

*Arts*Group

Arts Optical International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code:1120



2020

INTERIM REPORT

CONTENTS

Corporate Information	2
Management Discussion and Analysis	3
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Condensed Consolidated Statement of Financial Position	8
Condensed Consolidated Statement of Changes in Equity	10
Condensed Consolidated Statement of Cash Flows	11
Notes to the Condensed Consolidated Financial Statements	12
Supplementary Information	31

Board of directors

Executive directors

NG Hoi Ying, Michael
NG Kim Ying

Independent non-executive directors

WONG Chi Wai
CHUNG Hil Lan Eric
LAM Yu Lung

Company secretary

CHOI Pui Yiu

Auditor

RSM Hong Kong

Legal advisers

Stephenson Harwood
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 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal bankers

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

BUSINESS REVIEW

Profitability analysis

The Group's consolidated revenue decreased by 37% to HK\$343.9 million during the six months ended 30th June, 2020 (2019: HK\$545.5 million). A loss attributable to owners of the Company of HK\$94.7 million was incurred during the period under review (2019: HK\$54.5 million). Loss per share was 24.50 HK cents (2019: 14.11 HK cents).

Significant increase in loss for the period under review was mainly due to significantly decrease in demand from customers after outbreak of COVID-19 in early this year. As a result, the Group's operating profitability was adversely affected by the diseconomies of scale. Moreover, the Group recorded a substantial fair valuation loss of HK\$19.6 million on revaluation of investment properties for the six months ended 30th June, 2020.

Original design manufacturing ("ODM") division

Revenue generated by the ODM division contributed 80% to the consolidated revenue of the Group in the period under review (2019: 76%). Sales to ODM customers decreased by 34% from HK\$417.0 million in the first six months of 2019 to HK\$274.2 million in the first six months of 2020 was due to two major factors. Firstly, the outbreak of COVID-19 in January 2020 caused the temporary suspension and disruption of the productions and shipments to the customers in the first quarter of 2020. Secondly, the Group's customers in Europe and the United States (the "US") have delayed in shipments and suspended in placing new orders after the outbreak of COVID-19 in their respective countries since March 2020. Geographically, sales to Europe, the US, Asia and other regions accounted for 55%, 33%, 11% and 1% respectively (2019: 59%, 28%, 11% and 2% respectively) of the revenue of the ODM division during the period under review. 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 51%, 46% and 3% respectively of the revenue of this division during the period under review (2019: 55%, 42% and 3% respectively).

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, China and Germany, and independent distributors in other countries. Revenue of the distribution division decreased by 46% to HK\$69.7 million (2019: HK\$128.5 million) and accounted for 20% (2019: 24%) of the consolidated revenue during the six months ended 30th June, 2020. Sales to Europe and Asia regions reduced significantly by 44% and 61% respectively due to sever quarantine control across the European and Asian countries after the outbreak of COVID-19 during the second quarter of 2020. Sales to Europe, Asia, the US and other regions accounted for 65%, 12%, 13% and 10% respectively of the revenue of the distribution division during the period under review (2019: 63%, 17%, 7% and 13% respectively). There was no significant change in sales by regions.

Management Discussion and Analysis

Financial position and liquidity

Cash flows

The Group recorded a net cash outflow from operating activities of HK\$3.1 million during the period under review (2019: net cash inflow of HK\$99.0 million). The result in net cash outflow mainly due to substantial loss to owners of the Company of HK\$94.7 million incurred during the period under review (2019: HK\$54.5 million). And the reduction in cash outflow was materially offset by decrease of inventories and debtors balances of HK\$46.9 million and HK\$19.5 million respectively. The net cash position of the Group (being the bank balances and cash less bank borrowings) decreased from HK\$216.3 million as at 31st December, 2019 to HK\$166.0 million as at 30th June, 2020.

Working capital management

In line with the decline in revenue during the period under review, inventory balance and total amount of trade debtors and bills receivable balances decreased by 33% and 8% respectively from HK\$141.4 million and HK\$244.9 million as at 31st December, 2019 to HK\$94.5 million and HK\$225.4 million as at 30th June, 2020. Inventory turnover period (being the ratio of inventory balances to cost of sales) increased slightly from 58 days for the six months ended 30th June, 2019 to 60 days for the period under review. On the other hand, debtors turnover period (being the ratio of the total of trade debtors and bills receivable to revenue) increased sharply from 82 days for the six months ended 30th June, 2019 to 120 days for the period under review because majority of customers had negotiated for payment extension as result of negative impact of COVID-19. The current ratio (being the ratio of total current assets to total current liabilities) of the Group remained stable at 1.5 to 1.0 as at 30th June, 2020 compared to 1.6 to 1.0 as at 31st December, 2019. We expect the current ratio will be stable in the second half of the year.

