



**ARTS OPTICAL  
INTERNATIONAL HOLDINGS LIMITED**

雅視光學集團有限公司

(Incorporated in Bermuda with limited liability)

**2002**

**I N T E R I M   R E P O R T**



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## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### **Executive directors**

NG Hoi Ying, Michael – Chairman  
NG Kim Ying  
LEE Wai Chung

#### **Independent non-executive directors**

Francis George MARTIN  
KWONG Kam Kwan Alex

### **COMPANY SECRETARY**

LEE Wai Chung

### **AUDITORS**

Deloitte Touche Tohmatsu

### **LEGAL ADVISERS**

Allen & Overy  
Conyers Dill & Pearman

### **REGISTERED OFFICE**

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Unit 308, 3rd Floor, Sunbeam Centre  
27 Shing Yip Street, Kwun Tong  
Kowloon, Hong Kong

### **PRINCIPAL SHARE REGISTRAR**

The Bank of Bermuda Limited  
6 Front Street, Hamilton HM 11  
Bermuda

### **HONG KONG BRANCH SHARE REGISTRAR**

Secretaries Limited  
5th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

### **PRINCIPAL BANKERS**

Bank of America (Asia) Limited  
Bank of China Hong Kong Branch  
China Construction Bank  
Hong Kong Branch  
Credit Agricole Indosuez  
Dah Sing Bank Limited  
Hang Seng Bank Limited  
The Bank of East Asia, Limited

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### *Summary of results*

The year 2002 continues to be a difficult and challenging year for the Group. The Group's consolidated turnover increased by 6% to HK\$289.8 million (2001: HK\$274.1 million) whereas its net profit decreased by 20% to HK\$50.1 million (2001: HK\$62.7 million) respectively in the six months ended 30th June, 2002. Basic earnings per share also decreased by 24% to 13.6 cents (2001: 17.9 cents) in the first half of 2002.

#### *Original design manufacturing (ODM) division*

The economies of both the United States ("US") and Europe generally remained sluggish in the period under review. Although the ODM customers had substantially completed their inventory reduction process in 2001, they remained very cautious in replenishing their inventory. There were signs of improvement in market sentiment since March 2002, but the pace of recovery remained relatively slow. Sales to ODM customers increased by 4% to HK\$255.0 million (2001: HK\$244.1 million) in the first half of 2002. Europe and US accounted for 45% and 43% respectively (2001: 42% and 45%) of the turnover of the ODM division. Metal frames, handmade plastic frames, titanium frames, injection moulded plastic frames and spare parts accounted for 42%, 28%, 22%, 6% and 2% respectively of the Group's turnover of ODM business in the period under review (2001: 48%, 35%, 13%, 2% and 2% respectively). Gross margins dropped during the period as a result of the price pressure on sales to certain medium-sized customers.

#### *Distribution division*

The Group's distribution division was adversely affected by the slowdown in the global economy. Sales of the Group's own-branded and licensed branded products (including both optical frames and lenses) decreased by 5% to HK\$16.1 million in the six months ended 30th June, 2002 (2001: HK\$16.9 million). Sales to China and Europe accounted for 41% and 35% respectively of the Group's turnover of distribution division in the period under review (2001: 31% and 34%).

#### *Retailing division*

The Group continued to expand its retail chains "ARTS 1000" and "SUNNY ARTS" in mainland China in 2002. As at 30th June, 2002, it operated a total of 35 Arts 1000 shops and 28 SUNNY ARTS shops in various major cities in China (31st December, 2001: 29 shops and 13 shops respectively) including Beijing, Shanghai, Nanjing, Guangzhou and Shenzhen. Turnover of the retailing division increased by 43% in the first six months of 2002 to HK\$18.7 million (2001: HK\$13.1 million). As retailing business was still at a development stage, it had not yet generated any significant contribution to the Group.

## **Prospects**

### *ODM division*

Our customers' preference for shorter lead times, smaller order sizes and minimal inventory will continue and competition among manufacturers will intensify further. In spite of the economic uncertainty and low visibility of prospects in most export markets, the Group expects to maintain a stable order book through further upgrading of the quality of its products and services. Full implementation of the enterprise resources planning system in January 2002 had provided a technological platform for the Group to meet these challenges. The Directors expect that the financial performance of this division will remain relatively stable in the second half of the year.

