



ARTS  
INTERIM REPORT 2024  
GROUP

Arts Optical International Holdings Limited  
(Incorporated in Bermuda with limited liability)  
Stock Code : 1120





Management Discussion and Analysis	<b>2</b>	Condensed Consolidated Statement of Cash Flows	<b>13</b>
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	<b>7</b>	Notes to the Condensed Consolidated Financial Statements	<b>14</b>
Condensed Consolidated Statement of Financial Position	<b>10</b>	Supplementary Information	<b>38</b>
Condensed Consolidated Statement of Changes in Equity	<b>12</b>	Corporate Information	<b>42</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Profitability analysis

The Group's consolidated revenue increased by 7% to HK\$606.4 million (2023: HK\$566.4 million) for the six months ended 30 June 2024 (the "Reporting Period"). During the Reporting Period, the Group recorded a net profit attributable to owners of the Company of HK\$2.5 million and earnings per share of 0.64 HK cents respectively (2023: HK\$21.7 million and 5.61 HK cents respectively).

The Board considers that the reasons for the decrease in consolidated net profit attributable to owners of the Company were mainly due to the following:

- the Group's gross profit ratio decreased from 30.2% in the first six months of 2023 to 28.4% in the first six months of 2024, resulting from serious price reduction pressure from original design manufacturing ("ODM") customers;
- the Group recognised a substantial fair value loss of HK\$4.0 million on revaluation of investment properties for the Reporting Period, in view of current property market trend in Hong Kong. This is compared to the fair value loss on revaluation of investment properties recorded for the corresponding period in 2023, which was HK\$0.7 million;
- the Group's share of profit from the associate company decreased significantly from HK\$9.2 million for the corresponding period in 2023 to HK\$4.2 million for the Reporting Period due to selling price competition; and
- a significant increase in staff costs, promotion and exhibition expenses for the development of the lens business in China and Southeast Asia markets.

### ODM division

Revenue generated by the ODM division contributed 69% to the consolidated revenue of the Group for the Reporting Period (2023: 70%). Sales to ODM customers increased by 5% from HK\$398.1 million in the first six months of 2023 to HK\$419.0 million in the first six months of 2024. The increase in revenue was mainly driven by significant growth in the Asian market by 80%, as a result of our successful marketing strategies during the Reporting Period. Geographically, sales to Europe, the United States (the "US"), Asia and other regions accounted for 49%, 25%, 25% and 1% respectively (2023: 61%, 23%, 15% and 1% respectively) of the revenue of the ODM division during the Reporting Period. The Group continued to maintain a fairly balanced sales mix between prescription frames and sunglasses. Sales of prescription frames, sunglasses and spare parts accounted for 44%, 50% and 6% of the revenue generated by the ODM division respectively during the Reporting Period (2023: 42%, 52% and 6% respectively).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Distribution division

The Group's house brand and licensed brand products were sold to retailers through the Group's wholesale arms in the United Kingdom, France, South Africa, Mainland China, Germany, Italy and Malaysia, and to independent distributors in other countries. Revenue for the distribution division increased moderately by 8% to HK\$140.3 million (2023: HK\$129.7 million) and accounted for 23% (2023: 23%) of the consolidated revenue during the Reporting Period. Sales to Europe, the US, Asia and other regions accounted for 64%, 11%, 13% and 12% respectively of the revenue of the distribution division during the Reporting Period (2023: 69%, 9%, 10% and 12% respectively). Sales to Asia increased significantly by 37% as compared to the same period last year, as a result of our marketing efforts in Asia, especially in Mainland China during the Reporting Period. The growth in sales was mainly generated from our own distributors in the United Kingdom and Mainland China during the Reporting Period. STEPPER, the German brand owned by the Group, continued to be the most popular brand in our distribution division.

## Lens division

Revenue for the lens division was HK\$47.1 million (2023: HK\$38.6 million) and accounted for 8% (2023: 7%) of the consolidated revenue during the Reporting Period. Sales increased significantly by 22% as compared to the same period last year, mainly because the Group further invested in expanding the production facilities at our lens factory in the second half of 2023. At the moment, the revenue for the lens division is generated almost entirely from Asia and the Group plans to gradually expand its lens business to other regions.

## Financial position and liquidity

### Cash flows

The Group recorded a net cash inflow from operating activities of HK\$28.2 million during the Reporting Period (2023: HK\$59.1 million) and which was mainly resulted from cash flow derived from the net profit for the Reporting Period. The net cash position of the Group (being the short-term bank deposits, bank balances and cash less bank borrowings) decreased from HK\$136.1 million as at 31 December 2023 to HK\$72.4 million as at 30 June 2024. The decrease in net cash position was mainly due to the purchase of property, plant and equipment of HK\$73.2 million and the payment of dividends of HK\$19.3 million to shareholders of the Company.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Working capital management

In contrast to the increase in revenue during the Reporting Period, both of the inventory balance and total amount of trade debtors and bills receivable balances decreased by 7% and 14% respectively from HK\$181.4 million and HK\$353.9 million as at 31 December 2023 to HK\$169.2 million and HK\$303.7 million as at 30 June 2024. The reasons behind were that the Group had tightened control over inventory levels and collections from trade debtors. Debtors turnover period (being the ratio of the total of trade debtors and bills receivable to revenue) decreased from 105 days for the six months ended 30 June 2023 to 91 days for the Reporting Period. There was no sign of deterioration in collecting payments from trade debtors as compared to the corresponding period in last year. On the other hand, inventory turnover period (being the ratio of inventory balances to cost of sales) increased from 63 days for the six months ended 30 June 2023 to 71 days for the Reporting Period. The current ratio (being the ratio of total current assets to total current liabilities) of the Group remained stable at 1.1 as at 30 June 2024 compared to 1.2 as at 31 December 2023.

## Gearing position

The Group's gearing position remained low throughout the Reporting Period. The debt-to-equity ratio (expressed as a percentage of non-current liabilities over equity attributable to owners of the Company) remained low at around 6% as at 30 June 2024 and 31 December 2023. The non-current liabilities of the Group comprised mainly deferred taxation which amounted to HK\$26.8 million as at 30 June 2024 (31 December 2023: HK\$25.2 million).