Gearing position

Despite the loss incurred by the Group during the six months ended 30th June, 2020, the Group's gearing position remained low throughout the period under review. 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 2% as at 30th June, 2020 and around 1% as at 31st December, 2019. The non-current liabilities of the Group mainly comprised deferred taxation which amounted to HK\$10.1 million as at 30th June, 2020 (31st December, 2019: HK\$9.4 million).

Net asset value

The Company had 386,263,374 shares in issue as at both 30th June, 2020 and 31st December, 2019 with equity attributable to owners of the Company amounting to HK\$791.5 million and HK\$896.7 million as at 30th June, 2020 and 31st December, 2019 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, 2020 was HK\$2.05 (31st December, 2019: HK\$2.32).

Contingent liabilities

As at 30th June, 2020, the Group did not have significant contingent liabilities (31st December, 2019: nil).

Charges on the Group's assets

As at 30th June, 2020, the Group's investment properties and leasehold land and buildings pledged as security for the Group's bank borrowings amounted to HK\$22.6 million (31st December, 2019: HK\$25.3 million). Details of bank borrowings are set out in note 15 to the condensed consolidated financial statements.

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 dollars, Hong Kong dollars or Renminbi. The Group noted that there is potential exposure to the rapid change of Renminbi yet the range of movement was relatively limited. The Group manages foreign exchange risk by closely monitoring the movements of the foreign currency rates and enters into forward contracts whenever appropriate.

PROSPECTS

Market outlook

Looking forward, it is expected that the global market demand will be weakened for rest of the year. Despite facing various difficulties, the Group will take the opportunity to restructure the in-house production capacities and staff organisation with the aim of improving the Group strength for its long term development.

The higher profit margin of the distribution division demonstrates its growing importance in the future development of the Group. The Group will continue to seek for business opportunities with prudence so as to increase the contribution of this business either through establishment of our own network or forming joint venture with strategic distribution partner(s).

IMPORTANT EVENTS AFTER THE END OF THE FINANCIAL PERIOD

There are no important events affecting the Group which have occurred after the end of financial period for the six months ended 30th June, 2020 and up to the date of this report.

EMPLOYEE AND REMUNERATION POLICIES

As at 30th June, 2020, the Group employed approximately 3,200 (31st December, 2019: 4,500) full time staff in Mainland China, Hong Kong, Europe 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, 28th August, 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30th June, 2020

		Unaudited	
		Six months ended	
		30th June,	
		2020	2019
<i>Notes</i>		HK\$'000	HK\$'000
	Revenue		
4	Cost of sales	343,895 (287,988)	545,505 (442,916)
	Gross profit	55,907	102,589
	Other income	11,776	7,506
	Other gains and losses	(19,557)	(252)
	Impairment losses	(2,929)	(3,405)
	Distribution and selling expenses	(11,544)	(15,763)
	Administrative expenses	(130,272)	(144,946)
	Other expenses	(355)	(1,309)
	Loss from operations	(96,974)	(55,580)
5	Finance costs	(366)	(456)
	Share of profit of an associate	2,226	7,635
	Loss before tax	(95,114)	(48,401)
6	Income tax expense	(910)	(3,474)
	Loss for the period	(96,024)	(51,875)
	Other comprehensive expense after tax:		
	<i>Items that may be reclassified to profit or loss:</i>		
	Exchange differences arising on translation of foreign operations	(10,978)	(860)
	Exchange differences arising on translation of an associate	(62)	(918)
	Other comprehensive expense for the period, net of tax	(11,040)	(1,778)
	Total comprehensive expense for the period	(107,064)	(53,653)
	(Loss)/profit for the period attributable to:		
	Owners of the Company	(94,651)	(54,521)
	Non-controlling interests	(1,373)	2,646
		(96,024)	(51,875)
	Total comprehensive (expense)/income for the period attributable to:		
	Owners of the Company	(105,123)	(56,213)
	Non-controlling interests	(1,941)	2,560
		(107,064)	(53,653)
	Loss per share	HK cents	HK cents
9	Basic and diluted	(24.50)	(14.11)

