



2025 ANNUAL REPORT

Arts Optical International Holdings Limited
(Incorporated in Bermuda with limited liability)

Stock Code : 1120

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CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Profitability analysis

The Group has recorded an increase in its consolidated revenue by 4% to HK\$1,333.9 million (2024: HK\$1,282.3 million) in the financial year ended 31 December 2025 (the "Reporting Period"). For the Reporting Period, the Group recorded a net profit attributable to owners of the Company of HK\$20.7 million and earnings per share of 5.36 HK cents respectively (2024: HK\$11.4 million and 2.96 HK cents respectively).

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

- an increase in the Group's total revenue for the Reporting Period as compared to the year 2024;
- an improvement in gross profit margin, mainly resulting from strong business growth in the Lens division, which has a higher profit margin than the Group's average profit margin; and
- the Group's share of profit from an associated company in Italy amounted to approximately HK\$19.2 million for the Reporting Period, which increased significantly compared to approximately HK\$11.8 million in the year 2024, mainly due to an increase in revenue and improvement in operating efficiency during the Reporting Period.

CHAIRMAN'S STATEMENT

Original design manufacturing ("ODM") division

Our ODM division continued to be the key revenue contributor and revenue generated from this division contributed to 65% of the consolidated revenue of the Group in 2025 (2024: 68%). Sales to ODM customers decreased slightly by 1% from HK\$875.4 million in 2024 to HK\$869.7 million in 2025. Geographically, sales to customers in Europe, the United States (the "US"), Asia and other regions accounted for 44%, 22%, 34% and 0% respectively of the revenue of the ODM division in 2025 (2024: 50%, 26%, 23% and 1% respectively). Sales to Europe and the US reduced by 13% and 15% respectively whereas sales to Asia increased significantly by 43% in 2025. Significant growth in sales in the Asia region is attributable to how the Group has shifted its focus on ODM market development from Western countries to the Asian countries, as Western countries continually increased tariff rates during the year. On the product side, the Group continued to maintain a fairly balanced sales mix between prescription frames and sunglasses in 2025. Sales of prescription frames, sunglasses and spare parts accounted for 48%, 46% and 6% respectively of revenue of the ODM division in 2025 (2024: 44%, 51% and 5% respectively).

STEPPER
EYEWEAR

ZOO
zoo eyewear

CEO·V
EYEWEAR

PAULO PILIPE

DS
Dakota Smith
Los Angeles

RC
RETRODRAFT

MB
MINIBOX

AustSports

FUSION
STEPPER

AVANSTAR

LOOMINELITE

Distribution division

Revenue generated from the distribution division increased by 2% from HK\$294.8 million in 2024 to HK\$300.8 million in 2025 and accounted for 23% of the consolidated revenue of the Group in 2025 (2024: 23%). The Group's house brand and licensed brand products were sold to retailers through the Group's wholesale arms in the United Kingdom, France, Germany, Italy, Mainland China, Malaysia and South Africa, and independent distributors in other countries. Sales to Europe, the US, Asia and other regions accounted for 62%, 9%, 16% and 13% respectively of the revenue of the distribution division in 2025 (2024: 61%, 10%, 15% and 14% respectively). Europe was still the biggest market for the distribution division. Sales to Europe and Asia increased by 4% and 10% respectively whereas sales to the US and other regions decreased by 2% and 12% respectively. STEPPER, the German brand owned by the Group, continued to be the most popular brand in our distribution division.

CHAIRMAN'S STATEMENT

Lens division

Revenue for the lens division increased significantly by 46% from HK\$112.1 million in 2024 to HK\$163.4 million in 2025 and accounted for 12% of the consolidated revenue of the Group in 2025 (2024: 9%). During the Reporting Period, the revenue for the lens division is generated almost entirely from Asia and the Group has planned to expand its lens business to other regions in the year 2026.

