



I n t e r i m R e p o r t 2 0 1 5

Arts Group

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

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CORPORATE INFORMATION**Board of directors***Executive directors*

NG Hoi Ying, Michael
NG Kim Ying
LEE Wai Chung

Independent non-executive directors

WONG Chi Wai
CHUNG Hil Lan Eric
LAM Yu Lung

Company secretary

LEE Wai Chung

Auditor

Deloitte Touche Tohmatsu

Legal advisers

Cadwalader, Wickersham & Taft
Conyers Dill & Pearman

Registered office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Website

www.artsgroup.com

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

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

Hong Kong branch share registrar

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal bankers

Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
Chong Hing Bank Limited
Dah Sing Bank, Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited

BUSINESS REVIEW

Profitability analysis

The Group's consolidated revenue decreased by 6% to HK\$726.5 million in the six months ended 30th June, 2015 (2014: HK\$772.2 million). Both the profit attributable to owners of the Company and basic earnings per share decreased by 76% to HK\$1.3 million and 0.33 HK cents respectively in the period under review (2014: HK\$5.4 million and 1.39 HK cents respectively).

The manufacturing facilities of the Group are located in Shenzhen City, Heyuan City and Zhongshan City, where the statutory minimum wage increased by 12%, 20% and 15% respectively, since March 2015 for Shenzhen City and since May 2015 for both Heyuan City and Zhongshan City. Such significant increase in labour costs continued to put severe pressure on the gross margin of the Group. Despite the above, the Group managed to improve its gross margin ratio (being the ratio of gross profit to revenue) by 2.7% from 16.3% in the first six months of 2014 to 19.0% in the corresponding period of 2015 because of:

- (a) the consolidation of higher margin wholesale operations of its distribution division following its acquisitions in the United Kingdom (the "UK") and France in July 2014;
- (b) improvement of operational efficiency; and
- (c) modest price adjustments of its products.

Notwithstanding the improvement in gross margin ratio, the Group reported a significant reduction in its net profit as a result of:

- (a) a 6% decrease in the Group's consolidated revenue;
- (b) additional costs and expenses incurred in the first six months of 2015 as the Group accelerated the pace of its factory relocation project from October 2014 onwards, with new buildings being constructed on the factory sites in Pingdi Town of Shenzhen City, Heyuan City and Zhongshan City, which resulted in higher depreciation charges of the buildings and leasehold improvement; and
- (c) a significant increase in administrative expenses due to an increase in staff costs in its factories in China and the consolidation of the wholesale operations of its distribution division following its acquisitions in the UK and France in July 2014.

Original design manufacturing (ODM) division

Depreciation of the Euro against the United States dollar in the period under review and concerns over possible interest rate hikes in the United States (the "US") in the second half of the 2015 had adversely affected the procurement confidence of our ODM customers. Sales to ODM customers decreased by 12% from HK\$702.8 million in the first six months of 2014 to HK\$618.7 million in the first six months of 2015. Geographically, sales to Europe, the US, Asia and other regions accounted for 61%, 29%, 9% and 1% respectively (2014: 63%, 29%, 7% and 1% respectively) of the revenue of the ODM division in the period under review. A double digit decline was recorded in the two major markets of this division, namely Europe (which recorded a 15% decrease) and the US (which recorded a 12% decrease), although sales to Asia recorded a satisfactory growth of 15%. 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 55%, 44% and 1% respectively of the revenue of this division during the period under review (2014: 50%, 48% and 2% respectively). Revenue generated by the ODM division contributed 85% of the consolidated revenue of the Group in the period under review (2014: 91%).

Distribution and retailing divisions

The business model of the distribution division had transformed from one with purely export operations to one with both export and wholesale operations after the Group started its wholesale business in both the UK and France in July 2014. Revenue generated by the sale of house brand and licensed brand products through its network of self-operating wholesale companies and independent distributors accounted for 15% of the consolidated revenue of the Group in the first six months of 2015 (2014: 9%). Revenue of the distribution division increased significantly by 56% from HK\$68.2 million in the first six months of 2014 to HK\$106.5 million in the first six months of 2015. Sales to Europe, Asia, the US and other regions accounted for 68%, 17%, 4% and 11% respectively of the revenue of the distribution division in the first six months of 2015 (2014: 46%, 31%, 6% and 17% respectively).

The retailing division continued to contribute less than 1% to the consolidated revenue of the Group. Revenue of this division increased slightly to HK\$1.3 million in the first six months of 2015 (2014: HK\$1.2 million).

Financial position and liquidity

Cash flows

As a result of a reduction in its working capital requirements, the Group generated a higher net cash inflow from operating activities of HK\$88.8 million (2014: HK\$63.0 million) despite a substantial decline in profitability of the core business of the Group during the period under review. Capital expenditure increased significantly from HK\$94.9 million in the first six months of 2014 to HK\$234.8 million in the period under review, because of the construction of buildings on the factory sites in Pingdi Town of Shenzhen City, Heyuan City and Zhongshan City. Total dividend payments of HK\$14.6 million were made (2014: HK\$9.6 million). The net cash position of the Group (being the total of short-term bank deposits as well as bank balances and cash less bank borrowings) decreased from HK\$500.4 million as at 31st December, 2014 to HK\$341.2 million as at 30th June, 2015.