## Net asset value

The Company had 386,263,374 shares in issue as at both 30 June 2024 and 31 December 2023 with equity attributable to owners of the Company of HK\$516.8 million and HK\$541.9 million as at 30 June 2024 and 31 December 2023 respectively. Net asset value per share (being the equity attributable to owners of the Company divided by the total number of shares in issue) as at 30 June 2024 was HK\$1.34 (31 December 2023: HK\$1.40).

## Contingent liabilities

As at 30 June 2024, the Group did not have significant contingent liabilities (31 December 2023: nil).

## Charges on the Group's assets

As at 30 June 2024, the Group's investment properties and leasehold land and buildings pledged as security for the Group's bank borrowings amounted to HK\$20.0 million (31 December 2023: HK\$16.5 million). Details of bank borrowings are set out in note 15 to the unaudited condensed consolidated financial statements.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Foreign currency exposure

The Group was exposed to the fluctuation of Renminbi against both United States dollar and Hong Kong dollar. Save for the above, the Group had limited exposure to foreign exchange rate fluctuations as most of its transactions were conducted in either United States dollars, Hong Kong dollars or Renminbi. The Group noted that there was potential exposure to the change in the value of the Renminbi yet the range of movement was relatively limited. The Group continues to manage foreign exchange risk by closely monitoring the movements of the foreign currency rates and enters into forward contracts whenever appropriate.

## PROSPECTS

### Market outlook

Same as the last year in the corresponding period under review, the global economy has been facing continued volatility and uncertainty due to military conflicts in both Europe and the Middle East, as well as the trade tensions between the US and Mainland China. Meanwhile, pricing pressure from ODM customers is expected to remain tough throughout 2024 because of the additional supply from production plants which have been built in various Southeast Asian countries since 2023 as requested by the customers from the US and Europe to the manufacturers. As a result, the management expects that the business environment for eyewear industry of the ODM division will be very tough and challenging in the next few years.

On the other hand, the higher profit margins of the distribution and lens divisions demonstrate their growing importance to the future development of the Group. The Group had observed that there will be a tremendous growth of business opportunities in the Asia region. Therefore, the Group will increase its resources either through establishing its own network or forming joint ventures with strategic distribution partner(s) in the Asia region.

## IMPORTANT EVENTS AFTER THE END OF THE FINANCIAL PERIOD

Save as disclosed herein, there are no important events affecting the Group which have occurred after the end of financial period for the six months ended 30 June 2024 and up to the date of this report.

## FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL EXPENDITURE

As at 30 June 2024, the Group had capital commitments of HK\$163.8 million. Details of capital commitments are set out in note 17 to the unaudited condensed consolidated financial statements. Save as disclosed in capital commitments, as of the date of this report, the Group did not have plans for material investments and capital expenditure.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2024, the Group employed approximately 3,600 (31 December 2023: 3,700) full time staff in Mainland China, Hong Kong, Europe, Southeast Asia and South Africa. The Group remunerates its employees based on their performance, experience, qualifications and prevailing market salaries while performance bonuses are granted on a discretionary basis after considering individual performance and the operating results of the Group. Other employee benefits include insurance and medical coverage, subsidised educational and training programmes as well as provident fund schemes.

**Ng Hoi Ying, Michael**

*Chairman*

Hong Kong, 29 August 2024



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Unaudited Six months ended 30 June	
		2024 HK\$'000	2023 HK\$'000
<b>Revenue</b>	4	<b>606,394</b>	566,454
Cost of sales		<b>(434,355)</b>	(395,227)
<b>Gross profit</b>		<b>172,039</b>	171,227
Other income		<b>12,865</b>	14,993
Other gains and losses		<b>(4,737)</b>	(5,303)
Impairment loss		<b>(73)</b>	(460)
Distribution and selling expenses		<b>(25,086)</b>	(20,984)
Administrative expenses		<b>(146,392)</b>	(136,375)
Other expenses		<b>(663)</b>	(457)
Profit from operations		<b>7,953</b>	22,641
Finance costs	5	<b>(989)</b>	(329)
Share of profit of an associate		<b>4,158</b>	9,248
Share of loss of joint ventures		<b>(31)</b>	–
<b>Profit before tax</b>		<b>11,091</b>	31,560
Income tax expense	6	<b>(5,557)</b>	(7,063)
<b>Profit for the period</b>	7	<b>5,534</b>	24,497

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
<b>Other comprehensive (expense)/income after tax:</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(6,223)	12,518
Exchange differences arising on translation of an associate	(2,332)	1,137
Exchange differences arising on translation of joint ventures	(20)	–
Realisation of exchange reserve upon deregistration of a subsidiary	–	(95)
Realisation of exchange reserve upon disposal of an equity investment at fair value through other comprehensive income (“FVTOCI”)	–	(14)
	<hr/>	<hr/>
<b>Other comprehensive (expense)/income for the period, net of tax</b>	<b>(8,575)</b>	<b>13,546</b>
	<hr/>	<hr/>
<b>Total comprehensive (expense)/income for the period</b>	<b>(3,041)</b>	<b>38,043</b>
	<hr/>	<hr/>

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Unaudited	
	Six months ended 30 June	
	2024	2023
Note	HK\$'000	HK\$'000
<b>Profit for the period attributable to:</b>		
Owners of the Company	<b>2,460</b>	21,675
Non-controlling interests	<b>3,074</b>	2,822
	<b>5,534</b>	24,497
<b>Total comprehensive (expense)/income for the period attributable to:</b>		
Owners of the Company	<b>(5,369)</b>	34,329
Non-controlling interests	<b>2,328</b>	3,714
	<b>(3,041)</b>	38,043
	<b>HK cents</b>	HK cents
<b>Earnings per share</b>		
Basic and diluted	9 <b>0.64</b>	5.61