Financial position and liquidity

Cash flows

The Group recorded a net cash outflow from operating activities of HK\$39.6 million (2024: inflow of HK\$54.7 million). The result in net cash outflow was mainly due to an increase in inventories and total amount of trade receivables and bills receivables by HK\$56.3 million and HK\$60.7 million respectively at the end of 2025 and which were in line with the increase in sales in 2025 compared with 2024. Moreover, longer production lead times were required for products manufactured at factories located in Vietnam and Malaysia. Capital expenditure remained high at HK\$130.8 million (2024: HK\$174.1 million) as the Group continued to execute its investment plan of production lines for optical lens in Malaysia, factory expansion of China and Vietnam. As the majority of factory expansion projects were completed in 2025 as the Group expects capital expenditure to be gradually reduced over the next few years. The net cash position of the Group (being the bank balances and cash less bank borrowings) decreased by HK\$194.7 million from negative balance of HK\$13.8 million as at 31 December 2024 to negative balance of HK\$208.5 million as at 31 December 2025.

Working capital management

In line with the upwards trend in revenue during the period under review, the inventory balance and total amount of trade receivables and bills receivables increased by 26% and 17% respectively from HK\$220.5 million and HK\$354.6 million as at 31 December 2024 to HK\$276.8 million and HK\$415.3 million as at 31 December 2025. Inventory turnover period (being the ratio of inventory balances to cost of sales) and debtors turnover period (being the ratio of the total of trade receivables and bills receivables to revenue) increased from 89 days and 101 days in 2024 to 110 days and 114 days respectively in 2025 due to significant growth in sales during the fourth quarter of 2025 compared to the same period of the 2024. The credit standing of all the customers is reviewed by the Group's management regularly and we were not aware of any deterioration in credit standing of the major customers. The current ratio (being the ratio of total current assets to total current liabilities) of the Group remained at 1.2 as at 31 December 2025 and 31 December 2024.

Gearing position

The Group maintained a moderate gearing position throughout 2025. The debt-to-equity ratio (expressed as the total of bank borrowings and lease liabilities divided by equity attributable to owners of the Company) increased from 36% as at 31 December 2024 to 63% as at 31 December 2025 due to increase of bank borrowings to support the new lens factory set up in Malaysia and factory expansion in both China and Vietnam. The non-current liabilities of the Group comprised mainly bank borrowings which amounted to HK\$147.5 million as at 31 December 2025 (31 December 2024: HK\$96.4 million).

CHAIRMAN'S STATEMENT

Net asset value

The Company had 386,263,374 shares in issue as at both 31 December 2025 and 31 December 2024 with equity attributable to owners of the Company of HK\$569.7 million and HK\$520.0 million as at 31 December 2025 and 31 December 2024 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 31 December 2025 was HK\$1.47 (31 December 2024: HK\$1.35).

Contingent liabilities

As at 31 December 2025, the Group did not have significant contingent liabilities (31 December 2024: nil).

Charges on the Group's assets

As at 31 December 2025, the Group's investment properties, leasehold land and buildings and construction in progress pledged as security for the Group's bank borrowings amounted to HK\$299.6 million (31 December 2024: HK\$107.1 million). Details of bank borrowings are set out in note 35 to the consolidated financial statements.

Foreign currency exposure

The Group was mainly exposed to the fluctuation of the Renminbi against both the United States dollar and the Hong Kong dollar. Save for the above, the Group had limited exposure to foreign exchange rate fluctuations as most of its transactions were conducted in either United States dollars, Hong Kong dollars or Renminbi. The Group noted that there was potential exposure to rapid changes in Renminbi due to the weakening of the United States dollar since the second half of 2025. The Group continues to manage foreign exchange risk by closely monitoring the movements of the foreign currency rates and enters into forward contracts whenever appropriate.

Capital structure and treasury policies

The total shareholders' fund of the Group (comprising of the Company's ordinary share capital, the Group's reserves and non-controlling interests) amounted to HK\$661.6 million as at 31 December 2025 (31 December 2024: HK\$605.0 million). As at 31 December 2025, the Group had current assets of HK\$872.4 million (31 December 2024: HK\$773.1 million) and current liabilities of HK\$731.5 million (31 December 2024: HK\$649.1 million). The Group generally finances its operations through internally generated cash flows and credit facilities provided by its principal bankers in Hong Kong and Mainland China. As at 31 December 2025, the Group had outstanding bank borrowings of HK\$345.1 million (31 December 2024: HK\$166.2 million). As at 31 December 2025, the Group maintained bank balances and cash of HK\$136.7 million (31 December 2024: HK\$152.4 million). The Group's treasury policies are designed to ensure the availability of adequate financial resources to support its operations and investment activities, while prudently and efficiently managing financial risks. The Group maintains a diversified funding base and addresses risks, including interest rate risk and foreign currency risk, through appropriate risk management strategies. The Group also seeks to uphold a healthy balance sheet and strong liquidity position, thereby enhancing its financial flexibility and resilience.