Working capital management

Inventory turnover period (being the ratio of inventory balances to cost of sales) remained stable at 56 days in the first six months of 2015 (2014: 54 days). Inventory balance decreased by 16% from HK\$216.2 million as at 31st December, 2014 to HK\$180.8 million as at 30th June, 2015, as exports volume was particularly low in the second half of December 2014 due to the holidays in all major export markets. Debtors turnover period (being the ratio of the total of trade debtors and bills receivable to revenue) decreased from 101 days in the first six months of 2014 to 89 days in the first six months of 2015 as a lower proportion of sales was made in the second quarter of 2015 as compared to that of 2014. Total trade debtors and bills receivable balance decreased by 13% from HK\$405.3 million as at 31st December, 2014 to HK\$354.5 million as at 30th June, 2015, as most customers delayed the payment of invoices due at the end of December 2014 to early January 2015. The current ratio (being the ratio of total current assets to total current liabilities) of the Group decreased from 1.2 to 1.0 as at 31st December, 2014 to 1.0 to 1.0 as at 30th June, 2015, as a result of the decrease in net cash position of the Group.

Gearing position

The Group's gearing position remained low throughout the first six months of 2015. The debt-to-equity ratio (expressed as a percentage of non-current liabilities over equity attributable to owners of the Company) remained stable at less than 1% as at both 30th June, 2015 and 31st December, 2014. The non-current liabilities of the Group comprised only deferred taxation which amounted to HK\$10.7 million as at 30th June, 2015 (31st December, 2014: HK\$10.0 million).

6 MANAGEMENT DISCUSSION AND ANALYSIS*Net asset value*

The Company had 383,650,000 shares in issue as at both 30th June, 2015 and 31st December, 2014 with an equity attributable to owners of the Company amounting to HK\$1,190.5 million and HK\$1,200.5 million as at 30th June, 2015 and 31st December, 2014 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 30th June, 2015 was HK\$3.10 (31st December, 2014: HK\$3.13).

Foreign currency exposure

The Group was exposed to the fluctuation of Renminbi against both the US dollar and the Hong Kong dollar. Save as above, the Group had limited exposure to foreign exchange rate fluctuations as most of its transactions were conducted in either US dollar, Hong Kong dollar or Renminbi and exchange rate movements between US dollar and Hong Kong dollar were relatively stable during the period under review.

PROSPECTS*Factory relocation*

The Group's factory relocation project has entered its final critical stage. Construction of all main buildings in the factory sites in Pingdi Town of Shenzhen City, Heyuan City and Zhongshan City has been completed and internal renovation is underway. Relocation of production lines will be executed in the fourth quarter of 2015. Relevant capital expenditure has been financed by the first instalment of proceeds of the disposal of the Group's interest in the Argent Urban Renewal Project. The Group anticipates that there will be no material disruption to its manufacturing operations throughout the relocation exercise and believes that this represents a good opportunity for the Group to upgrade and modernize its production facilities in its newly established factories.

ODM division

The strength of the US dollar and possible interest rate hikes in the US will continue to affect the performance of the ODM division in the second half of 2015. Despite the poor business visibility, the Group maintains an order book of around three months' sales order on hand as its customers continue to consolidate their sourcing portfolios. The integration with Trenti Industria Occhiali S.r.l., a 50% owned associate in Italy acquired in mid-2014, is progressing well and the Group is well-equipped to capture the demand for "Made in Italy" solutions by customers of both ODM and distribution divisions.

Distribution division

Further strengthening of the Group's brands portfolio and improvement in downstream operations will be the theme of this division in the second half of 2015. The Group's house brand and licensed brand products are directly sold to retail shops in the UK, France, Belgium and Luxembourg, whereas they are distributed through independent distributors in the rest of the world. There are still many untapped opportunities which could further increase the contribution of this higher margin business, for example, by expansion of both the Group's distribution network (through direct distribution and alliances with strategic distribution partner(s)) and brands portfolio (by acquisition and licensing of brands).

Margin pressure

Increase in labour and operating costs in mainland China will continue to put pressure on our gross margin. Price adjustments by the ODM division can only provide a certain degree of short-term relief to such problems. Improvement of operational efficiency after our factory relocation and an increase in the proportion of sales of higher margin products of our distribution division will be pivotal in addressing this challenge in the long term.

EMPLOYEE AND REMUNERATION POLICIES

As at 30th June, 2015, the Group employed approximately 8,800 (31st December, 2014: 10,500) full time staff in mainland China, Hong Kong and Europe. 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, 31st August, 2015

Deloitte.