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Investment properties	10	74,160	78,160
Property, plant and equipment	11	337,185	303,977
Deposits paid for acquisition of property, plant and equipment		15,809	16,295
Intangible assets		15,739	17,901
Goodwill		26,410	26,763
Investment in an associate	12	58,359	56,864
Investments in joint ventures		1,263	1,314
Equity investments at FVTOCI		7,694	7,694
Deferred tax assets		19,593	20,194
		<b>556,212</b>	529,162
<b>Current assets</b>			
Inventories		169,181	181,374
Debtors, deposits and prepayments	13	394,236	412,677
Tax recoverable		354	647
Short-term bank deposit		1,121	1,121
Bank balances and cash		123,530	151,563
		<b>688,422</b>	747,382
<b>Current liabilities</b>			
Creditors and accrued charges	14	525,405	569,300
Contract liabilities		13,477	13,249
Refund liabilities		3,016	3,016
Consideration payable	12	556	–
Lease liabilities		2,415	3,624
Bank borrowings	15	52,255	16,545
Tax liabilities		7,971	8,219
		<b>605,095</b>	613,953
<b>Net current assets</b>		<b>83,327</b>	133,429
<b>Total assets less current liabilities</b>		<b>639,539</b>	662,591

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		Unaudited 30 June 2024 <i>HK\$'000</i>	Audited 31 December 2023 <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Consideration payable	12	–	556
Lease liabilities		<b>3,612</b>	4,981
Deferred tax liabilities		<b>26,829</b>	25,246
		<b>30,441</b>	30,783
<b>NET ASSETS</b>		<b>609,098</b>	631,808
<b>Capital and reserves</b>			
Share capital	16	<b>38,626</b>	38,626
Reserves		<b>478,177</b>	503,297
Equity attributable to owners of the Company		<b>516,803</b>	541,923
Non-controlling interests		<b>92,295</b>	89,885
<b>TOTAL EQUITY</b>		<b>609,098</b>	631,808

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Other reserve	Exchange reserve	Financial assets at FVTOCI reserve	Property revaluation reserve	Retained profits	Sub-total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2023 (audited)	38,626	118,706	(3,269)	4,704	35,860	-	39,436	285,154	519,217	86,732	605,949
Total comprehensive income for the period (unaudited)	-	-	-	-	12,654	-	-	21,675	34,329	3,714	38,043
Dividends paid to owners of the Company (unaudited)	-	-	-	-	-	-	-	(38,626)	(38,626)	-	(38,626)
Acquisition of additional interests in a subsidiary (unaudited)	-	-	-	(223)	-	-	-	-	(223)	56	(167)
Deregistration of a subsidiary (unaudited)	-	-	-	-	-	-	-	-	-	(1,479)	(1,479)
Changes in equity for the period (unaudited)	-	-	-	(223)	12,654	-	-	(16,951)	(4,520)	2,291	(2,229)
At 30 June 2023 (unaudited)	38,626	118,706	(3,269)	4,481	48,514	-	39,436	268,203	514,697	89,023	603,720
At 1 January 2024 (audited)	38,626	118,706	(3,269)	4,202	48,336	(1,838)	39,436	297,724	541,923	89,885	631,808
Total comprehensive (expense)/income for the period (unaudited)	-	-	-	-	(7,829)	-	-	2,460	(5,369)	2,328	(3,041)
Dividends paid to owners of the Company (unaudited)	-	-	-	-	-	-	-	(19,313)	(19,313)	-	(19,313)
Acquisition of additional interests in a subsidiary (unaudited)	-	-	-	(438)	-	-	-	-	(438)	(152)	(590)
Contributions from non-controlling shareholders in respect of incorporation of a subsidiary (unaudited)	-	-	-	-	-	-	-	-	-	234	234
Changes in equity for the period (unaudited)	-	-	-	(438)	(7,829)	-	-	(16,853)	(25,120)	2,410	(22,710)
At 30 June 2024 (unaudited)	38,626	118,706	(3,269)	3,764	40,507	(1,838)	39,436	280,871	516,803	92,295	609,098

## Notes:

- (a) Special reserve represents the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital and the surplus account of Allied Power Inc. pursuant to the group reorganisation in 1996.
- (b) Other reserve arose from the acquisition of additional interests in subsidiaries from non-controlling interests and the disposal of partial interests in subsidiaries to non-controlling interests and third parties without losing control.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>28,223</b>	59,145
Acquisition of further interests in a subsidiary	(590)	(167)
Proceed from disposal of equity investment at FVTOCI	–	185
Purchase of property, plant and equipment	(73,243)	(6,169)
Proceeds from disposal of property, plant and equipment	7,348	1,690
Interest received	242	664
Placement of short-term bank deposits	–	(1,161)
Withdrawal of short-term bank deposits	–	1,156
Deposits paid for acquisition of property, plant and equipment	–	(25,127)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(66,243)</b>	(28,929)
Cash dividends paid to owners of the Company	(19,313)	(38,626)
Contributions from non-controlling shareholders in respect of incorporation of a subsidiary	234	–
Payments to non-controlling shareholders in respect of deregistration of a subsidiary	–	(1,479)
New bank borrowings raised	61,715	3,000
Interest paid on bank borrowings	(760)	(99)
Interest paid on lease liabilities	(229)	(230)
Repayments of bank borrowings	(26,005)	(5,247)
Repayments of lease liabilities	(2,603)	(2,472)
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>13,039</b>	(45,153)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(24,981)</b>	(14,937)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>151,563</b>	189,710
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>(3,052)</b>	1,334
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>123,530</b>	176,107

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements should be read in conjunction with the 2023 annual financial statements. Except as described below, the accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2023.

## 2. NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

### **New and amended Hong Kong Financial Reporting Standards (“HKFRSs”) adopted by the Group**

The Group has applied the following amendments for the first time from 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to HKAS 1;
- Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – HK Int 5 (Revised);
- Lease Liability in Sale and Leaseback – Amendments to HKFRS 16; and
- Supplier Finance Arrangements – Amendments to HKAS 7 and HKFRS 7.