CHAIRMAN'S STATEMENT

PROSPECTS

Market outlook

Consistent with the environment in 2025, the global economy continues to present a complex landscape underpinned by geopolitical tensions, trade frictions, and macro-economic volatility. Key headwinds include the lingering impacts of the US-China trade dispute, legacy tariffs imposed during the Trump administration, military conflicts in Europe and the Middle East, as well as elevated levels of macro-economic uncertainty.

Against this backdrop, the Group is expected to face significant operational challenges in the coming years. Nevertheless, the management maintains a cautiously optimistic outlook. The Group remains committed to navigating prevailing uncertainties through prudent strategic decision making and disciplined optimisation of resources.

Financial discipline

Following substantial capital investments in factory expansion projects across China, Vietnam and Malaysia over the past three years, the Group has entered a new phase of development. The Group will target the preservation of a robust and liquid financial position, while sustaining investment in its core business operations, in strict adherence to its established principles of prudent financial discipline.

Margin pressure

On the cost side, Renminbi has steadily appreciated against the United States dollar since the second half of 2025 which will certainly put pressure on the Group's profit margins. The Group will implement stringent cost-control measures and enhance operational efficiency to optimise its cost structure.

Furthermore, the higher profit margins recorded by the distribution and lens divisions underscore their increasing strategic importance to the Group's future development. The Group has identified substantial business growth opportunities across the Asia region. Accordingly, the Group plans to allocate additional resources to expand its presence in the Asia region, either through the establishment of its own distribution network or via the formation of joint ventures with strategic distribution partners.

DIVIDENDS

The Board did not recommend the payment of a final dividend (2024: nil) for the Reporting Period.

CHAIRMAN'S STATEMENT

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the forthcoming annual general meeting of the Company to be held on 4 June 2026 (the "AGM"), the register of members of the Company will be closed. Details of such closure are set out below:

For determining eligibility to attend and vote at the AGM:

Latest time to lodge transfer documents for registration	4:30 p.m. on 29 May 2026
Closure of register of members	1 June 2026 to 4 June 2026 (both dates inclusive)
Record date	4 June 2026

During the above closure period, no transfer of shares will be effected. To be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than the latest time as mentioned above.

ANNUAL GENERAL MEETING

The notice of AGM will be despatched to the shareholders of the Company and will also be available on the Company's website at www.artsgroup.com and Hong Kong Exchanges and Clearing Limited's HKEXnews website at www.hkexnews.hk in late-April 2026.

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation and thanks to our shareholders, customers, suppliers, bankers and staff for their effort and commitment.