### *Distribution division*

To further integrate its distribution operations and capture the benefits generated from economies of scale, the Group acquired the 49% minority interest of the joint venture company from its British business partner, Rayner and Keeler Group, in July 2002. The management is determined to spearhead growth by devoting more resources to the acquisition of rights relating to well-known fashion brands and towards product development.

### *Retailing division*

The Group is on track with its plan to expand its retailing network in mainland China. Total number of retail outlets is expected to reach 100 by the next 6 to 9 months. At this level of operations, the Group should be able to reach critical mass for enjoying the benefits of economies of scale. Despite the relatively strong performance of the economy in China, competition in the retail environment remains keen. The Group will continue to adopt a long term and cautious approach in the expansion of this division and adjust the pace of its expansion plan according to its market conditions.

### *Summary*

Although the profitability of the Group declined in the first six months of 2002 as compared with the corresponding period in 2001, the financial performance of the Group has actually recovered from the second half of 2001. While the second half of this year will remain challenging, the Directors are steadfast in maintaining its leading and competitive position in the optical industry. The Group's core business continues to generate strong cash inflow and this provides a solid foundation for maintaining a satisfactory dividend payout to the shareholders. The management will continue to follow the guiding principles of business diversification and financial prudence with the ultimate objective of bringing long-term profitability to the Group and value creation to its shareholders.

## Financial Review

During the period under review, the Group's operating activities generated net cash flow of HK\$70.4 million (2001: HK\$74.9 million). The placing of new shares to Templeton Strategic Emerging Markets Fund LDC in January, 2002 raised HK\$31.2 million. Capital expenditure has been closely monitored by the management. As at 30th June, 2002, the Group had a net cash position (bank balances and cash plus pledged bank deposits) of HK\$208.7 million (31st December, 2001: HK\$156.9 million) and did not have any bank borrowings (31st December, 2001: nil).

The current ratio of the Group as at 30th June, 2002 was 3.7 to 1 (31st December, 2001: 3.9 to 1) with HK\$419.7 million of current assets (31st December, 2001: HK\$358.1 million) and HK\$112.2 million of current liabilities (31st December, 2001: HK\$92.0 million). As a result of the management's strenuous efforts in streamlining the internal operations, inventory turnover period (ratio of inventory balance to cost of sales) decreased by 16% from 93 days in the first six months of 2001 to 78 days in the corresponding period of 2002. Debtors turnover period (ratio of the total of debtors and discounted bill balances to sales) increased by 8% from 66 days in the first six months of 2001 to 71 days in the corresponding period of 2002 as the value of exports to ODM customers increased by 12% in the months of May and June of 2002 as compared with the corresponding months of 2001.

18,500,000 new shares were issued pursuant to the placing of shares completed in January, 2002 and the total number of shares in issue increased from 353,450,000 shares as at 31st December, 2001 to 371,950,000 shares as at 30th June, 2002. Total shareholders' funds and net asset value per share as at 30th June, 2002 were HK\$558.8 million and HK\$1.50 (31st December, 2001: HK\$507.4 million and HK\$1.44 respectively). Total long term liabilities and debt to equity ratio (expressed as a percentage of total long term liabilities over equity) were HK\$0.8 million (31st December, 2001: HK\$7.3 million) and 0.1% (31st December, 2001: 1.4%) respectively.

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 and the exchange rate movements between these currencies were relatively stable during the period under review.

## **Employee and Remuneration Policies**

The Group employed approximately 5,700 full time staff as at 30th June, 2002. The Group remunerates its employees based on their performance, experience, qualifications and prevailing market price 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 cover, subsidised educational and training programmes, mandatory provident fund scheme as well as a share option scheme.