As a result of the adoption of the amendments to HKAS 1, the Group changed its accounting policy for the classification of borrowings as below:

*“Borrowings are classified as current liabilities unless at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.”*



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2024*

## 2. NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(continued)

### **New and amended Hong Kong Financial Reporting Standards (“HKFRSs”) adopted by the Group** (continued)

This new policy did not result in a change in the classification of the Group’s borrowings. The Group did not make retrospective adjustments as a result of adopting the amendments to HKAS 1.

#### **Impact of new and amended HKFRSs issued but not yet adopted by the Group**

In September 2023, HKICPA amended HKAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not. These new requirements will apply for annual reporting periods beginning on or after 1 January 2025. The management does not expect the amendment to have a material impact on the condensed consolidated financial statements.

In July 2024, HKICPA issued HKFRS 18 which is effective for annual reporting periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group present and disclose financial performance in the financial statements. The key changes introduced in HKFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management-defined performance measures (which are referred to alternative or non-GAAP performance measures), and (iii) enhanced requirements for aggregation and disaggregation of information. The management is currently assessing the impact of applying HKFRS 18 on the presentation and the disclosures of the condensed consolidated financial statements.

## 3. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group’s financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 3. FAIR VALUE MEASUREMENTS (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair values:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

The following table shows the carrying amounts and fair value of financial assets, including their levels in the fair value hierarchy. It does not include fair value information for financial assets not measured at fair value of the carrying amount is a reasonable approximation of fair value.

### (a) Disclosures of level in fair value hierarchy:

Description	Fair value measurements as at 30 June 2024 (unaudited)
	Level 3 HK\$'000
<b>Recurring fair value measurements:</b>	
<b>Financial assets</b>	
Financial assets at FVTOCI	
Unlisted equity securities	<u>7,694</u>
<b>Investment properties</b>	
Commercial units – Hong Kong	<b>51,600</b>
Factory premises – Vietnam	<b>22,560</b>
	<u>74,160</u>
<b>Total</b>	<b>81,854</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 3. FAIR VALUE MEASUREMENTS (continued)

### (a) Disclosures of level in fair value hierarchy: (continued)

Description	Fair value measurements as at 31 December 2023 (audited) Level 3 HK\$'000
<b>Recurring fair value measurements:</b>	
<b>Financial assets</b>	
Financial assets at FVTOCI	
Unlisted equity securities	7,694
<b>Investment properties</b>	
Commercial units – Hong Kong	55,600
Factory premises – Vietnam	22,560
	78,160
<b>Total</b>	85,854

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 3. FAIR VALUE MEASUREMENTS (continued)

### (b) Reconciliation of financial instruments measured at fair value based on level 3 (unaudited):

#### Assets

Description	Financial assets at FVTOCI – Unlisted equity securities HK\$'000	Investment properties HK\$'000	2024 Total HK\$'000
At 1 January 2024	7,694	78,160	85,854
Total gains or losses recognised in profit or loss (#)	–	(4,000)	(4,000)
At 30 June 2024	7,694	74,160	81,854
(#) Include unrealised gains and losses recognised in profit or loss attributable to assets held at end of reporting period	–	(4,000)	(4,000)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 3. FAIR VALUE MEASUREMENTS (continued)

### (b) Reconciliation of financial instruments measured at fair value based on level 3 (unaudited): (continued)

#### Assets (continued)

Description	Financial assets at FVTOCI –			2023 Total HK\$'000
	Unlisted equity securities HK\$'000	Contingent consideration receivable HK\$'000	Investment properties HK\$'000	
At 1 January 2023	7,666	57	87,316	95,039
Total gains or losses recognised in profit or loss (#)	–	–	(700)	(700)
Disposal	(310)	–	–	(310)
Reclassification to property, plant and equipment	–	–	(5,400)	(5,400)
Exchange realignment	–	–	103	103
At 30 June 2023	7,356	57	81,319	88,732
(#) Include unrealised gains and losses recognised in profit or loss attributable to assets held at end of reporting period	–	–	(700)	(700)

The total gains or losses recognised in profit or loss including those of assets held at end of reporting period are presented in other gains and losses in the condensed consolidated statement of profit or loss and other comprehensive income for both periods.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 3. FAIR VALUE MEASUREMENTS (continued)

### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2024:

The Group's chief financial officer (the "CFO") is responsible for the fair value measurements of financial assets and financial liabilities required for financial reporting purposes, including level 3 fair value measurements. The CFO reports directly to the board (the "Board") of directors of the Company (the "Directors") for these fair value measurements. Discussions of valuation processes and results are held between the CFO and the Board at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Key unobservable inputs used in level 3 fair value measurements are mainly:

- reversion yield (estimated based on the capitalisation of rental income potential, nature of the property and prevailing market condition);
- monthly market rent (estimated based on time, location and individual factors such as frontage and size, between the comparable and the property);
- market rental unit price (estimated based on unit price, infrastructure, scale, geographical location, traffic, environment and security between the comparables and the property); and
- discount for lack of marketability (estimated based on the volatility of share price of listed entities in similar industries).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 3. FAIR VALUE MEASUREMENTS (continued)

### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2024: (continued)

Level 3 fair value measurements				Effect on fair value for increase of inputs	Fair value – Assets	
Description	Valuation techniques	Unobservable inputs	Range		30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Investment properties						
– Commercial units – Hong Kong	Income capitalisation approach	Reversion yield	2.8% (31 December 2023: 2.8%)	Decrease	<b>51,600</b>	55,600
		Monthly market rent	Office portion: HK\$39.9 (31 December 2023: HK\$37.9 to HK\$39.9) per square foot per month on lettable area basis	Increase		
		Car parking space portion:	HK\$3,400 to HK\$3,500 (31 December 2023: HK\$3,400 to HK\$3,500) per car parking space per month			
Investment properties						
– Factory premises – Vietnam	Market comparable approach	Market prices	US\$160 (31 December 2023: US\$160) per square meter	Increase	<b>22,560</b>	22,560
Financial assets at FVTOCI						
	Discount cash flow	Discount rate	14% (31 December 2023: 14%)	Decrease	<b>7,694</b>	7,694
		Discount of lack of marketability	15.8% (31 December 2023: 15.8%)	Decrease		

There were no changes in the valuation techniques used.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2024*

## 4. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on geographical markets, based on the location of customers. Thus the Group is currently organised into four segments which are sales of optical products to customers located in Europe, the United States, Asia and other regions.