德勤

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 reviewed the condensed consolidated financial statements of Arts Optical International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 9 to 26, which comprise the condensed consolidated statement of financial position as of 30th June, 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31st August, 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2015

| | Notes | Six months ended | |
|--|-------|--------------------------------------|--------------------------------------|
| | | 30.6.2015 HK\$'000 (unaudited) | 30.6.2014 HK\$'000 (unaudited) |
| Revenue | 3 | 726,484 | 772,154 |
| Cost of sales | | (588,762) | (646,234) |
| Gross profit | | 137,722 | 125,920 |
| Other income | | 17,425 | 7,106 |
| Other gains and losses | | 17,725 | 5,879 |
| Distribution and selling expenses | | (14,629) | (13,067) |
| Administrative expenses | | (149,068) | (116,574) |
| Other expenses | | (458) | (392) |
| Finance costs | 4 | (1,048) | (551) |
| Share of profit of an associate | | 413 | – |
| Share of (loss) profit of a joint venture | | (116) | 162 |
| Profit before tax | | 7,966 | 8,483 |
| Income tax expense | 5 | (3,334) | (2,754) |
| Profit for the period | 6 | 4,632 | 5,729 |
| Other comprehensive income (expense): | | | |
| <i>Item that may be subsequently reclassified to profit or loss:</i> | | | |
| Exchange differences arising on translation of foreign operations | | 670 | (19,291) |
| <i>Item that will not be reclassified to profit or loss:</i> | | | |
| Revaluation increase upon transfer from property, plant and equipment to investment properties | | – | 17,678 |
| Total comprehensive income for the period | | 5,302 | 4,116 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 1,264 | 5,350 |
| Non-controlling interests | | 3,368 | 379 |
| | | 4,632 | 5,729 |
| Total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | 1,447 | 3,714 |
| Non-controlling interests | | 3,855 | 402 |
| | | 5,302 | 4,116 |
| Earnings per share | 8 | | |
| – Basic | | 0.33 HK cents | 1.39 HK cents |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2015

| | <i>Notes</i> | 30.6.2015 HK\$'000 (unaudited) | 31.12.2014 <i>HK\$'000</i> (audited) |
|---|--------------|---|---|
| Non-current Assets | | | |
| Investment properties | 9 | 140,720 | 130,250 |
| Property, plant and equipment | 10 | 904,766 | 751,766 |
| Prepaid lease payments | | 78,572 | 61,224 |
| Deposits paid for acquisition of property, plant and equipment | | 12,687 | 7,739 |
| Intangible assets | | 18,075 | 19,088 |
| Goodwill | | 9,526 | 9,432 |
| Interest in an associate | | 20,820 | 23,297 |
| Interest in a joint venture | | 4,930 | 5,103 |
| Loan receivable | 11 | 11,940 | 13,071 |
| Deferred tax assets | | 1,833 | 934 |
| Other receivables | | 7,960 | – |
| | | 1,211,829 | 1,021,904 |
| Current Assets | | | |
| Inventories | | 180,825 | 216,199 |
| Debtors, deposits and prepayments | 12 | 438,396 | 491,199 |
| Loan to a joint venture | | 127 | 225 |
| Loan receivable | 11 | 1,686 | 562 |
| Other receivables | | 1,263 | – |
| Prepaid lease payments | | 1,484 | 1,483 |
| Tax recoverable | | 2,938 | 3,656 |
| Short-term bank deposits | | 187,290 | 436,625 |
| Bank balances and cash | | 202,298 | 158,036 |
| | | 1,016,307 | 1,307,985 |
| Current Liabilities | | | |
| Creditors, deposit received and accrued charges | 13 | 955,615 | 1,013,107 |
| Bank borrowings | 14 | 48,411 | 94,243 |
| Tax liabilities | | 6,112 | 3,475 |
| | | 1,010,138 | 1,110,825 |
| Net Current Assets | | 6,169 | 197,160 |
| Total Assets less Current Liabilities | | 1,217,998 | 1,219,064 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2015

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| | 30.6.2015 <i>HK\$'000</i> (unaudited) | 31.12.2014 <i>HK\$'000</i> (audited) |
|--|---|---|
| Capital and Reserves | | |
| Share capital | 38,365 | 38,365 |
| Reserves | 1,152,182 | 1,162,180 |
| Equity attributable to owners of the Company | 1,190,547 | 1,200,545 |
| Non-controlling interests | 16,779 | 8,562 |
| Total Equity | 1,207,326 | 1,209,107 |
| Non-current Liabilities | | |
| Deferred tax liabilities | 10,672 | 9,957 |
| | 1,217,998 | 1,219,064 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2015