Condensed Consolidated Statement of Financial Position

At 30th June, 2020

		Unaudited	Audited
		30th June, 2020	31st December, 2019
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current assets			
Investment properties	10	152,290	171,920
Property, plant and equipment	11	441,352	458,142
Deposits paid for acquisition of property, plant and equipment		7,550	4,931
Intangible assets		7,254	8,149
Goodwill		7,455	7,987
Investment in an associate	12	39,895	38,160
Investment in a joint venture		—	—
Loan receivable		—	—
Derivative financial instrument		288	288
Equity investment at fair value through other comprehensive income ("FVTOCI")		2,711	—
Equity investment at fair value through profit or loss ("FVTPL")		7,875	—
Deferred tax assets		3,755	3,297
		670,425	692,874
Current assets			
Inventories		94,532	141,363
Debtors, deposits and prepayments	13	250,923	273,150
Loan receivable		—	—
Bank balances and cash		188,544	241,640
		533,999	656,153
Current liabilities			
Creditors and accrued charges	14	309,756	348,097
Contract liabilities		7,300	12,253
Refund liabilities		3,287	3,287
Consideration payable	12	416	—
Lease liabilities		906	688
Bank borrowings	15	22,570	25,304
Derivative financial instrument		7,246	7,246
Tax liabilities		7,118	11,428
		358,599	408,303
Net current assets		175,400	247,850
Total assets less current liabilities		845,825	940,724

Condensed Consolidated Statement of Financial Position

At 30th June, 2020

		Unaudited	Audited
		30th June, 2020	31st December, 2019
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Non-current liabilities			
Consideration payable	12	972	1,388
Lease liabilities		1,818	1,377
Deferred tax liabilities		10,137	9,365
		12,927	12,130
NET ASSETS			
		832,898	928,594
Capital and reserves			
Share capital	16	38,626	38,626
Reserves		752,909	858,032
Equity attributable to owners of the Company		791,535	896,658
Non-controlling interests		41,363	31,936
TOTAL EQUITY			
		832,898	928,594

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2020

	Attributable to owners of the Company							Non-controlling interests	Total equity	
	Share capital	Share premium	Special reserve	Other reserve	Exchange reserve	Property revaluation reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	Sub-total	HK\$'000	HK\$'000
At 1st January, 2019 (audited)	38,626	118,706	(3,269)	5,318	49,054	39,177	797,803	1,045,415	27,867	1,073,282
Total comprehensive (expense)/income for the period (unaudited)	—	—	—	—	(1,692)	—	(54,521)	(56,213)	2,560	(53,653)
Changes in equity for the period (unaudited)	—	—	—	—	(1,692)	—	(54,521)	(56,213)	2,560	(53,653)
At 30th June, 2019 (unaudited)	38,626	118,706	(3,269)	5,318	47,362	39,177	743,282	989,202	30,427	1,019,629
At 1st January, 2020 (audited)	38,626	118,706	(3,269)	5,318	36,589	39,177	661,511	896,658	31,936	928,594
Total comprehensive expense for the period (unaudited)	—	—	—	—	(10,472)	—	(94,651)	(105,123)	(1,941)	(107,064)
Contribution from non-controlling shareholders in respect of incorporation of subsidiaries (unaudited)	—	—	—	—	—	—	—	—	11,368	11,368
Changes in equity for the period (unaudited)	—	—	—	—	(10,472)	—	(94,651)	(105,123)	9,427	(95,696)
At 30th June, 2020 (unaudited)	38,626	118,706	(3,269)	5,318	26,117	39,177	566,860	791,535	41,363	832,898

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 30th June, 2020

	Unaudited	
	Six months ended	
	30th June,	
	2020	2019
	HK\$'000	HK\$'000
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(3,130)	98,977
Purchase of property, plant and equipment	(34,768)	(4,155)
Proceeds from disposal of property, plant and equipment	71	293
Interest received	138	554
Purchase of equity investment at FVTOCI	(2,711)	—
Purchase of equity investment at FVTPL	(12,626)	—
Investment in an associate	—	(5,553)
Deposits paid for acquisition of property, plant and equipment	(2,938)	(1,471)
NET CASH USED IN INVESTING ACTIVITIES	(52,834)	(10,332)
Contribution from non-controlling shareholders in respect of incorporation of subsidiaries	11,368	—
Interest paid on bank borrowings	(350)	(433)
Interest paid on lease liabilities	(16)	(23)
Repayments of bank borrowings	(2,734)	(2,652)
Repayments of lease liabilities	(534)	(409)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	7,734	(3,517)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(48,230)	85,128
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	241,640	222,277
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(4,866)	(672)
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY	188,544	306,733
Bank balances and cash	188,544	306,733