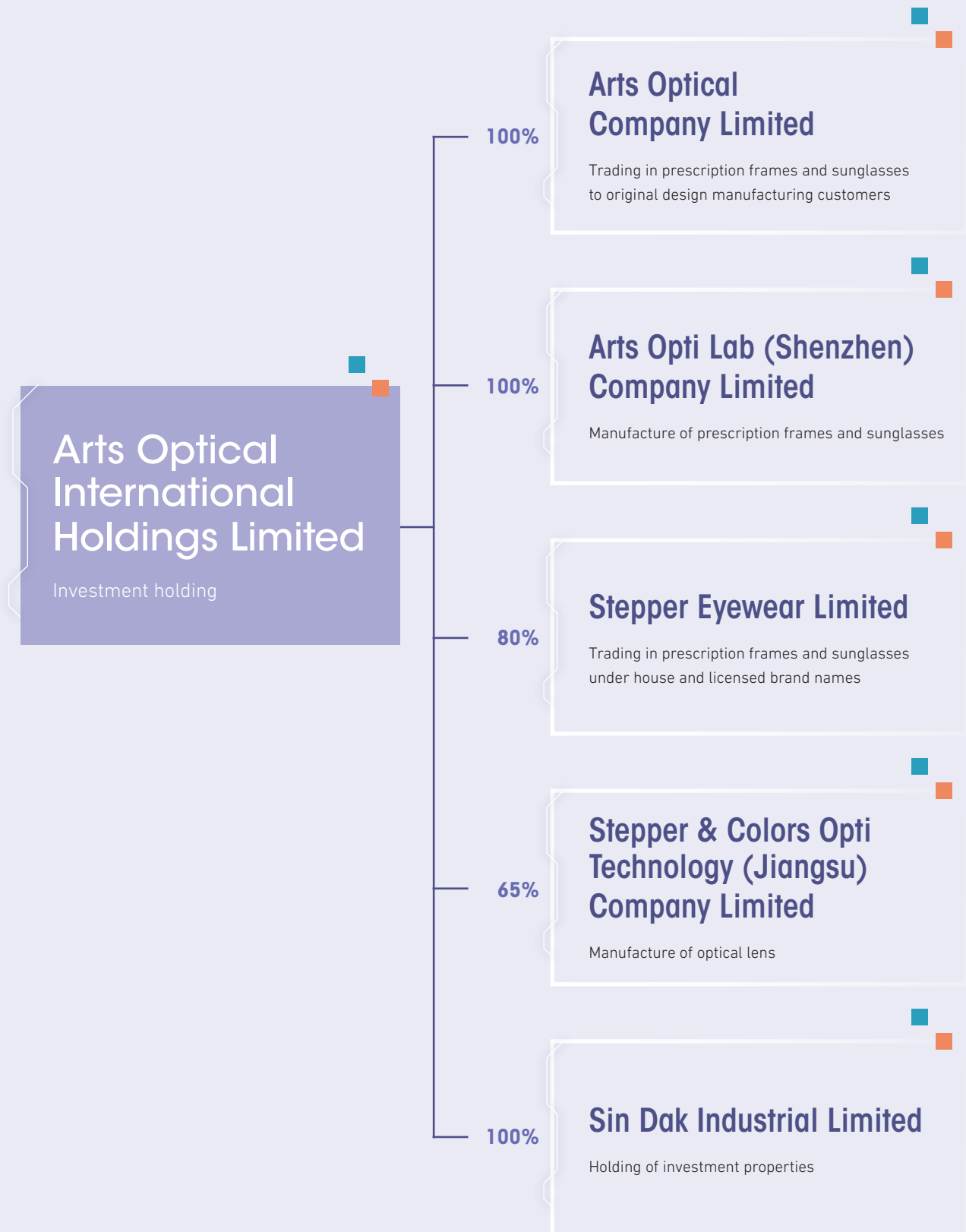
Ng Hoi Ying, Michael

Chairman

Hong Kong, 27 March 2026

GROUP STRUCTURE

At 31 December 2025



FINANCIAL HIGHLIGHTS

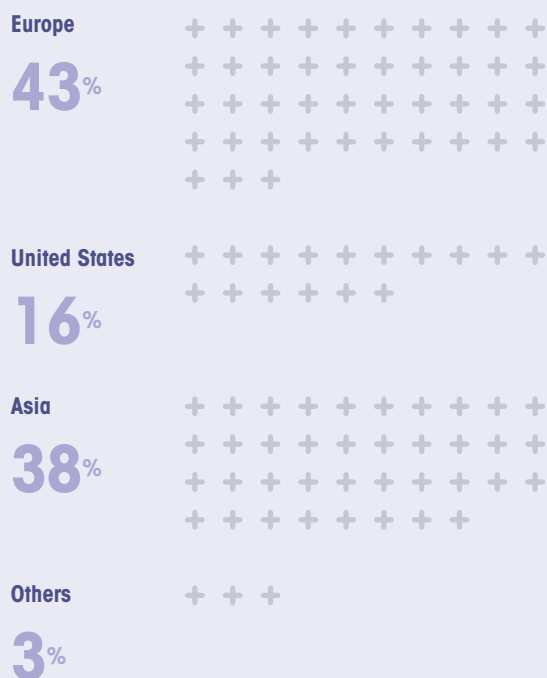
Consolidated revenue
(HK\$'000)