| | Attributable to owners of the Company | | | | | | | | Non-controlling interests HK\$'000 | Total HK\$'000 |
|--|---------------------------------------|---------------------------|---|---------------------------------------|------------------------------|--|------------------------------|-------------------|---------------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Special reserve HK\$'000 (Note a) | Other reserve HK\$'000 (Note b) | Exchange reserve HK\$'000 | Property revaluation reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 | | |
| At 1st January, 2014 (audited) | 38,365 | 113,950 | (3,269) | 3,427 | 133,964 | - | 1,029,947 | 1,316,384 | 6,800 | 1,323,184 |
| Profit for the period | - | - | - | - | - | - | 5,350 | 5,350 | 379 | 5,729 |
| Exchange differences arising on translation of foreign operations | - | - | - | - | (19,314) | - | - | (19,314) | 23 | (19,291) |
| Revaluation increase upon transfer from property, plant and equipment to investment properties | - | - | - | - | - | 17,678 | - | 17,678 | - | 17,678 |
| Total comprehensive (expense) income for the period | - | - | - | - | (19,314) | 17,678 | 5,350 | 3,714 | 402 | 4,116 |
| Dividend paid (note 7) | - | - | - | - | - | - | (9,591) | (9,591) | - | (9,591) |
| Acquisition of additional interest in a subsidiary | - | - | - | (458) | - | - | - | (458) | 458 | - |
| At 30th June, 2014 (unaudited) | 38,365 | 113,950 | (3,269) | 2,969 | 114,650 | 17,678 | 1,025,706 | 1,310,049 | 7,660 | 1,317,709 |
| At 1st January, 2015 (audited) | 38,365 | 113,950 | (3,269) | 2,969 | 106,419 | 37,261 | 904,850 | 1,200,545 | 8,562 | 1,209,107 |
| Profit for the period | - | - | - | - | - | - | 1,264 | 1,264 | 3,368 | 4,632 |
| Exchange differences arising on translation of foreign operations | - | - | - | - | 183 | - | - | 183 | 487 | 670 |
| Total comprehensive income for the period | - | - | - | - | 183 | - | 1,264 | 1,447 | 3,855 | 5,302 |
| Dividend paid (note 7) | - | - | - | - | - | - | (14,579) | (14,579) | - | (14,579) |
| Disposal of partial interests in subsidiaries without losing control | - | - | - | 3,134 | - | - | - | 3,134 | 4,362 | 7,496 |
| At 30th June, 2015 (unaudited) | 38,365 | 113,950 | (3,269) | 6,103 | 106,602 | 37,261 | 891,535 | 1,190,547 | 16,779 | 1,207,326 |

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 interest in a subsidiary from non-controlling interests and the disposal of partial interests in subsidiaries to third parties without losing control.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2015

| | Six months ended | |
|---|---|--|
| | 30.6.2015 HK\$'000 (unaudited) | 30.6.2014 HK\$'000 (unaudited) |
| NET CASH FROM OPERATING ACTIVITIES | 88,780 | 62,991 |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (203,873) | (84,075) |
| Deposits paid for acquisition of property, plant and equipment | (12,687) | (4,077) |
| Repayment of loan to a joint venture | 98 | 220 |
| Addition to prepaid lease payments | (18,280) | (6,700) |
| Proceeds from disposal of property, plant and equipment | 488 | – |
| Dividend received from available-for-sale investment | – | 550 |
| Dividend received from an associate | 862 | – |
| Interest received | 7,507 | 210 |
| NET CASH USED IN INVESTING ACTIVITIES | (225,885) | (93,872) |
| FINANCING ACTIVITIES | | |
| Dividend paid to owners of the Company | (14,579) | (9,591) |
| Proceeds from disposal of partial interests in subsidiaries without losing control | 546 | – |
| Interest paid | (1,048) | (551) |
| New bank borrowings raised | 37,633 | 13,115 |
| Repayments of bank borrowings | (83,465) | (1,774) |
| NET CASH (USED IN) FROM FINANCING ACTIVITIES | (60,913) | 1,199 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (198,018) | (29,682) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 594,661 | 211,367 |
| Effect of foreign exchange rate changes | (7,055) | (917) |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 389,588 | 180,768 |
| ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS | | |
| Short-term bank deposits | 187,290 | – |
| Bank balances and cash | 202,298 | 180,768 |
| | 389,588 | 180,768 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2015

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 ("HKICPA") as well as 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 consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

| | |
|-----------------------|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010 - 2012 Cycle |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012 - 2014 Cycle |
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions |

The directors of the Company (the "Directors") anticipate that the application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2015

3. SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of performance is focused 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 revenues and results

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

For the six months ended 30th June, 2015

| | Europe HK\$'000 | United States HK\$'000 | Asia HK\$'000 | Other regions HK\$'000 | Consolidated HK\$'000 |
|----------------------------------|--------------------|------------------------------|------------------|------------------------------|--------------------------|
| <i>Revenue</i> | | | | | |
| External sales | 451,398 | 183,770 | 76,720 | 14,596 | 726,484 |
| <i>Result</i> | | | | | |
| Segment profit (loss) | 21,330 | 2,885 | (628) | 800 | 24,387 |
| Unallocated income | | | | | 12,474 |
| Unallocated corporate expenses | | | | | (35,651) |
| Interest income on bank deposits | | | | | 7,507 |
| Finance costs | | | | | (1,048) |
| Share of profit of an associate | | | | | 413 |
| Share of loss of a joint venture | | | | | (116) |
| Profit before tax | | | | | 7,966 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2015