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2020

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 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 financial statements should be read in conjunction with the 2019 annual financial statements. 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 financial statements are consistent with those used in the annual financial statements for the year ended 31st December, 2019.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1st January, 2020. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The accounting policies applied in the financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31st December, 2019. A number of new or amended standards are effective from 1st January, 2020 but they do not have a material effect on the Group’s 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.

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 value:

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2020

3. FAIR VALUE MEASUREMENTS (continued)

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 and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value of the carrying amount is a reasonable approximation of fair value. Further, for the current year the fair value disclosure of lease liabilities is also not required.

(a) Disclosures of level in fair value hierarchy:

Description	Fair value measurements as at 30th June, 2020 (unaudited)		
	Level 1 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurements:			
Financial assets			
Derivative — Put option	—	288	288
Financial asset at FVTPL			
— Listed equity security	7,875	—	7,875
Financial asset at FVTOCI			
— Unlisted equity security	—	2,711	2,711
	7,875	2,999	10,874
Investment properties			
Commercial units — Hong Kong	—	152,290	152,290
Total	7,875	155,289	163,164
Financial liabilities			
Derivative — Call option	—	(7,246)	(7,246)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2020

3. FAIR VALUE MEASUREMENTS (continued)

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

Description	Fair value measurements as at 31st December, 2019 (audited) Level 3 <u>HK\$'000</u>
Recurring fair value measurements:	
Financial assets	
Derivative — Put option	<u>288</u>
Investment properties	
Commercial units — Hong Kong	<u>171,920</u>
Total	<u>172,208</u>
Financial liabilities	
Derivative — Call option	<u>(7,246)</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2020

3. FAIR VALUE MEASUREMENTS (continued)

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

Assets

Description	Derivative put option HK\$'000	Unlisted equity security HK\$'000	Investment properties HK\$'000	2020 Total HK\$'000
At 1st January, 2020	288	—	171,920	172,208
Total gains or losses recognised in profit or loss (#)	—	—	(19,630)	(19,630)
Initial recognition (#)	—	2,711	—	2,711
At 30th June, 2020	288	2,711	152,290	155,289
(#) Include gains or losses for assets held at end of reporting period	—	—	(19,630)	(19,630)

Description	2019 Investment properties HK\$'000
At 1st January, 2019	177,610
Total gains or losses recognised in profit or loss (#)	860
At 30th June, 2019	178,470
(#) Include gains or losses for assets held at end of reporting period	860

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2020

3. FAIR VALUE MEASUREMENTS (continued)

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

Liabilities

Description	2020 Derivative call option HK\$'000
At 1st January, 2020 and 30th June, 2020	<u>(7,246)</u>

The total gains or losses recognised in profit or loss including those of assets/(liabilities) 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.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30th June, 2020:

The Group's chief financial officer (the "CFO") is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The CFO reports directly to the board of directors of the Company (the "Board") 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);
- volatility of share price (estimated based on the historical share price movement of companies in similar business operation); and
- dividend yield (estimated based on historical dividend payment).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2020

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 30th June, 2020: (continued)

Level 3 fair value measurements				Fair value – Assets/(Liabilities)		
Description	Valuation techniques	Unobservable inputs	Range	Effect on fair value for increase of inputs	30th June, 2020 HK\$'000 (unaudited)	31st December, 2019 HK\$'000 (audited)
Investment properties	Income capitalisation approach	Reversion yield	2.9% to 3.0% (31st December, 2019: 2.6% to 3.0%)	Decrease	152,290	171,920
		Monthly market rent	Office portion: HK\$26.0 to HK\$29.75 (31st December, 2019: HK\$26.0 to HK\$29.75) per square foot per month on lettable area basis	Increase		
		Car parking space portion: HK\$3,200 to HK\$3,400 (31st December, 2019: HK\$3,400) per car parking space per month				
Put option	Binomial option pricing model	Volatility of share price	20.2% (31st December, 2019: 20.2%)	Increase	288	288
		Dividend yield	4% (31st December, 2019: 4%)	Increase		
Call option	Binomial option pricing model	Volatility of share price	19.8% (31st December, 2019: 19.8%)	Increase	(7,246)	(7,246)
		Dividend yield	4% (31st December, 2019: 4%)	Decrease		
Financial asset at FVTOCI	Market approach – comparable transaction method	Market prices	–	–	2,711	–

There were no changes in the valuation techniques used.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2020

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, increase or decrease in fair values of investment properties, decrease in fair value of equity investment at FVTPL, finance costs and share of profit of an associate. 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.

