



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

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, 2001 are set out in the consolidated income statement on page 20.

An interim dividend of 8 cents per share amounting to HK\$28,248,000 was paid to the shareholders of the Company during the year. The directors now recommend the payment of a final dividend of 8 cents per share amounting to HK\$29,756,000 to the shareholders of the Company whose names appear on the register of members on 29th May, 2002 and the retention of the remaining profit for the year.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 22 to the financial statements.

SHARE OPTIONS

The Company's share option scheme was adopted at a special general meeting of the Company held on 24th October, 1996 (the "Share Option Scheme") for the primary purpose of providing incentives to the employees of the Group. Under the Share Option Scheme, the board of directors of the Company may, at its discretion, grant options to eligible employees, including executive directors, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than 80% of the average of the closing prices of the shares quoted on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of grant of the options or the nominal value of the shares, whichever is the higher. The Share Option Scheme will expire on 23rd October, 2006.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not exceed 10% of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25% of the maximum number of shares in respect of which options may be granted under the Share Option Scheme. HK\$1 is payable by each eligible employee upon acceptance of the share options.

Directors' Report

SHARE OPTIONS *(Continued)*

On 7th July, 2000, share options were granted under the Share Option Scheme to certain eligible employees of the Group to subscribe for 33,100,000 shares in the Company. These share options are exercisable between 7th July, 2000 and 23rd October, 2006 at an exercise price of HK\$0.88 per share as follows:

Exercisable period	Maximum % of share options exercisable
7th July, 2000 to 6th July, 2001	Up to 40%
After 6th July, 2001	Up to 50%
After 6th July, 2002	Up to 60%
After 6th July, 2003	Up to 70%
After 6th July, 2004	Up to 80%
After 6th July, 2005	Up to 100%

No share options were granted by the Company during the year. A summary of the movements in share options which were granted to certain eligible employees of the Group on 7th July, 2000 is as follows:

	Outstanding at 1st January, 2001	Number of share options Exercised during the year	Lapsed during the year	Outstanding at 31st December, 2001
Category: Directors				
Ng Hoi Ying, Michael	3,060,000	(510,000)	–	2,550,000
Ng Kim Ying	900,000	(150,000)	–	750,000
Lee Wai Chung	2,100,000	(350,000)	–	1,750,000
	6,060,000	(1,010,000)	–	5,050,000
Category: Employees				
	14,400,000	(1,800,000)	(4,200,000)	8,400,000
Total all categories	20,460,000	(2,810,000)	(4,200,000)	13,450,000

As at the date of the directors' report, the total number of shares available for issue under the Share Option Scheme is 6,750,000, representing 1.8% of the shares of the Company in issue at that date.



RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 24 to the financial statements.

INVESTMENT PROPERTY

The investment property of the Group was revalued as at 31st December, 2001 as set out in note 12 to the financial statements. There was no surplus or deficit arising on revaluation of the investment property as at 31st December, 2001.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately HK\$57,555,000.

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 87(1) and 87(2) of the Company's Bye-laws, Mr. Ng Kim Ying will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

The director being proposed for re-election at the forthcoming annual general meeting does not have any 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' Report

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, 2001, 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	2,550,000	6,682,000	172,380,000 <i>(Note a)</i>
Ng Kim Ying	750,000	–	37,620,000 <i>(Note b)</i>
Lee Wai Chung	2,050,000	–	–

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, 2001, 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

Other than the Share Option Scheme disclosed under the heading "Share Options" 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, 2001.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2001, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 31% of the Group's total turnover and the amount of turnover attributable to the Group's largest customer was approximately 10% of the Group's total turnover. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 30% of the Group's total purchases and the amount of purchases attributable to the Group's largest supplier was approximately 9% 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 customers or suppliers.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the Share Option Scheme and the exercise of share options during the year disclosed under the heading "Share Options" above, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31st December, 2001 and there has been no exercise of any other 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.

Directors' Report

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2001 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 donations totalling HK\$17,500.

EVENT AFTER THE BALANCE SHEET DATE

Details of a significant event after the balance sheet date are set out in note 38 to the financial statements.

AUDITORS

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

On behalf of the Board

Ng Hoi Ying, Michael

Chairman

Hong Kong, 12th April, 2002