**Ng Hoi Ying, Michael**  
*Chairman*

Hong Kong, 12th September, 2002

## **INDEPENDENT REVIEW REPORT**

### **TO THE BOARD OF DIRECTORS OF ARTS OPTICAL INTERNATIONAL HOLDINGS LIMITED**

雅視光學集團有限公司

*(incorporated in Bermuda with limited liability)*

#### **Introduction**

We have been instructed by the Company to review the interim financial report set out on pages 8 to 18.

#### **Directors' responsibilities**

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the Directors.

#### **Review work performed**

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

#### **Review conclusion**

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2002.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong, 12th September, 2002

**CONDENSED CONSOLIDATED INCOME STATEMENT***For the six months ended 30th June, 2002*

		<b>Six months ended</b>	
	<i>Notes</i>	<b>30.6.2002</b>	<b>30.6.2001</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Turnover	3	289,763	274,073
Cost of sales		<u>(187,304)</u>	<u>(170,325)</u>
Gross profit		102,459	103,748
Other revenue		4,263	4,228
Selling and distribution costs		(17,009)	(13,081)
Administrative expenses		(32,165)	(26,347)
Other operating expenses		<u>(1,172)</u>	<u>(1,189)</u>
Profit from operations	3&4	56,376	67,359
Finance costs	5	<u>(86)</u>	<u>(292)</u>
Profit before taxation		56,290	67,067
Taxation	6	<u>(7,049)</u>	<u>(5,438)</u>
Profit before minority interests		49,241	61,629
Minority interests		<u>(830)</u>	<u>(1,051)</u>
Net profit for the period		<u>50,071</u>	<u>62,680</u>
Dividend	7	<u>29,925</u>	<u>28,248</u>
Earnings per share			
– Basic	8	<u>13.6 cents</u>	<u>17.9 cents</u>
– Diluted	8	<u>13.3 cents</u>	<u>17.7 cents</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2002

	<i>Notes</i>	<b>30.6.2002</b> <i>HK\$'000</i> <i>(unaudited)</i>	<b>31.12.2001</b> <i>HK\$'000</i> <i>(audited)</i>
<b>Non-current Assets</b>			
Investment property	9	2,900	2,900
Property, plant and equipment	9	248,811	246,507
		<u>251,711</u>	<u>249,407</u>
<b>Current Assets</b>			
Inventories		79,995	86,330
Debtors, deposits and prepayments	10	131,051	110,184
Taxation recoverable		20	86
Other investment		–	4,580
Pledged bank deposits		9,030	8,981
Bank balances and cash		199,622	147,934
		<u>419,718</u>	<u>358,095</u>
<b>Current Liabilities</b>			
Creditors and accrued charges	11	89,267	81,989
Taxation payable		16,434	9,984
Loan from a minority shareholder of a subsidiary	12	6,492	–
		<u>112,193</u>	<u>91,973</u>
<b>Net Current Assets</b>		<u>307,525</u>	<u>266,122</u>
<b>Total Assets less Current Liabilities</b>		<u>559,236</u>	<u>515,529</u>
<b>Capital and Reserves</b>			
Share capital	13	37,195	35,345
Reserves		521,617	472,100
		<u>558,812</u>	<u>507,445</u>
<b>Minority Interests</b>		<u>(376)</u>	<u>792</u>
<b>Non-current Liabilities</b>			
Loan from a minority shareholder of a subsidiary	12	–	6,492
Deferred taxation		800	800
		<u>800</u>	<u>7,292</u>
		<u>559,236</u>	<u>515,529</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30th June, 2002*

