited

Disclosure under practice note 19 to the Listing Rules

On 22 February 2001, the Group obtained a three year syndicated loan of HK\$400,000,000 of which HK\$200,000,000 is covered by a term loan facility and HK\$200,000,000 by a revolving credit facility. The purpose of the syndicated loan is to refinance the old syndicated loan facility, to finance the expansion of production facilities and the distribution business of the Group and to meet the Group's general working capital requirements.

According to the terms of the loan agreement, the controlling shareholder (including Mr Ma Bo Kee, his family members, close relatives, related trusts and companies controlled by him, his close relatives or related trusts) is required to maintain at least 40% interests, in aggregate, of the issued share capital of the Company. Breach of such obligation will cause a default in respect of the loan that is significant to the operations of the Group.

Purchase, sale or redemption of the Company's listed securities

Details of the Company's repurchase of its own shares during the year are set out in note 26(a) on the accounts. The purchase was made because the directors are of the opinion that the repurchase would enhance the net asset value per share of the Company.

Apart from the foregoing, there has been no purchase, sale or redemption by the Company or any of its subsidiary companies of the Company's securities during the year.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Bye-laws and the law in Bermuda.

Donations

Donations made by the Group during the year amounted to HK\$280,000 (2000: HK\$696,000).

Five year summary

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 7 of the annual report.

Compliance with the Code of Best Practice

The Company has complied throughout the year with paragraphs 1 to 14 of 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 except that the non-executive directors are not appointed for any specific term of office but are subject to retirement by rotation in accordance with the Bye-laws of the Company.

Auditors

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the board

Ma Bo Kee

Chairman

Hong Kong, 19 July, 2001