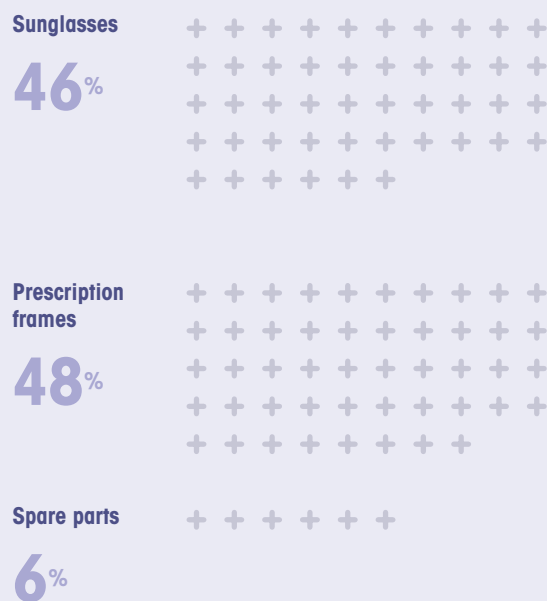
Profit attributable to
owners of the Company (HK\$'000)



Consolidated revenue by
geographical locations in 2025



Revenue of ODM division by
product range in 2025



BIOGRAPHICAL DETAILS OF DIRECTORS AND MANAGEMENT

EXECUTIVE DIRECTORS

NG Hoi Ying, Michael ("Mr. Ng"), aged 71, is an executive director of the Company and the founder as well as the chairman of the Group. Mr. Ng is responsible for corporate policy making and strategic planning of the Group. He has 58 years of experience in the optical products industry. Mr. Ng won the Young Industrialist Award of Hong Kong organised by the Federation of Hong Kong Industries in 1995. He was admitted as an Honorary Fellow of The Professional Validation Council of Hong Kong Industries in 2004. Mr. Ng was the President of the Hong Kong Optical Manufacturers Association Ltd. (the "HKOMA") during 2002 and 2006 and is currently an executive committee member of the HKOMA and a Life Honorary President of the Hong Kong Wong Tai Sin Industry And Commerce Association Limited. He is the brother of Mr. Ng Kim Ying, the father of Ms. Ng Yat Shan and the spouse of Ms. Wu Zhihong.

NG Yat Shan, aged 46, is an executive director of the Company and the chief executive officer of the Group and responsible for implementing business strategies and operational management of the Group. Ms. Ng joined the Group in 2002 and was appointed as the Group's chief executive officer in 2021. Ms. Ng obtained a Master of Business Administration degree from European University (currently known as EU Business School) in 2013 and received a fellowship from The Professional Validation Council of Hong Kong Industries in 2020. Ms. Ng won the Young Industrialist Award of Hong Kong organised by the Federation of Hong Kong Industries in 2024 and was elected as the President of the HKOMA in 2025. Ms. Ng is the daughter of Mr. Ng, the niece of Mr. Ng Kim Ying and the step-daughter of Ms. Wu Zhihong.

NG Kim Ying, aged 70, is an executive director of the Company. Mr. Ng Kim Ying joined the Group in 1985 and is responsible for the implementation and application of information technology to the business of the Group. He has 41 years of experience in the optical products industry and is the brother of Mr. Ng, the uncle of Ms. Ng Yat Shan and the brother-in-law of Ms. Wu Zhihong.

WU Zhihong, aged 42, is an executive director of the Company. Ms. Wu joined the Group in 2022 and is responsible for business development and operations of the Group. Ms. Wu contributes to the Group's business development and operations by leveraging her industry expertise and operational experience to formulate and implement the Group's business strategies, drive market expansion initiatives, and enhance operational efficiency. Ms. Wu is also a director of various subsidiaries of the Company. She also plays a key role in strengthening the Group's market positioning, exploring new business opportunities, and supporting the sustainable growth of the Group. Ms. Wu is the spouse of Mr. Ng, the sister-in-law of Mr. Ng Kim Ying and the step-mother of Ms. Ng Yat Shan.