3. SEGMENT INFORMATION (continued)**Segment revenues and results** (continued)

For the six months ended 30th June, 2014

| | Europe HK\$'000 | United States HK\$'000 | Asia HK\$'000 | Other regions HK\$'000 | Consolidated HK\$'000 |
|------------------------------------|--------------------|------------------------------|------------------|------------------------------|--------------------------|
| <i>Revenue</i> | | | | | |
| External sales | 478,255 | 207,242 | 72,120 | 14,537 | 772,154 |
| <i>Result</i> | | | | | |
| Segment profit | 21,306 | 7,913 | 3,812 | 672 | 33,703 |
| Unallocated income | | | | | 743 |
| Unallocated corporate expenses | | | | | (25,784) |
| Interest income on bank deposits | | | | | 210 |
| Finance costs | | | | | (551) |
| Share of profit of a joint venture | | | | | 162 |
| Profit before tax | | | | | 8,483 |

Segment profit (loss) represents the profit earned/loss incurred by each segment without allocation of central administration costs, directors' emoluments, investment income, property rental income, increase in fair values of investment properties, finance costs, share of profit of an associate and share of profit or loss of a joint venture. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2015

4. FINANCE COSTS

| | Six months ended | |
|--|-----------------------|-----------------------|
| | 30.6.2015 HK\$'000 | 30.6.2014 HK\$'000 |
| Interest on bank borrowings wholly repayable within five years | 426 | 6 |
| Interest on bank borrowings wholly repayable after five years | 622 | 545 |
| | 1,048 | 551 |

5. INCOME TAX EXPENSE

| | Six months ended | |
|---|-----------------------|-----------------------|
| | 30.6.2015 HK\$'000 | 30.6.2014 HK\$'000 |
| The charge comprises: | | |
| Hong Kong Profits Tax | | |
| – Current year | 1,087 | 4,982 |
| The People's Republic of China (the "PRC") | | |
| Enterprise Income Tax | | |
| – Current year | 19 | 32 |
| – (Over)underprovision in respect of prior year | (6) | 29 |
| | 13 | 61 |
| United Kingdom Corporation Tax | | |
| – Current year | 1,749 | – |
| France Corporation Tax | | |
| – Current year | 667 | – |
| Deferred taxation | | |
| – Current year | (182) | (2,289) |
| | 3,334 | 2,754 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2015

5. INCOME TAX EXPENSE (continued)

Hong Kong Profits Tax is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate is 16.5% for both periods under review.

PRC Enterprise Income Tax is calculated at the applicable rate of 25% in accordance with the relevant law and regulations in the PRC.

United Kingdom Corporation Tax is calculated at the applicable rate of 20% in accordance with the relevant law and regulations in the United Kingdom.

France Corporation Tax is calculated at the applicable rate of 33.33% in accordance with the relevant law and regulations in France.

In relation to 50:50 apportionment basis, a portion of the Group's profits is deemed 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 subject to taxation in any other jurisdiction in which the Group operates for both periods.

6. PROFIT FOR THE PERIOD

| | Six months ended | |
|---|-----------------------|-----------------------|
| | 30.6.2015 HK\$'000 | 30.6.2014 HK\$'000 |
| Profit for the period has been arrived at after charging (crediting): | | |
| Amortisation of intangible assets | 1,023 | – |
| Allowance for doubtful debts, net (included in distribution and selling expenses) | 1,165 | 1,640 |
| Cost of inventories recognised as an expense (included allowance for inventories of HK\$3,386,000 (2014: write back of inventories of HK\$2,967,000)) | 588,762 | 646,234 |
| Depreciation of property, plant and equipment | 58,366 | 48,248 |
| Dividend income from available-for-sale investment | – | (550) |
| (Gain) loss on disposal of property, plant and equipment | (389) | 3 |
| Increase in fair values of investment properties | (10,470) | – |
| Net foreign exchange gains (included in other gains and losses) | (6,866) | (5,882) |
| Release of prepaid lease payments | 712 | 688 |
| Gross rental income from investment properties (included in other income) | (1,620) | (193) |
| Less: Outgoings | 428 | 191 |
| | (1,192) | (2) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2015

7. DIVIDENDS

| | Six months ended | |
|--|-------------------------------------|------------------------------|
| | 30.6.2015 <i>HK\$'000</i> | 30.6.2014 <i>HK\$'000</i> |
| No final dividend paid in respect of 2014 (2014: 2.5 HK cents in respect of 2013 per share) | – | 9,591 |
| Second special dividend paid of 3.8 HK cents in respect of 2014 (2014: nil) per share | 14,579 | – |
| | 14,579 | 9,591 |

The board of directors (the "Board") has resolved not to declare any interim dividend, but has resolved to declare a special dividend of 3.8 HK cents per share for the six months ended 30th June, 2015 on 31st August, 2015.

