

# Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st December, 2002.

## 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, 2002 are set out in the consolidated income statement on page 20.

An interim dividend of 8 cents per share amounting to HK\$29,953,000 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\$29,953,000 to the shareholders of the Company whose names appear on the register of members on 28th May, 2003 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 21 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. Particulars of the Share Option Scheme are set out in note 22 to the financial statements.

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## SHARE OPTIONS *(Continued)*

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:

	Number of share options		
	Outstanding at 1st January, 2002	Exercised during the year	Outstanding at 31st December, 2002
Category: Directors			
Ng Hoi Ying, Michael	2,550,000	(510,000)	2,040,000
Ng Kim Ying	750,000	(150,000)	600,000
Lee Wai Chung	1,750,000	(350,000)	1,400,000
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	5,050,000	(1,010,000)	4,040,000
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Category: Employees	8,400,000	(1,450,000)	6,950,000
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Total all categories	13,450,000	(2,460,000)	10,990,000

As at the date of the director's report, the number of shares available for issue in respect of 10,990,000 shares options outstanding is 10,990,000 shares, which represented 2.9% of issued share capital. Pursuant to the amendments to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), no further share options may be granted under the Share Option Scheme. A resolution will be proposed in the forthcoming annual general meeting that the existing Share Option Scheme be terminated and that a new share option scheme be adopted.

## RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 23 to the financial statements.

## INVESTMENT PROPERTY

The investment property of the Group was revalued as at 31st December, 2002 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, 2002.

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## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately HK\$49,012,000.

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

Francis George Martin

In accordance with Clauses 87(1) and 87(2) of the Company's Bye-laws, Mr. Lee Wai Chung will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

A resolution will be proposed in the forthcoming annual general meeting to appoint Ms. Hui Pui Woon as an executive director of the Company.

The directors being proposed for re-election or appointment at the forthcoming annual general meeting do 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' 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.

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## DIRECTORS' INTERESTS IN SHARES

At 31st December, 2002, 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	816,000	36,682,000	151,000,000 (Note a)
Ng Kim Ying	150,000	–	18,500,000 (Note b)
Lee Wai Chung	1,000,000	–	–

Notes:

- (a) These shares are held by Ratagan International Company Limited ("Ratagan"). The entire issued share capital of Ratagan is held by Newcourt Trustees 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 Newcourt Trustees 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, 2002, 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, 2002.

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## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2002, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 38% of the Group's total turnover and the amount of turnover attributable to the Group's largest customer was approximately 12% of the Group's total turnover. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 35% of the Group's total purchases and the amount of purchases attributable to the Group's largest supplier was approximately 11% 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 and in note 22 to the financial statements, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31st December, 2002 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.

## CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2002 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 and Francis George Martin, both of whom are independent non-executive directors of the Company. During the year, three Committee meetings were held and 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. All the Committee members attended these three meetings.

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## **CORPORATE GOVERNANCE** *(Continued)*

A Remuneration Committee was established in 2003 and currently comprises Messrs. Francis George Martin and Kwong Kam Kwan Alex, both of whom are independent non-executive directors of the Company. The duties of the Remuneration Committee include the determination of remuneration of executive directors and review of remuneration policy of the Group.

## **DONATIONS**

During the year, the Group made charitable donations totalling HK\$10,000.

## **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, 9th April, 2003