Segment revenues and results

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

For the six months ended 30th June, 2020 (unaudited)

	Europe HK\$'000	United States HK\$'000	Asia HK\$'000	Other regions HK\$'000	Total HK\$'000
Revenue from contracts with customers (Note)					
Original design manufacturing division	151,490	90,391	30,489	1,832	274,202
Distribution division	44,998	8,883	8,579	7,233	69,693
Revenue from external customers	196,488	99,274	39,068	9,065	343,895
Result					
Segment loss	(17,822)	(9,264)	(4,897)	(433)	(32,416)
Unallocated income and gains					6,713
Unallocated corporate expenses and losses					(71,409)
Interest income on bank deposits					138
Finance costs					(366)
Share of profit of an associate					2,226
Loss before tax					<u>(95,114)</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2020

4. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

For the six months ended 30th June, 2019 (unaudited)

	Europe HK\$'000	United States HK\$'000	Asia HK\$'000	Other regions HK\$'000	Total HK\$'000
Revenue from contracts with customers (Note)					
Original design manufacturing division	245,092	116,906	47,733	7,314	417,045
Distribution division	80,415	9,091	22,256	16,698	128,460
Revenue from external customers	325,507	125,997	69,989	24,012	545,505
Result					
Segment profit/(loss)	2,017	(6,927)	(4,740)	662	(8,988)
Unallocated income and gains					6,431
Unallocated corporate expenses and losses					(53,577)
Interest income on bank deposits					554
Finance costs					(456)
Share of profit of an associate					7,635
Loss before tax					<u>(48,401)</u>

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

5. FINANCE COSTS

	Six months ended 30th June,	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interests on bank borrowings	350	433
Interests on lease liabilities	16	23
	366	456

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2020

6. INCOME TAX EXPENSE

	Six months ended	
	30th June,	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current period:		
Hong Kong Profits Tax	30	1,055
The People's Republic of China (the "PRC")		
Enterprise Income Tax	—	48
United Kingdom Corporation Tax	232	1,194
France Corporation Tax	—	912
South Africa Corporation Tax	—	147
Dividend withholding tax	—	1,140
Deferred taxation	286	(1,068)
	548	3,428
Under/(over)provision in respect of prior period:		
Hong Kong Profits Tax	364	—
PRC Enterprise Income Tax	(2)	(14)
South Africa Corporation Tax	—	60
	362	46
	910	3,474

Under the two-tiered profits tax regime, profits tax rate for the first HK\$2 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subject to the tax 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 19% in accordance with the relevant law and regulations in the United Kingdom for both periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2020

6. INCOME TAX EXPENSE (continued)

France Corporation Tax is calculated at the applicable rate of 28% for amounts of taxable profit up to Euro ("EUR") 500,000 and a corporate tax rate of 33.33% for taxable profit above EUR500,000 in accordance with the relevant law and regulations in France for both periods.

South Africa Corporation Tax is calculated at the applicable rate of 28% in accordance with the relevant law and regulations in South Africa for both periods.

7. LOSS FOR THE PERIOD

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

	Six months ended	
	30th June,	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Amortisation of intangible assets (included in distribution and selling expenses)	1,063	966
Impairment losses recognised on debtors	2,929	3,405
Cost of inventories recognised as an expense	287,988	442,916
Depreciation of property, plant and equipment	49,508	50,809
Decrease/(increase) in fair values of investment properties	19,630	(860)
Net (gain)/loss on disposal of property, plant and equipment (included in other gains and losses)	(5)	1,548
Decrease in fair value of equity investment at FVTPL	4,751	—
Allowance for/(write back of) inventories (included in cost of sales)	2,053	(15,706)
Net foreign exchange gains (included in other gains and losses)	(4,819)	(3,436)
Gross rental income from investment properties (included in other income)	(1,808)	(2,135)
Less: Direct expenses of investment properties that generated rental income during the period	346	357
	(1,462)	(1,778)

8. DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 30th June, 2020 and 30th June, 2019.

During the six months ended 30th June, 2020 and 30th June, 2019, the Board did not recommend the payment of a final dividend for the year ended 31st December, 2019 and 31st December, 2018, respectively.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2020

9. LOSS PER SHARE

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

	Six months ended	
	30th June,	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the purpose of basic loss per share		
— Loss for the period attributable to owners of the Company	(94,651)	(54,521)
	2020	2019
	Number	Number
	of shares	of shares
Weighted average number of shares for the purpose of basic loss per share	386,263,374	386,263,374

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

10. INVESTMENT PROPERTIES

	30th June, 2020	31st December, 2019
	HK\$'000	HK\$'000
	(unaudited)	(audited)
At 1st January	171,920	177,610
Decrease in fair value recognised in profit or loss	(19,630)	(5,690)
At 30th June/31st December	152,290	171,920

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.

10. INVESTMENT PROPERTIES (continued)

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

On 30th June, 2020 and 31st December, 2019, independent valuations were undertaken by Vigers Appraisal & Consulting Limited, 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. The valuations have 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. There has been no change from the valuation technique 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 30th June, 2020, the Group acquired property, plant and equipment of approximately HK\$36,280,000 (six months ended 30th June, 2019: HK\$4,739,000).

12. INVESTMENT IN AN ASSOCIATE

On 27th 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 (see below). The transaction was completed on 10th April, 2019. Up to 30th June, 2020, the Group has paid EUR630,000 (equivalent to approximately HK\$5,553,000) (31st December, 2019: EUR630,000 (equivalent to approximately HK\$5,553,000)) to the Vendor and the remaining consideration of EUR157,500 (equivalent to approximately HK\$1,388,000) will be settled on 31st December, 2020, 31st December, 2022 and 31st January, 2025 pursuant to the share purchase agreement.

During the six months ended 30th June, 2019, the dividend declared by the associate of EUR370,000 (equivalent to approximately HK\$3,245,000) (net of withholding tax of EUR130,000 (equivalent to approximately HK\$1,140,000)) was reinvested into the associate.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2020

12. INVESTMENT IN AN ASSOCIATE (continued)

In addition, on 27th March, 2019, the Group entered into an option agreement with an independent third party ("Buyer"), pursuant to which the Buyer and the Group granted each other reciprocal call and put options in respect of 12.5% of the issued share capital of the Group's associate, the exercise price of the option ranges from EUR1,000,000 (equivalent to approximately HK\$8,863,000) to EUR1,562,500 (equivalent to approximately HK\$13,848,000). The Buyer is entitled to exercise the call option during the period from 1st October, 2020 to 31st March, 2021 or the period from 1st October, 2021 to 31st March, 2022. The Group is entitled to exercise the put option during the period from 1st April, 2022 to 30th September, 2022.

13. 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 of HK\$224,975,000 (31st December, 2019: HK\$243,787,000). 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:

	30th June, 2020 HK\$'000 (unaudited)	31st December, 2019 HK\$'000 (audited)
0 – 90 days	150,588	182,242
91 – 180 days	47,919	51,875
More than 180 days	26,468	9,670
	224,975	243,787

As at 30th June, 2020, total bills received amounting to HK\$432,000 (31st December, 2019: HK\$1,126,000) 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 received by the Group are with a maturity period of less than one year.

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30th June, 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2019.

13. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

During the six months ended 30th June, 2020, the Group provided HK\$2,929,000 (six months ended 30th June, 2019: HK\$8,490,000) impairment allowance, in particular, a specific loss allowance of HK\$497,000 (six months ended 30th June, 2019: HK\$8,226,000) has been made to individual debtors due to the recoverability is considered to be remote.

During the six months ended 30th June, 2020, the Group reversed the impairment allowance of nil (six months ended 30th June, 2019: HK\$5,085,000).