	Share capital	Share premium	Special reserve	Goodwill reserve	Exchange reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2001	35,064	73,272	(3,269)	(2,082)	581	350,509	454,075
Exchange differences arising on translation of financial statements of operations outside Hong Kong not recognised in the income statement	-	-	-	-	216	-	216
Net profit for the period	-	-	-	-	-	62,680	62,680
Dividend paid	-	-	-	-	-	(24,545)	(24,545)
	<u>35,064</u>	<u>73,272</u>	<u>(3,269)</u>	<u>(2,082)</u>	<u>797</u>	<u>388,644</u>	<u>492,426</u>
At 30th June, 2001	<u>35,064</u>	<u>73,272</u>	<u>(3,269)</u>	<u>(2,082)</u>	<u>797</u>	<u>388,644</u>	<u>492,426</u>
Exchange differences arising on translation of financial statements of operations outside Hong Kong not recognised in the income statement	-	-	-	-	(54)	-	(54)
Exercise of share options	281	2,192	-	-	-	-	2,473
Impairment loss recognised	-	-	-	1,076	-	-	1,076
Net profit for the period	-	-	-	-	-	39,772	39,772
Dividend paid	-	-	-	-	-	(28,248)	(28,248)
	<u>35,345</u>	<u>75,464</u>	<u>(3,269)</u>	<u>(1,006)</u>	<u>743</u>	<u>400,168</u>	<u>507,445</u>
At 31st December, 2001	<u>35,345</u>	<u>75,464</u>	<u>(3,269)</u>	<u>(1,006)</u>	<u>743</u>	<u>400,168</u>	<u>507,445</u>
Issue of shares	1,850	29,600	-	-	-	-	31,450
Share issue expenses	-	(240)	-	-	-	-	(240)
Exchange differences arising on translation of financial statements of operations outside Hong Kong not recognised in the income statement	-	-	-	-	(43)	-	(43)
Exchange reserve released upon disposal of subsidiaries	-	-	-	-	(115)	-	(115)
Net profit for the period	-	-	-	-	-	50,071	50,071
Dividend paid	-	-	-	-	-	(29,756)	(29,756)
	<u>37,195</u>	<u>104,824</u>	<u>(3,269)</u>	<u>(1,006)</u>	<u>585</u>	<u>420,483</u>	<u>558,812</u>
At 30th June, 2002	<u>37,195</u>	<u>104,824</u>	<u>(3,269)</u>	<u>(1,006)</u>	<u>585</u>	<u>420,483</u>	<u>558,812</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2002

	Six months ended	
	30.6.2002	30.6.2001
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash from operating activities	70,351	74,856
Net cash used in investing activities	(20,117)	(20,969)
Net cash from (used in) financing activities	1,454	(26,978)
Net increase in cash and cash equivalents	51,688	26,909
Cash and cash equivalents at the beginning of the period	147,934	132,381
Cash and cash equivalents at the end of the period	199,622	159,290
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	199,622	159,290

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30th June, 2002*

### 1. Basis of preparation

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### 2. Principal accounting policies

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of an investment property and other investment.

The accounting policies adopted for the preparation of the condensed financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31st December, 2001, except as described below.

In the current period, the Group has adopted, for the first time, the following new and revised SSAPs issued by the Hong Kong Society of Accountants:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### 3. Segment information

#### *Geographical segments*

Segment information of the Group by location of customers is presented as below:

	<b>Six months ended</b>			
	<b>30.6.2002</b>	<b>30.6.2002</b>	<b>30.6.2001</b>	<b>30.6.2001</b>
	<b>Revenue</b>	<b>Results</b>	<b>Revenue</b>	<b>Results</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Europe	120,148	25,741	109,195	28,891
United States	110,817	25,806	111,141	33,289
Mainland China	32,823	(378)	24,983	(1,968)
Others	25,975	5,780	28,754	7,533
	<u>289,763</u>	<u>56,949</u>	<u>274,073</u>	<u>67,745</u>
Unallocated corporate expenses		(1,377)		(3,397)
Interest income on bank deposits		<u>804</u>		<u>3,011</u>
Profit from operations		<u>56,376</u>		<u>67,359</u>

#### *Business segments*

The Group is principally engaged in the design, manufacture and sales of optical products. No business segment analysis is presented as management considers this as one single business segment.

#### 4. Profit from operations

	Six months ended	
	30.6.2002	30.6.2001
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Depreciation and amortisation	22,886	22,666
Loss on disposal of property, plant and equipment	50	–
and after crediting:		
Interest income on bank deposits	804	3,011
Gain on disposal of subsidiaries	1,647	–
Gain on disposal of other investment	183	–
Gain on disposal of property, plant and equipment	–	227
	<u>          </u>	<u>          </u>

#### 5. Finance costs

The finance costs represent interest expense on bank borrowings wholly repayable within five years.