During the six months period ended 30th June, 2015, the Board did not recommend the payment of a final dividend and resolved to recommend a second special dividend of 3.8 HK cents per share, amounting to HK\$14,579,000, for the year ended 31st December, 2014.

During the six months period ended 30th June, 2014, the Board resolved to recommend a final dividend of 2.5 HK cents per share, amounting to HK\$9,591,000, for the year ended 31st December, 2013. The Board also resolved to declare an interim dividend of 0.7 HK cents per share, amounting to HK\$2,686,000, and a first special dividend of 3.1 HK cents per share, amounting to HK\$11,893,000, for the six months ended 30th June, 2014 on 28th August, 2014.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2015

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

| | Six months ended | |
|---|-------------------------|-------------|
| | 30.6.2015 | 30.6.2014 |
| | HK\$'000 | HK\$'000 |
| Earnings for the purpose of basic earnings per share | | |
| – Profit for the period attributable to owners of the Company | 1,264 | 5,350 |
| | <hr/> | |
| | Number of shares | |
| | <hr/> | |
| Number of shares for the purpose of basic earnings per share | 383,650,000 | 383,650,000 |
| | <hr/> | |

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

9. INVESTMENT PROPERTIES

| | <i>HK\$'000</i> |
|--|-----------------|
| | <hr/> |
| FAIR VALUES | |
| At 1st January, 2014 | – |
| Reclassification from property, plant and equipment (<i>note 10</i>) | 127,860 |
| Increase in fair values recognised in profit or loss | 2,390 |
| | <hr/> |
| At 31st December, 2014 | 130,250 |
| Increase in fair values recognised in profit or loss | 10,470 |
| | <hr/> |
| At 30th June, 2015 | 140,720 |
| | <hr/> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2015

9. INVESTMENT PROPERTIES (continued)

All of the Group's investment properties are situated on land in Hong Kong which are held under a medium-term lease. These properties are measured using the fair value model and are classified and accounted for as investment properties.

In estimating the fair value of investment properties, it is the Group's policy to engage third party qualified external valuer to perform the valuation. The Group works closely with the qualified external valuers to establish the appropriate valuation technique and inputs to the model.

On 30th June, 2015 and 31st December, 2014, independent valuations were undertaken by Vigers Appraisal & Consulting Limited ("Vigers"), 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 direct comparison approach with reference to comparable transactions in the open market and on the basis of vacant properties. One of the key inputs used in valuing the investment properties located in Hong Kong was the market unit rates used. An increase in the market unit rate used would result in an increase in fair value measurement of the investment properties, and vice versa.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2015, the Group acquired property, plant and equipment of approximately HK\$211,612,000 (six months ended 30th June, 2014: HK\$84,434,000).

During the year ended 31st December, 2014, the Group changed the usage of certain properties from owner occupation to investment properties. Accordingly, the relevant portion of the properties with a net carrying value of HK\$90,599,000 was transferred from property, plant and equipment to investment properties at their fair values on the date of transfer of HK\$127,860,000 which were determined by the Directors with reference to the valuation carried out by Vigers at the dates of transfer. The difference between the fair values of these properties and their carrying values at the date of transfer has been credited to property revaluation reserve.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2015

11. LOAN RECEIVABLE

The loan receivable of US\$1,757,500 (31st December, 2014: US\$1,757,500) (equivalent to approximately HK\$13,626,000 (31st December, 2014: HK\$13,633,000)) is granted to an independent corporate customer and is denominated in United States dollars. The amount carries fixed interest rate at 5% per annum. Management considers that the exposure to credit risk is insignificant as the amount is secured by all assets held by the corporate customer. The Group is not permitted to sell or repledge the collateral in the absence of default by the borrower. With reference to the repayments history of this corporate customer, the Directors consider that this corporate customer will continue to be able to repay the loan in accordance with the loan agreement.

12. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing a credit period of 30 days to 120 days to its trade debtors.