Trade debtors due from the associate, joint venture and non-controlling shareholder of a subsidiary

As at 30th June, 2020, included in the Group's trade debtors is an amount due from the Group's associate of HK\$18,682,000 (31st December, 2019: HK\$26,907,000) net of allowance for credit losses of HK\$207,000 (31st December, 2019: HK\$299,000), an amount due from the Group's joint venture of HK\$48,000 (31st December, 2019: HK\$94,000) net of allowance for credit losses HK\$3,000 (31st December, 2019: HK\$5,000) and an amount due from the non-controlling shareholder of a subsidiary of the Group of nil (31st December, 2019: HK\$460,000), 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. As at 30th June, 2020, the amounts outstanding are unsecured with carrying amount of HK\$1,733,000 (31st December, 2019: HK\$3,982,000) which are past due balances, HK\$128,000 (31st December, 2019: HK\$651,000) has been past due 90 days or more and is not considered as in default. As at 30th June, 2020, an impairment loss of HK\$210,000 (31st December, 2019: HK\$304,000) has been recognised in respect of the amounts outstanding from the associate and joint venture.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2020

14. CREDITORS AND ACCRUED CHARGES

	30th June, 2020 HK\$'000 (unaudited)	31st December, 2019 HK\$'000 (audited)
Trade creditors	61,886	90,633
Other creditors and accrued charges	247,870	257,464
	309,756	348,097

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

	30th June, 2020 HK\$'000 (unaudited)	31st December, 2019 HK\$'000 (audited)
0 – 60 days	30,260	81,618
61 – 120 days	27,593	6,676
More than 120 days	4,033	2,339
	61,886	90,633

Trade creditor due to the associate

As at 30th June, 2020, included in the Group's trade creditors is an amount due to the Group's associate of HK\$299,000 (31st December, 2019: HK\$453,000), 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2020

15. BANK BORROWINGS

	30th June, 2020	31st December, 2019
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Secured bank borrowings	22,570	25,304

The bank borrowings are repayable as follows (Note):

	30th June, 2020	31st December, 2019
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Within one year	5,615	5,486
More than one year, but not exceeding two years	5,760	5,658
More than two years, but not exceeding five years	11,195	14,160
	22,570	25,304
Portion of bank borrowings that contain a repayment on demand clause (shown under current liabilities)	(22,570)	(25,304)
Amounts due after one year shown under non-current liabilities	—	—

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

All of the Group's bank borrowings are variable-rate borrowings and subject to cash flow interest rate risk. A bank borrowing of HK\$16,899,000 (31st December, 2019: HK\$18,979,000) carries interest at Hong Kong Prime Rate less 2.6%. The borrowing is secured by the Group's investment properties with carrying amount of HK\$152,290,000 (31st December, 2019: HK\$171,920,000).

A bank borrowing of HK\$5,671,000 (31st December, 2019: HK\$6,325,000) is secured by the Group's leasehold land and buildings with carrying amount of HK\$28,723,000 (31st December, 2019: HK\$29,296,000) and carries interest at one month Hong Kong Interbank Offered Rate plus 1.8%.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2020

16. SHARE CAPITAL

	Number of shares		Nominal value	
	30th June, 2020 (unaudited)	31st December, 2019 (audited)	30th June, 2020 HK\$'000 (unaudited)	31st December, 2019 HK\$'000 (audited)
Ordinary shares of HK\$0.1 each				
Authorised:				
At beginning and end of period	1,000,000,000	1,000,000,000	100,000	100,000
Issued and fully paid:				
At beginning and end of period	386,263,374	386,263,374	38,626	38,626

17. CAPITAL COMMITMENTS

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

	30th June, 2020 HK\$'000 (unaudited)	31st December, 2019 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	121,281	177,252
— buildings under construction	2,001	1,068
— plant and machinery	166	2,183
— furniture, fixture and office equipment	—	187
	123,448	180,690

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2020

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 30th June,	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales of prescription frames and sunglasses to:		
an associate	21,239	24,112
a joint venture	—	624
a non-controlling shareholder of a subsidiary	526	1,815
	21,765	26,551
Purchase of prescription frames, sunglasses and raw materials from an associate	330	804

The directors of the Company (the "Directors") are of the opinion that the above transactions with the associate, joint venture and non-controlling shareholder of a subsidiary were conducted in the usual course of business.

Other than the above, the details of trade debtors from and trade creditor to the associate, joint venture and non-controlling shareholder of a subsidiary are shown in notes 13 and 14 respectively. No guarantee has been given to or received from the associate, joint venture and non-controlling shareholder of a subsidiary.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2020

18. RELATED PARTY TRANSACTIONS (continued)

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

	Six months ended 30th June,	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short term benefits	4,589	5,044
Post-employment benefits	388	412
	4,977	5,456

The remuneration of executive directors and key executives was determined by the remuneration committee of the Company 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. At the annual general meeting held on 3rd June, 2020, the shareholders of the Company authorised the remuneration committee to fix the remuneration of the Directors, including independent non-executive directors.