#### 6. Taxation

The charge represents Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the period.

A portion of the Group's profits neither arises in, nor is derived from, Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax. Further, in the opinion of the directors, that portion of the Group's profit is not at present subject to taxation in any other jurisdiction in which the Group operates.

#### 7. Dividend

	Six months ended	
	30.6.2002	30.6.2001
	HK\$'000	HK\$'000
Interim dividend declared in respect of 2002 of 8 cents (2001: 8 cents) per share	29,925	28,248
	<u>          </u>	<u>          </u>

The interim dividend of HK\$29,925,000 in respect of 2002 is calculated by reference to 374,060,000 shares in issue on 12th September, 2002.

On 10th June, 2002, a dividend of 8 cents per share (2000: 7 cents) was paid to shareholders as final dividend for 2001.

## 8. Earnings per share

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

	Six months ended	
	30.6.2002	30.6.2001
	HK\$'000	HK\$'000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	<u>50,071</u>	<u>62,680</u>
<b>Number of shares</b>		
Weighted average number of shares for the purpose of basic earnings per share	369,394,751	350,640,000
Effect of dilutive potential shares in respect of share options	<u>7,997,632</u>	<u>3,268,956</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u>377,392,383</u>	<u>353,908,956</u>

## 9. Movements in investment property, property, plant and equipment

	Investment property HK\$'000	Property, plant and equipment HK\$'000
<b>COST OR VALUATION</b>		
At 1st January, 2002	2,900	439,365
Additions	–	25,541
Disposals	–	(2,900)
Disposal of subsidiaries	–	(40)
	<u>2,900</u>	<u>461,966</u>
At 30th June, 2002	<u>2,900</u>	<u>461,966</u>
<b>DEPRECIATION AND AMORTISATION</b>		
At 1st January, 2002	–	192,858
Provided for the period	–	22,886
Eliminated on disposals	–	(2,585)
Disposal of subsidiaries	–	(4)
	<u>–</u>	<u>(2,589)</u>
At 30th June, 2002	<u>–</u>	<u>213,155</u>
<b>NET BOOK VALUE</b>		
At 30th June, 2002	<u>2,900</u>	<u>248,811</u>

## 10. Debtors, deposits and prepayments

The Group allows an average credit period of 30 days to 90 days to its trade debtors.

Included in the Group's debtors, deposits and prepayments are trade debtors of HK\$111,520,000 (31.12.2001: HK\$93,692,000), an aging analysis of which at the balance sheet date is as follows:

	<b>30.6.2002</b> <i>HK\$'000</i>	<b>31.12.2001</b> <i>HK\$'000</i>
Current	83,479	70,216
1 to 90 days overdue	27,786	22,928
More than 90 days overdue	255	548
	<u>111,520</u>	<u>93,692</u>

## 11. Creditors and accrued charges

Included in the Group's creditors and accrued charges are trade creditors of HK\$58,968,000 (31.12.2001: HK\$47,186,000), an aging analysis of which at the balance sheet date is as follows:

	<b>30.6.2002</b> <i>HK\$'000</i>	<b>31.12.2001</b> <i>HK\$'000</i>
Current to 90 days overdue	58,691	46,777
More than 90 days overdue	277	409
	<u>58,968</u>	<u>47,186</u>

## 12. Loan from a minority shareholder of a subsidiary

The amount is unsecured, interest free and repayable within the next twelve months from the balance sheet date. Accordingly, the amount is reclassified from non-current to current during the period.

### 13. Share capital

	Number of shares	Amount HK\$'000
Shares of HK\$0.10 each		
<i>Authorised:</i>		
At 30th June, 2002 and 31st December, 2001	1,000,000,000	100,000
<i>Issued and fully paid:</i>		
At 1st January, 2001	350,640,000	35,064
Issue of shares	2,810,000	281
At 31st December, 2001	353,450,000	35,345
Issue of shares	18,500,000	1,850
At 30th June, 2002	371,950,000	37,195

### 14. Disposal of subsidiaries

During the period, the Group disposed of two subsidiaries for cash consideration of approximately HK\$499,000.