Segment profit or loss represents the profit earned by or loss from each segment without allocation of central administration costs, directors' emoluments, interest income, property rental income, net foreign exchange gains or losses, changes in fair values of investment properties, loss on disposal of equity investments at FVTOCI, finance costs and share of results of an associate and joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

The CODM makes decisions according to operating results of each segment. No analysis of segment assets and segment liabilities is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenues and segment results are presented.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 4. REVENUE AND SEGMENT INFORMATION (continued)

### Segment revenues and results

The following is an analysis of the Group's revenue and result by operating and reportable segment for the period under review:

For the six months ended 30 June 2024 (unaudited)

	Europe HK\$'000	United States HK\$'000	Asia HK\$'000	Other regions HK\$'000	Total HK\$'000
<b>Revenue from contracts with customers (Note)</b>					
Original design					
manufacturing division	205,629	105,401	105,307	2,682	419,019
Distribution division	90,310	14,952	18,134	16,866	140,262
Lens division	59	-	47,054	-	47,113
Revenue from external customers	295,998	120,353	170,495	19,548	606,394
<b>Result</b>					
Segment profit	17,705	4,116	4,906	1,726	28,453
Unallocated income and gains					884
Unallocated corporate expenses and losses					(21,626)
Interest income on bank deposits					242
Finance costs					(989)
Share of profit of an associate					4,158
Share of loss of joint ventures					(31)
Profit before tax					11,091

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 4. REVENUE AND SEGMENT INFORMATION (continued)

### Segment revenues and results (continued)

For the six months ended 30 June 2023 (unaudited)

	Europe <i>HK\$ '000</i>	United States <i>HK\$ '000</i>	Asia <i>HK\$ '000</i>	Other regions <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
<b>Revenue from contracts with customers (Note)</b>					
Original design					
manufacturing division	244,830	92,137	58,434	2,714	398,115
Distribution division	88,756	11,689	13,283	16,002	129,730
Lens division	–	–	38,609	–	38,609
Revenue from external customers	333,586	103,826	110,326	18,716	566,454
<b>Result</b>					
Segment profit	25,419	6,675	7,843	2,053	41,990
Unallocated income and gains					2,001
Unallocated corporate expenses and losses					(22,014)
Interest income on bank deposits					664
Finance costs					(329)
Share of profit of an associate					9,248
Profit before tax					31,560

Note: Revenue is recognised at "point in time" when the customer obtains control of the goods.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 5. FINANCE COSTS

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Interests on bank borrowings	760	99
Interests on lease liabilities	229	230
	<b>989</b>	329

## 6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Current period:		
Hong Kong Profits Tax	643	1,294
The People's Republic of China (excluding Hong Kong) (the "PRC") Enterprise Income Tax	197	43
United Kingdom Corporation Tax	2,073	1,585
France Corporation Tax	–	205
South Africa Corporation Tax	122	88
Italy Corporation Tax	322	219
Vietnam Corporation Tax	–	185
Deferred taxation	2,174	3,111
	<b>5,531</b>	6,730
Underprovision in respect of prior period:		
Hong Kong Profits Tax	–	192
PRC Enterprise Income Tax	20	141
South Africa Corporation Tax	6	–
	<b>26</b>	333
	<b>5,557</b>	7,063

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 6. INCOME TAX EXPENSE (continued)

Under the two-tiered Profits Tax rate regime, the first HK\$2 million of profits of qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profits Tax rate regime will continue to be taxed at a rate of 16.5% for both periods.

Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the country in which the Group operates, based on existing legislation, interpretations, and practices in respect thereof.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

United Kingdom Corporation Tax is calculated at the applicable rate of 25% for the entity with profits in excess of GBP250,000 (six months ended 30 June 2023: 19% before 1 April 2023 and increased to 25% from 1 April 2023 for the entity with profits in excess of GBP250,000) in accordance with the relevant law and regulations in the United Kingdom for the period.

France Corporation Tax is calculated at the applicable rate of 25% in accordance with the relevant law and regulations in France for both periods.

South Africa Corporation Tax is calculated at the applicable rate of 27% (six months ended 30 June 2023: 28% and reduced to 27% for the year ended on or after 31 March 2023) in accordance with the relevant law and regulations in South Africa for the period.

Italy Corporation Tax is calculated at the applicable rate of 27.9% (of which 24% for the corporate income tax and 3.9% for the regional production tax) in accordance with the relevant law and regulations in Italy for both periods.

Vietnam Corporation Tax is calculated at the applicable rate of 20% in accordance with the relevant law and regulations in Vietnam for both periods.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 7. PROFIT FOR THE PERIOD

The Group's profit for the period is stated after charging/(crediting) the following:

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Amortisation of intangible assets (included in distribution and selling expenses)	2,231	2,280
Impairment loss recognised on debtors, net	73	460
Cost of inventories recognised as an expense	438,376	394,611
Depreciation of property, plant and equipment	16,138	14,760
Decrease in fair values of investment properties	4,000	700
Gross rental income from investment properties (included in other income)	(620)	(2,001)
Less: Direct operating expenses of investment properties that generated rental income during the period	143	140
	<b>(477)</b>	<b>(1,861)</b>
Net (gain)/loss on disposal of property, plant and equipment (included in other gains and losses)	(265)	266
Loss on disposal of equity investment at FVTOCI (included in other gains and losses)	-	125
(Write back of allowance for)/allowance for inventories, net (included in cost of sales) (Note)	(4,021)	616
Net foreign exchange losses (included in other gains and losses)	1,002	4,212

Note:

During the six months ended 30 June 2024, the write back of allowance for inventories arose due to an increase in the estimated net realisable value of certain products as a result of change in market condition and sales of certain products which had been written down to net realisable value in prior years.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 8. DIVIDENDS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Final dividend paid of 5.0 HK cents per share in respect of 2023 (2023: 5.0 HK cents per share in respect of 2022)	19,313	19,313
Special dividend paid of nil per share in respect of 2023 (2023: 5.0 HK cents per share in respect of 2022)	–	19,313
	<b>19,313</b>	<b>38,626</b>

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024 and 30 June 2023.