19. APPROVAL OF FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the Board on 28th August, 2020.

DIVIDENDS

The board (the “Board”) of directors of the Company (the “Directors”) has resolved not to declare any interim dividend (2019: nil) for the six months ended 30th June, 2020.

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. 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, 2020.

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 30th June, 2020.

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

As at 30th June, 2020, 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	19,656,000	153,600,000	176,112,000	45.59%
Ng Kim Ying	23,126,347	5,000,000	—	28,126,347	7.28%

Note: 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.

Supplementary Information

Save as disclosed above, as at 30th June, 2020, 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 30th June, 2020, 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 <i>(Note a)</i>	39.77%
Maritime Overseas Assets Limited	Held by controlled corporation	153,600,000 <i>(Note a)</i>	39.77%
Ratagan International Company Limited	Beneficial owner	153,600,000 <i>(Note a)</i>	39.77%
Wu Zhihong	Beneficial owner	19,656,000 <i>(Note a)</i>	5.09%
FMR LLC	Held by controlled corporation	30,870,000 <i>(Note b)</i>	7.99%
Fidelity Puritan Trust	Beneficial owner	23,158,400 <i>(Note c)</i>	6.00%
David Michael Webb	Beneficial owner	9,777,000 <i>(Note d)</i>	2.53%
	Held by controlled corporation	21,125,000 <i>(Note e)</i>	5.47%
Preferable Situation Assets Limited	Beneficial owner	21,125,000 <i>(Note e)</i>	5.47%

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. According to an individual substantial shareholder notice filed by Mr. Ng on 17th January, 2020, as at 15th January, 2020 (i.e. the date of the relevant event as set out in the individual substantial shareholder notice filed on 17th January, 2020), 19,656,000 shares of the Company were held directly by his wife, Ms. Wu Zhihong.
- (b) According to a corporate substantial shareholder notice filed by FMR LLC on 5th November, 2018 (with the date of the relevant event as set out in the corporate substantial shareholder notice being 31st October, 2018), FMR LLC held 30,870,000 shares of the Company indirectly through FMR Co., Inc.. FMR Co., Inc. is wholly-owned by Fidelity Management & Research Company, which is a wholly-owned subsidiary of FMR LLC. Of the above-mentioned 30,870,000 shares of the Company held by FMR Co., Inc., 3,488,000 shares of the Company were held for Fidelity Management Trust Company, which is wholly-owned by FMR LLC, while 3,700,000 shares of the Company were held for Fidelity Investments Canada ULC, which is ultimately owned by certain employees and shareholders of FMR LLC. Those employees and shareholders of FMR LLC own 100% equity interest in Fidelity Canada Investors LLC, which owns 49% equity interest in 483A Bay Street Holdings LP. 483A Bay Street Holdings LP owns 100% equity interest in BlueJay Lux 1 S.a.r.l., which owns 100% equity interest in FIC Holdings ULC, which in turn owns 100% equity interest in Fidelity Investments Canada ULC.
- (c) According to a corporate substantial shareholder notice filed by Fidelity Puritan Trust on 28th January, 2019, as at 23rd January, 2019 (i.e. the date of the relevant event as set out in the corporate substantial shareholder notice filed on 28th January, 2019), 23,158,400 shares of the Company were held directly by Fidelity Puritan Trust.
- (d) According to an individual substantial shareholder notice filed by Mr. David Michael Webb ("Mr. Webb") on 3rd April, 2020, as at 31st March, 2020 (i.e. the date of the relevant event as set out in the individual substantial shareholder notice filed on 3rd April, 2020), 9,777,000 shares of the Company were held directly by Mr. Webb.
- (e) These shares were directly held by Preferable Situation Assets Limited ("PSAL"). Mr. Webb was deemed to be interested in the 21,125,000 shares of the Company held by PSAL under Part XV of the SFO.

CORPORATE GOVERNANCE

The Company has 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, 2020, 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. The Board intends to maintain this structure in future as it believes that this 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, 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 30th June, 2020 has been reviewed by the Audit Committee, which was of the opinion that the preparation had been complied with the applicable accounting standards and requirements and that adequate disclosures were made.

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 directors and senior management as well as review and approve 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 (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 the nomination criteria and nomination procedures of appointment of new and replacement directors, re-election of directors and nomination from shareholders.