The effect of the disposal is summarised as follows:

	Six months ended	
	30.6.2002	30.6.2001
	HK\$'000	HK\$'000
Net liabilities disposed of	(1,033)	–
Exchange reserve released	(115)	–
Gain on disposal	(1,148)	–
Cash consideration	1,647	–
Net cash inflow arising on disposal:		
Cash consideration received	499	–
Bank balances and cash disposed of	(54)	–
	445	–

The subsidiaries disposed of during the period did not have any significant impact on the Group's cash flows or operating results.

## 15. Pledge of assets

At 30th June, 2002, leasehold properties with an aggregate net book value amounting to HK\$14,529,000 (31.12.2001: HK\$14,821,000) and bank deposits of HK\$9,030,000 (31.12.2001: HK\$8,981,000) were pledged to banks to secure short term banking facilities granted to the Group.

## 16. Contingent liabilities

	<b>30.6.2002</b>	<b>31.12.2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
a. Bills discounted with recourse	<u>1,766</u>	<u>4,781</u>
b. The Inland Revenue Department (the "IRD") has tax disputes with certain subsidiaries of the Group and had issued notices of additional assessments to those subsidiaries. The Group had objected against these additional assessments and is under negotiation process with the IRD. No provision for the potential interest or surcharge has been made to the financial statements of the Group as, in the opinion of the Directors, the outcome of this matter cannot be determined with reasonable certainty at this time.		

## 17. Capital commitments

	<b>30.6.2002</b>	<b>31.12.2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure authorised but not contracted for		
– acquisition of shares in a subsidiary	<u>4,680</u>	<u>–</u>
Capital expenditure contracted for but not provided in the financial statements		
– buildings under construction	2,283	7,500
– leasehold improvements	699	1,817
– plant and machinery	2,099	3,439
– furniture, fixtures and equipment	<u>143</u>	<u>36</u>
	<u>5,224</u>	<u>12,792</u>

## SUPPLEMENTARY INFORMATION

### Dividend

The Directors have resolved to declare an interim dividend of 8 cents per share for the six months ended 30th June, 2002 (2001: 8 cents per share). The interim dividend will be payable on 8th October, 2002 to shareholders whose names appear on the register of members of the Company on 4th October, 2002.

### Closure of Register of Members

The register of members of the Company will be closed from 2nd October, 2002 to 4th October, 2002, both days inclusive, during which period no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on 30th September, 2002 in order to qualify for the interim dividend mentioned above.

### 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 six months ended 30th June, 2002.

### Directors' Interests in Shares

At 30th June, 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 interests	Other interests
Ng Hoi Ying, Michael	2,550,000	6,682,000	177,380,000 ( <i>Note a</i> )
Ng Kim Ying	–	–	18,500,000 ( <i>Note b</i> )
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 30th June, 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.

## Share Options

**Number of share options  
outstanding at  
1st January, 2002 and  
30th June, 2002**

Category: Directors	
Ng Hoi Ying, Michael	2,550,000
Ng Kim Ying	750,000
Lee Wai Chung	1,750,000
	<hr/>
	5,050,000
Category: Employees	8,400,000
	<hr/>
Total	<u>13,450,000</u>

*Notes:*

1. No share options were granted, exercised, cancelled or lapsed during the six months ended 30th June, 2002.
2. All share options outstanding at 1st January, 2002 and 30th June, 2002 were granted on 7th July, 2000 and exercisable pursuant to a vesting scale between 7th July, 2000 and 23rd October, 2006 at an exercise price of HK\$0.88 per share.
3. The consideration paid by each employee for the options granted was HK\$1.
4. No shares were available for issue under the share option scheme according to the existing rules set out by The Stock Exchange of Hong Kong Limited at 30th June, 2002.

Save as disclosed above, at no time during the six months ended 30th June, 2002 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 six months ended 30th June, 2002.

### 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 reveals no other person as having an interest representing 10% or more of the issued share capital of the Company as at 30th June, 2002.

### Compliance with the Code of Best Practice

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June, 2002, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.