Included in the Group's debtors, deposits and prepayments are trade debtors and bills receivable of HK\$353,326,000 and HK\$1,209,000 respectively (31st December, 2014: HK\$403,966,000 and HK\$1,318,000 respectively). The following is an aged analysis of trade debtors net of allowance for doubtful debts based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

| | 30.6.2015 <i>HK\$'000</i> | 31.12.2014 <i>HK\$'000</i> |
|--------------------|-------------------------------------|-------------------------------|
| 0 – 90 days | 279,958 | 321,114 |
| 91 – 180 days | 70,255 | 80,012 |
| More than 180 days | 3,113 | 2,840 |
| | 353,326 | 403,966 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2015

12. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

The following is an aged analysis of bills receivable based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

| | 30.6.2015 <i>HK\$'000</i> | 31.12.2014 <i>HK\$'000</i> |
|---------------|-------------------------------------|-------------------------------|
| 0 – 90 days | 953 | 1,191 |
| 91 – 180 days | 256 | 127 |
| | 1,209 | 1,318 |

Trade receivable due from the associate and joint venture

Included in the Group's trade receivable is an amount due from the Group's associate of HK\$4,049,000 (31st December, 2014: HK\$5,747,000) and an amount due from the Group's joint venture of HK\$177,000 (31st December, 2014: HK\$404,000), which are repayable on similar credit terms with reference to those offered to the customers of the Group who are similar in size and stature. The amounts outstanding are unsecured and not past due at the end of the reporting period. No expense has been recognised in the period for doubtful debts in respect of the amounts outstanding from the associate and joint venture.

13. CREDITORS, DEPOSIT RECEIVED AND ACCRUED CHARGES

Included in the Group's creditors, deposit received and accrued charges are trade creditors of HK\$117,205,000 (31st December, 2014: HK\$138,627,000). The following is an aged analysis of trade creditors based on the invoice date at the end of the reporting period:

| | 30.6.2015 <i>HK\$'000</i> | 31.12.2014 <i>HK\$'000</i> |
|--------------------|-------------------------------------|-------------------------------|
| 0 – 60 days | 95,542 | 110,826 |
| 61 – 120 days | 18,215 | 24,068 |
| More than 120 days | 3,448 | 3,733 |
| | 117,205 | 138,627 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2015

13. CREDITORS, DEPOSIT RECEIVED AND ACCRUED CHARGES

(continued)

Trade payable due to the associate

Included in the Group's trade payable is an amount due to the Group's associate of HK\$791,000 (31st December, 2014: HK\$787,000), 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.

14. BANK BORROWINGS

| | 30.6.2015 HK\$'000 | 31.12.2014 HK\$'000 |
|--|-----------------------|------------------------|
| Bank borrowings: | | |
| – Secured | 48,411 | 50,833 |
| – Unsecured | – | 43,410 |
| | 48,411 | 94,243 |
| Carrying amount of the bank borrowings repayable based on repayment schedules: | | |
| – within one year | 4,935 | 48,284 |
| – more than one year, but not exceeding two years | 5,060 | 4,997 |
| – more than two years, but not exceeding five years | 15,960 | 15,762 |
| – more than five years | 22,456 | 25,200 |
| | 48,411 | 94,243 |
| Less: Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities) | (48,411) | (94,243) |
| Amounts due after one year shown under non-current liabilities | – | – |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2015

14. BANK BORROWINGS (continued)

All of the Group's bank borrowings are variable-rate borrowings and subject to cash flow interest rate risk. A bank borrowing of HK\$36,491,000 (31st December, 2014: HK\$38,313,000) is secured by the Group's investment properties, leasehold land and buildings with carrying amount of HK\$142,114,000 (31st December, 2014: HK\$131,670,000) and carries interest at Hong Kong Prime Rate less 2.6%. A bank borrowing of HK\$11,920,000 (31st December, 2014: HK\$12,520,000) is secured by the Group's leasehold land and buildings with carrying amount of HK\$34,448,000 (31st December, 2014: HK\$35,020,000) and carries interest at one-month Hong Kong Interbank Offered Rate ("HIBOR") plus 1.8%. At 31st December, 2014, unsecured bank borrowings of HK\$43,410,000 carried interests at HIBOR plus certain basis points.

15. CAPITAL COMMITMENTS

| | 30.6.2015 <i>HK\$'000</i> | 31.12.2014 <i>HK\$'000</i> |
|---|-------------------------------------|-------------------------------|
| Capital expenditure contracted for but not provided in the condensed consolidated financial statements: | | |
| – buildings under construction | 38,531 | 167,326 |
| – leasehold improvements | 19,265 | 28,795 |
| – plant and machinery | 7,214 | 14,215 |
| – furniture, fixtures and office equipment | 224 | 118 |
| | 65,234 | 210,454 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2015

16. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties:

| | An associate | | A joint venture | |
|-----------------|------------------|-----------|------------------|-----------|
| | Six months ended | | Six months ended | |
| | 30.6.2015 | 30.6.2014 | 30.6.2015 | 30.6.2014 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Trade sales | 8,582 | – | 103 | 335 |
| Trade purchases | 908 | – | – | – |

Sales of goods to the associate and joint venture were made at the Group's usual list prices.

Other than the above, the details of trade receivable from and trade payable to the associate and joint venture are shown in notes 12 and 13 respectively. No guarantees have been given to or received from the associate and joint venture.