During the six months ended 30 June 2024, the Board resolved to recommend the payment of a final dividend of 5.0 HK cents per share in respect of 2023, amounting to HK\$19,313,000 for the year ended 31 December 2023. During the six months ended 30 June 2023, the Board resolved to recommend the payment of a final dividend of 5.0 HK cents per share in respect of 2022 and a special dividend of 5.0 HK cents per share in respect of 2022, total amounting to HK\$38,626,000 for the year ended 31 December 2022.

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the purpose of basic earnings per share		
– Profit for the period attributable to owners of the Company	2,460	21,675

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 9. EARNINGS PER SHARE (continued)

	<b>2024</b> <i>Number of shares</i>	2023 <i>Number of shares</i>
Weighted average number of shares for the purpose of basic earnings per share	<b>386,263,374</b>	386,263,374

No diluted earnings per share has been presented as there was no potential ordinary shares in issue for both periods.

## 10. INVESTMENT PROPERTIES

	<b>30 June 2024</b> <i>HK\$'000</i> <i>(unaudited)</i>	31 December 2023 <i>HK\$'000</i> <i>(audited)</i>
At 1 January	<b>78,160</b>	87,316
Additions	–	22,560
Decrease in fair value recognised in profit or loss	<b>(4,000)</b>	(2,008)
Reclassification to property, plant and equipment	–	(28,965)
Exchange realignment	–	(743)
At 30 June/31 December	<b>74,160</b>	78,160

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

In determining the fair value of investment properties, it is the Group's policy to engage independent firms of qualified professional valuers to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation techniques and key inputs to the model.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 10. INVESTMENT PROPERTIES (continued)

On 30 June 2024, independent valuation was undertaken by Vigers Appraisal & Consulting Limited ("Vigers") which is an independent firm of professional valuers not connected to the Group which has appropriate professional qualifications and recent experience in the valuation of similar properties in the neighbourhood.

The valuations have been arrived at using income capitalisation approach for the property located in Hong Kong and market approach for the property located in Vietnam. For the income capitalisation approach, the valuation has been arrived by capitalising the market rentals of all lettable units of the properties by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the reversion yield and monthly market rent and contracted monthly rent of similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties. For the market approach, the valuation has been determined the value of the properties through comparing it with identical or similar properties, which has price information on the market. There has been no change from the valuation techniques used in the prior period.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired property, plant and equipment of approximately HK\$56,034,000 (six months ended 30 June 2023: HK\$10,993,000).

During the six months ended 30 June 2023, the Group changed the usage of three units of car parking spaces in Hong Kong from investment properties to owner occupation. Accordingly, the three car parking spaces with carrying amount of HK\$5,400,000 was transferred from investment properties to property, plant and equipment at their fair values on the date of transfer of HK\$5,400,000 which were determined by the Directors with reference to the valuation carried out by Vigers at the date of transfer.

During the six months ended 30 June 2023, the Group entered into a new lease agreement for use of factory for 2 years. The Group has recognised an addition of right-of-use assets of HK\$2,458,000 included in additions of property, plant and equipment and lease liabilities of HK\$2,458,000 respectively.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 12. INVESTMENT IN AN ASSOCIATE

On 27 March 2019, the Group entered into a share purchase agreement with an existing shareholder of the Group's associate ("Vendor"), pursuant to which Vendor agreed to sell and the Group agreed to purchase 7.5% of the issued share capital of the associate for a consideration of EUR787,500 (equivalent to approximately HK\$6,941,000) and reinvestment of dividend. The transaction was completed on 10 April 2019. Up to 30 June 2024, the Group has paid EUR724,500 (equivalent to approximately HK\$6,419,000) (31 December 2023: EUR724,500 (equivalent to approximately HK\$6,419,000)) to the Vendor and the remaining consideration of EUR63,000 (equivalent to approximately HK\$556,000) will be settled on 31 January 2025 pursuant to the share purchase agreement.

## 13. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing a credit period of 30 days to 150 days to its trade debtors.

Included in the Group's debtors, deposits and prepayments are trade debtors of HK\$303,639,000 (31 December 2023: HK\$353,610,000). The following is the ageing analysis of trade debtors net of allowance for credit losses presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

	<b>30 June 2024 HK\$'000 (unaudited)</b>	31 December 2023 HK\$'000 (audited)
0 – 90 days	<b>226,305</b>	235,296
91 – 180 days	<b>64,108</b>	104,895
More than 180 days	<b>13,226</b>	13,419
	<b>303,639</b>	353,610

As at 30 June 2024, total bills receivables amounting to HK\$50,000 (31 December 2023: HK\$244,000) are held by the Group for settlement of debtors. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills receivables by the Group are with a maturity period of less than one year.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 13. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2023.

During the six months ended 30 June 2024, the Group provided the impairment allowance of HK\$73,000 (six months ended 30 June 2023: HK\$460,000), in particular, a specific loss allowance of nil (six months ended 30 June 2023: HK\$10,000) has been made to individual debtors where recoverability is considered to be remote.

### Trade debtor due from the associate

As at 30 June 2024, included in the Group's trade debtors is an amount due from the Group's associate of HK\$58,918,000 (31 December 2023: HK\$56,469,000) net of allowance for credit losses of HK\$655,000 (31 December 2023: HK\$593,000) which is repayable on similar credit terms with reference to those offered to the customers of the Group who are similar in size and stature. As at 30 June 2024, the amount outstanding is unsecured with carrying amount of HK\$8,504,000 (31 December 2023: HK\$11,229,000) which is past due balance. As at 30 June 2024, an impairment loss of HK\$655,000 (31 December 2023: HK\$633,000) has been recognised in respect of the amount outstanding from the associate.

