

directors' report

The directors present their annual report and the audited financial statements for the year ended March 31, 2004.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results and appropriations of the Group for the year ended March 31, 2004 are set out in the consolidated income statement on page 23 to the financial statements.

An interim dividend of 4 Hong Kong cents per share amounting to HK\$9,890,000 and a special dividend of 2.5 Hong Kong cents per share amounting to HK\$6,181,000 were paid to the shareholders of the Company during the year. The directors now recommend a final dividend of 8.1 Hong Kong cents per share amounting to approximately HK\$20,026,000 to the shareholders of the Company whose names appear on the register of members on September 3, 2004 and the retention of the remaining profit for the year of approximately HK\$56,342,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 42% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 14% of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers during the year were less than 30% of the 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 Group's five largest customers.

PROPERTY, PLANT AND EQUIPMENT

Certain of the Group's land and buildings were revalued at March 31, 2004. The revaluation resulted in a surplus over their carrying amount of approximately HK\$72,000, which has been credited to the consolidated income statement.

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$44,757,000 to increase production capacity. Details of this and other movements in property, plant and equipment of the Group during the year are set out in note 10 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 17 and 19 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
Chan Chi Sun
Ma Sau Ching

Non-executive directors:

Ku Yiu Tung

Independent non-executive directors:

Lo Wa Kei, Roy
Lee Kwong Yiu

In accordance with Article 87 of the Company's bye-laws, Messrs. Ku Yiu Tung, Chan Chi Sun and Ms. Ma Sau Ching will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All other remaining directors continue in office.

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. Each of Messrs. Ku Ngai Yung, Otis, Ku Ka Yung, Tsang Wing Leung, Jimson, Cheung Chiu Hung and Ms. Ku Ling Wah, Phyllis 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.

Each of Mr. Chan Chi Sun and Ms. Ma Sau Ching has entered into a service agreement with the Company for an initial term of two years commencing on December 14, 2001 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.

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SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 18 to the financial statements.

The following table discloses movements in the Company's share options held by the directors during the year:

Directors	Option grant date	Number of share options		
		Outstanding at April 1, 2003	Exercised during the year	Outstanding at March 31, 2004
Ku Ngai Yung, Otis	March 3, 2000	3,600,000	–	3,600,000
Ku Ka Yung	March 3, 2000	3,600,000	–	3,600,000
Ku Ling Wah, Phyllis	March 3, 2000	2,600,000	–	2,600,000
Ma Sau Ching	June 11, 2001	900,000	(400,000)	500,000
		<u>10,700,000</u>	<u>(400,000)</u>	<u>10,300,000</u>

Details of each category of options are as follows:

Option grant date	Exercise period	Exercise Price HK\$
March 3, 2000	March 3, 2000 – March 2, 2005	0.75
June 11, 2001	June 11, 2001 – June 10, 2006	0.92

No share option was granted by the Company during the year.

At the date of this report, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme was 10,300,000, representing 4.17% of the shares of the Company in issue.



DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At March 31, 2004, the interests and short position of the Directors and chief executives of the Company in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

1. Shares in the Company (Long Position)

Director	Personal interest	Number of shares Other interest	Total	Percentage of issued share capital
Ku Ngai Yung, Otis	–	136,288,000 (Note)	136,288,000	55.12%
Ku Ka Yung	–	136,288,000 (Note)	136,288,000	55.12%
Ku Ling Wah, Phyllis	1,000,000	136,288,000 (Note)	137,288,000	55.53%
Tsang Wing Leung, Jimson	1,636,000	–	1,636,000	0.66%
Cheung Chiu Hung	1,350,000	–	1,350,000	0.55%
Chan Chi Sun	1,526,000	–	1,526,000	0.62%
Ma Sau Ching	200,000	–	200,000	0.08%

Note: 136,288,000 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 the age 18.

2. Underlying Shares in the Company (Share Options)

Details of the share options held by the Directors and chief executive of the Company are shown in the preceding section under the heading "Share Options".

Save as disclosed above, as at March 31, 2004, none of the Director or chief executive had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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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

As at March 31, 2004, the following parties (other than those disclosed under the heading "Directors' Interests in Shares, Underlying Shares and Debentures" above) were recorded in the register required to be kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company:

Name	Number of Shares	Percentage of Issued Share Capital
Value Partners Limited	19,870,000 (Note)	8.04%
J.P. Morgan Chase & Co.	14,638,000	5.92%

Note: As at March 31, 2004, Value Partners Limited was controlled by Mr. Cheah Cheng Hye, and under the SFO Mr. Cheah was therefore deemed to be interested in the shares held by Value Partners Limited.

All the interests stated above represent long position. Save as disclosed above, as at March 31, 2004, the register maintained by the Company pursuant to Section 336 of the SFO recorded no other interests or short positions in shares or underlying shares of the Company.

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 purchased, sold or redeemed any of the Company's listed shares during the year.



CORPORATE GOVERNANCE

The Company has complied throughout the year ended March 31, 2004 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.

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. The audit committee comprises of two members, Messrs. Lo Wa Kei, Roy and Lee Kwong Yiu, both are independent non-executive directors. 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 financial statements of the Group.

JOINT AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu and KLL Associates CPA Limited as joint auditors of the Company.

On behalf of the Board

CHAIRMAN

Ku Ngai Yung, Otis

Hong Kong, July 9, 2004