Compensation of key management personnel

The remuneration of Directors and other members of key management during the period was as follows:

| | Six months ended | |
|--------------------------|------------------|-----------|
| | 30.6.2015 | 30.6.2014 |
| | HK\$'000 | HK\$'000 |
| Short-term benefits | 4,970 | 4,528 |
| Post-employment benefits | 208 | 196 |
| | 5,178 | 4,724 |

The remuneration of executive directors and key executives was determined by the Remuneration Committee having regard to the performance of individuals and market trends. The remuneration of independent non-executive directors was recommended by the Board and approved by the shareholders of the Company at the annual general meeting.

DIVIDEND

The board of directors of the Company (the "Board") has resolved not to declare any interim dividend, but has resolved to declare a special dividend of 3.8 HK cents per share (2014: interim dividend of 0.7 HK cents per share and special dividend of 3.1 HK cents per share) for the six months ended 30th June, 2015. The special dividend will be payable on or about 15th October, 2015 to shareholders whose names appear on the register of members of the Company on 5th October, 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 2nd October, 2015 to 5th October, 2015, both days inclusive, during which period no transfer of shares will be effected. All properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 30th September, 2015 in order to qualify for the special dividend mentioned above.

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 10 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 of the Company (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 30th June, 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the six months ended 30th June, 2015.

SUPPLEMENTARY INFORMATION

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

As at 30th June, 2015, 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 | Number of issued ordinary shares held | | | Total | Approximate percentage of issued share capital of the Company |
|----------------------|---------------------------------------|------------------|--------------------------------|-------------|---|
| | Personal interests | Family interests | Other interests | | |
| Ng Hoi Ying, Michael | 2,856,000 | 5,656,000 | 151,000,000 <i>(Note a)</i> | 159,512,000 | 41.58% |
| Ng Kim Ying | 1,150,000 | 5,000,000 | 15,500,000 <i>(Note b)</i> | 21,650,000 | 5.64% |
| Lee Wai Chung | 2,750,000 | - | - | 2,750,000 | 0.72% |

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 beneficiaries of which included Mr. Ng Hoi Ying, Michael.

(b) These shares were directly held by Universal Honour Developments Limited which was wholly-owned by Mr. Ng Kim Ying.

Save as disclosed above, as at 30th June, 2015, 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

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 30th June, 2015, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed 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 | 169,862,000 (Note a) | 44.28% |
| Maritime Overseas Assets Limited | Held by controlled corporation | 151,000,000 (Note a) | 39.36% |
| Ratagan International Company Limited | Beneficial owner | 151,000,000 (Note a) | 39.36% |
| FMR LLC | Investment manager | 38,365,000 (Note b) | 10.00% |
| David Michael Webb | Beneficial owner | 6,889,000 | 1.80% |
| | Held by controlled corporation | 23,877,000 (Note c) | 6.22% |
| Preferable Situation Assets Limited | Beneficial owner | 23,877,000 (Note c) | 6.22% |

Notes:

- (a) HSBC International Trustee Limited (“HSBCITL”) was the trustee of The Arts 2007 Trust. The Arts 2007 Trust was a discretionary trust and the beneficiaries of which included Mr. Ng Hoi Ying, Michael. Under The Arts 2007 Trust, 151,000,000 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) FMR LLC was deemed to be interested in 38,365,000 shares of the Company through its controlled corporations, Fidelity Management & Research Company which was interested in 33,970,640 shares of the Company, and Fidelity Management Trust Company and Pyramis Global Advisors LLC, which were interested in 4,394,360 shares of the Company.
- (c) These shares were directly held by Preferable Situation Assets Limited (“PSAL”). Mr. David Michael Webb was deemed to be interested in the 23,877,000 shares of the Company held by PSAL under Part XV of the SFO.

CORPORATE GOVERNANCE

The Company had complied with all applicable code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30th June, 2015, except for deviation from code provision A.2.1 of the CG Code. Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ng Hoi Ying, Michael ("Mr. Ng") is the founder and chairman of the Group. The Company does not at present have any officer with the title "chief executive officer" and Mr. Ng has been carrying out the duties of both the chairman and chief executive officer since the establishment of the Group and the Company. The Board intends to maintain this structure in future as it believes that this structure ensures efficient and effective formulation and implementation of business strategies without compromising the balance of power and authority between the Board and management of the Company.

An Audit Committee has been established by the Company since 1998 and currently comprises Mr. Wong Chi Wai (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) review of the interim and annual reports of the Group as well as various auditing, financial reporting 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 30th June, 2015 has been reviewed by the Audit Committee and the Company's auditor, Messrs. Deloitte Touche Tohmatsu.

A Remuneration Committee has been established by the Company since 2003 and currently comprises Mr. Chung Hil Lan Eric (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 executive directors and senior management and review of the remuneration policy of the Group.

A Nomination Committee has been established by the Company since 2012 and currently comprises Mr. Lam Yu Lung (chairman of the Nomination Committee), Mr. Wong Chi Wai and Mr. Chung Hil Lan Eric, 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 policy, nomination procedures and process and criteria for the nomination of directors.