## 14. CREDITORS AND ACCRUED CHARGES

	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Trade creditors	147,635	155,388
Consideration payable for investment properties	14,080	14,080
Provision of penalty	19,391	19,391
Other creditors and accrued charges	344,299	380,441
	<b>525,405</b>	569,300

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 14. CREDITORS AND ACCRUED CHARGES (continued)

The ageing analysis of trade creditors, based on the invoice date, is as follows:

	<b>30 June 2024 HK\$'000 (unaudited)</b>	<b>31 December 2023 HK\$'000 (audited)</b>
0 – 60 days	<b>129,529</b>	135,213
61 – 120 days	<b>16,033</b>	12,866
More than 120 days	<b>2,073</b>	7,309
	<b>147,635</b>	155,388

### Trade creditor due to the associate

As at 30 June 2024, included in the Group's trade creditors is an amount due to the Group's associate of HK\$873,000 (31 December 2023: HK\$781,000), which is repayable on similar credit terms with reference to those offered from the suppliers of the Group who are similar in size and stature. The amount outstanding is unsecured and not past due at the end of the reporting period.

## 15. BANK BORROWINGS

	<b>30 June 2024 HK\$'000 (unaudited)</b>	<b>31 December 2023 HK\$'000 (audited)</b>
Secured bank borrowings	<b>52,255</b>	16,545

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 15. BANK BORROWINGS (continued)

The bank borrowings are repayable as follows (*Note*):

	<b>30 June 2024 HK\$'000 (unaudited)</b>	31 December 2023 HK\$'000 (audited)
Within one year	<b>52,255</b>	16,545
Portion of bank borrowings that contain a repayment on demand clause (shown under current liabilities)	<b>(52,255)</b>	(16,545)
Amounts due after one year shown under non-current liabilities	<b>—</b>	—

*Note:* The amounts due are based on the scheduled repayment dates set out in the respective loan agreements.

Certain of the Group's bank borrowings are variable-rate borrowings and subject to cash flow interest rate risk. Bank borrowings of HK\$20,000,000 (31 December 2023: HK\$15,000,000) carry interests at one month Hong Kong Interbank Offered Rate plus certain basis points. The borrowings are secured by the Group's investment properties and leasehold land and buildings with carrying amount of HK\$130,197,000 (31 December 2023: HK\$136,177,000).

Bank borrowing of HK\$32,255,000 (31 December 2023: nil) is arranged at a fixed interest rate of 3.3% and exposes the Group to fair value interest rate risk. The Company and certain of its subsidiaries have provided joint liability corporate and cross guarantees for this borrowing.

At 31 December 2023, a bank borrowing of HK\$1,545,000 carried interest at Hong Kong Prime Rate less 2.6%. The borrowing was secured by the Group's investment properties and leasehold land and buildings with carrying amount of HK\$136,177,000.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 16. SHARE CAPITAL

	Number of shares		Nominal value	
	30 June 2024 (unaudited)	31 December 2023 (audited)	30 June 2024 (unaudited) HK\$'000	31 December 2023 (audited) HK\$'000

Ordinary shares of HK\$0.1 each

Authorised:

At beginning and end of period	<b>1,000,000,000</b>	1,000,000,000	<b>100,000</b>	100,000
--------------------------------	----------------------	---------------	----------------	---------

Issued and fully paid:

At beginning and end of period	<b>386,263,374</b>	386,263,374	<b>38,626</b>	38,626
--------------------------------	--------------------	-------------	---------------	--------

## 17. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
--	--	--

Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:

– set up cost of investment in subsidiaries	<b>119,994</b>	151,310
– buildings under construction	<b>39,264</b>	32,999
– plant and machinery	<b>3,808</b>	7,013
– leasehold improvements	<b>406</b>	1,733
– furniture, fixtures and office equipment	<b>281</b>	2
	<b>163,753</b>	193,057

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 18. RELATED PARTY TRANSACTIONS

- (a) In addition to those related party transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with its related parties during the period:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales of prescription frames and sunglasses to an associate	<b>59,435</b>	84,347
Purchase of prescription frames, sunglasses and raw materials from an associate	<b>91</b>	1,082

The Directors are of the opinion that the above transactions with the associate were conducted in the usual course of business.

Other than the above, the details of trade debtor from and trade creditor to the associate are shown in notes 13 and 14 respectively. No guarantee has been given to or received from the associate.

During the six months ended 30 June 2023, the Group entered into a new two-year lease agreement with a company which is controlled by a director of the Company. The Group has recognised additions of right-of-use assets of HK\$2,458,000 and lease liabilities of HK\$2,458,000 respectively.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 18. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short term benefits	<b>7,222</b>	5,280
Post-employment benefits	<b>331</b>	331
	<b>7,553</b>	5,611

The remuneration of Directors and key executives was determined by the remuneration committee of the Company having regard to the performance of individuals and market trends. The shareholders of the Company authorised the remuneration committee to fix the remuneration of the Directors, including independent non-executive directors at the annual general meeting.

## 19. APPROVAL OF FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the Board on 29 August 2024.

# SUPPLEMENTARY INFORMATION

## DIVIDENDS

The board (the “Board”) of directors of the Company (the “Directors”) has resolved not to declare any interim dividend (2023: nil) for the six months ended 30 June 2024.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2024.

## 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 six months ended 30 June 2024.

## DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2024, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

### Shares in the Company (Long Positions)

Name of Director/ chief executive	Number of issued ordinary shares held				Approximate percentage of issued share capital of the Company
	Personal interests	Family interests	Other interests	Total	
Ng Hoi Ying, Michael	2,856,000	60,833,347	153,600,000	217,289,347	56.25%
			(Note a)		
Ng Yat Shan	3,766,000	–	–	3,766,000	0.97%
Ng Kim Ying	8,305,000	–	–	8,305,000	2.15%
Wu Zhihong	60,833,347	156,456,000	–	217,289,347	56.25%
		(Note b)			



# SUPPLEMENTARY INFORMATION

## Notes:

- (a) These shares were held by Ratagan International Company Limited ("Ratagan"). The entire issued share capital of Ratagan was held by Maritime Overseas Assets Limited which was wholly-owned by HSBC International Trustee Limited as trustee of The Arts 2007 Trust, a discretionary trust, the settlor of which is Mr. Ng Hoi Ying, Michael and the beneficiaries of which included Mr. Ng Hoi Ying, Michael.
- (b) Ms. Wu Zhihong is the spouse of Mr. Ng Hoi Ying, Michael and is therefore deemed to be interested in all the shares held/interested by Mr. Ng Hoi Ying, Michael pursuant to Part XV of the SFO.

Save as disclosed above, as at 30 June 2024, none of the Directors and chief executive of the Company had any interests or short positions in any 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.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, other than the interests disclosed under the heading "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, as at 30 June 2024, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO recorded that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

### Shares in the Company (Long Positions)

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of issued share capital of the Company
HSBC International Trustee Limited	Trustee	153,600,000 (Note a)	39.77%
Maritime Overseas Assets Limited	Held by controlled corporation	153,600,000 (Note a)	39.77%
Ratagan International Company Limited	Beneficial owner	153,600,000 (Note a)	39.77%
David Michael Webb	Beneficial owner	16,195,800 (Note b)	4.19%
	Held by controlled corporation	23,332,200 (Note c)	6.04%
Preferable Situation Assets Limited	Beneficial owner	23,332,200 (Note c)	6.04%

## SUPPLEMENTARY INFORMATION

### *Notes:*

- (a) HSBC International Trustee Limited (“HSBCITL”) was the trustee of The Arts 2007 Trust. The Arts 2007 Trust was a discretionary trust, the settlor of which is Mr. Ng Hoi Ying, Michael (“Mr. Ng”) and the beneficiaries of which included Mr. Ng. Under The Arts 2007 Trust, 153,600,000 shares of the Company were held by Ratagan International Company Limited (“Ratagan”). The entire issued share capital of Ratagan was held by Maritime Overseas Assets Limited which was wholly-owned by HSBCITL.
- (b) According to an individual substantial shareholder notice filed by Mr. David Michael Webb (“Mr. Webb”) on 1 August 2023, as at 27 July 2023 (i.e. the date of the relevant event as set out in the individual substantial shareholder notice filed on 1 August 2023), 16,195,800 shares of the Company were held directly by Mr. Webb.
- (c) These shares were directly held by Preferable Situation Assets Limited (“PSAL”). Mr. Webb was deemed to be interested in the 23,332,200 shares of the Company held by PSAL under Part XV of the SFO.

Save as disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO disclosed no other person as having notifiable interests or short positions in the issued share capital of the Company as at 30 June 2024.

## CORPORATE GOVERNANCE

The Company has complied with all applicable code provisions set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules throughout the six months ended 30 June 2024.

An Audit Committee has been established by the Company since 1998 and currently comprises Mr. Wong Chi Wai (the chairman of the Audit Committee), Mr. Chung Hil Lan Eric and Mr. Lam Yu Lung, all of whom are independent non-executive directors. The duties of the Audit Committee include (but are not limited to) the review of the interim and annual reports of the Group as well as of various auditing, financial reporting, risk management and internal control matters with the management and/or external auditor of the Company. The Group’s interim report comprising its unaudited condensed consolidated financial statements for the six months ended 30 June 2024 has been reviewed by the Audit Committee, which was of the opinion that its preparation had complied with applicable accounting standards and requirements and that adequate disclosures were made.

## SUPPLEMENTARY INFORMATION

A Remuneration Committee has been established by the Company since 2003 and currently comprises Mr. Chung Hil Lan Eric (the chairman of the Remuneration Committee), Mr. Wong Chi Wai and Mr. Lam Yu Lung, all of whom are independent non-executive directors. The major roles and functions of the Remuneration Committee include the determination of remuneration of the executive directors, independent non-executive directors and senior management as well as the review and approval of the management's remuneration proposals with reference to the Board's corporate goals and objectives.

A Nomination Committee has been established by the Company since 2012 and currently comprises Mr. Lam Yu Lung (the chairman of the Nomination Committee), Mr. Wong Chi Wai, Mr. Chung Hil Lan Eric and Dr. Fong Kin Kiu, all of whom are independent non-executive directors. The duties of the Nomination Committee include (but are not limited to) reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive directors, making recommendations to the Board on the appointment or re-appointment of directors and determining the nomination criteria and nomination procedures of appointment of new and replacement directors, re-election of directors and nomination from shareholders.

# CORPORATE INFORMATION

## Board of directors

### Executive directors

NG Hoi Ying, Michael (*Chairman*)  
NG Yat Shan (*Chief executive officer*)  
NG Kim Ying  
WU Zhihong

### Independent non-executive directors

WONG Chi Wai  
CHUNG Hil Lan Eric  
LAM Yu Lung  
FONG Kin Kiu

## Company secretary

CHOI Pui Yiu

## Auditor

RSM Hong Kong, Certified Public Accountants  
*Registered Public Interest Entity Auditor*

## Legal advisers

Stephenson Harwood  
Conyers Dill & Pearman

## Registered office

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## Head office and principal place of business in Hong Kong

Units A to G, 32nd Floor, King Palace Plaza  
55 King Yip Street, Kwun Tong  
Kowloon, Hong Kong

## Principal share registrar

Codan Services Limited  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## Hong Kong branch share registrar

Tricor Secretaries Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## Principal bankers

Bank of China (Hong Kong) Limited  
Bank of China Limited Shenzhen Branch  
Dah Sing Bank, Limited  
Hang Seng Bank Limited

## Website

[www.artsgroup.com](http://www.artsgroup.com)

*Arts* Group

Arts Optical International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code :1120