BIOGRAPHICAL DETAILS OF DIRECTORS AND MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

WONG Chi Wai, aged 59, is an independent non-executive director, the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Wong is also an independent non-executive director for Kin Yat Holdings Limited and C&D International Investment Group Limited, both of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Wong obtained a bachelor's degree in Social Sciences from and was awarded a Post-graduate Certificate in Laws by the University of Hong Kong in 1988 and 1993 respectively. He is a practising certified public accountant in Hong Kong and an associate member of the Institute of Chartered Accountants in England and Wales. He has 38 years of experience in the accountancy profession. Other than his private practice in accounting, he has been admitted as a solicitor at the High Court on 9 March 2019 and currently a practising solicitor in a law firm as a consultant. Mr. Wong joined the Group in 2004.

CHUNG Hil Lan Eric, aged 60, is an independent non-executive director, the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr. Chung obtained a bachelor's degree in Social Sciences from the University of Hong Kong in 1988. He is a certified public accountant in Hong Kong and an associate member of the Institute of Chartered Accountants in England and Wales. Mr. Chung has 38 years of experience in the accountancy profession. Mr. Chung joined the Group in 2004.

LAM Yu Lung, aged 61, is an independent non-executive director, the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of the Company. Mr. Lam is also an independent non-executive director for Telecom Digital Holdings Limited which is listed on the Main Board of the Stock Exchange. Mr. Lam obtained a bachelor's degree in Social Sciences from the University of Hong Kong in 1988. He is a practising certified public accountant in Hong Kong. Mr. Lam has 38 years of experience in the accountancy profession and is currently a partner of Zhonghui Anda CPA Limited, a certified public accounting firm in Hong Kong. Mr. Lam joined the Group in 2011.

FONG Kin Kiu, aged 61, is an independent non-executive director and a member of the Nomination Committee of the Company. Dr. Fong is currently the Continuing Education Advisor (E-commerce and Digital Marketing) in the Continuing Education Office at SPEED, the Hong Kong Polytechnic University. He had been the co-founder and chief executive officer of Synergy Pacific (Holding) Limited and its subsidiary, which are principally engaged in mobile products distribution and applications development. Dr. Fong obtained a bachelor's degree from the University of Hong Kong in 1987 and two master's degrees, one in Strategy Marketing from the University of Hull in 1996 and the other, a First Class Honours degree in Information Technology Management from the National University of Ireland in 1998. After that, Dr. Fong further obtained a doctorate degree in Business Administration from the University of South Australia in 2013. Dr. Fong is the Vice-Chairman of The Professional Validation Centre of Hong Kong Business Sector (until November 2023) and a Life Honorary Chairman of Hong Kong Wireless Technology Industry Association. He has accumulated over 30 years of experience in the information and communication technology industry. Dr. Fong joined the Group in 2023.

BIOGRAPHICAL DETAILS OF DIRECTORS AND MANAGEMENT

SENIOR MANAGEMENT

CHOI Pui Yiu, aged 61, is the chief financial officer and the company secretary of the Group. Mr. Choi joined the Group in 2017 and is responsible for the Group's finance, accounting and company secretarial matters. He obtained a bachelor's degree in Science from the Northeast Missouri State University of the United States of America and a master's degree in Management from the Dongbei University of Finance and Economics of the People's Republic of China in 1988 and 2005 respectively. Mr. Choi is a member of Hong Kong Institute of Certified Public Accountants. He has 37 years of experience in the accountancy profession and has extensive exposure to various manufacturing industries.

LI Chi Hung, aged 65, is the general manager of the Group's production plants in Shenzhen, Heyuan and Zhongshan. Mr. Li joined the Group in 1976 and assisted Mr. Ng in the establishment and expansion of the production plants mentioned above. He is also responsible for the overall management and development of these plants and has 50 years of experience in the optical products industry.

CHU Chung Wah, aged 45, is the deputy chief executive officer of the Group. Mr. Chu joined the Group in 2005 and he had served the Group for over 20 years in various positions. Mr. Chu was appointed as the Group's deputy chief executive officer in 2021 and was responsible for assisting Ms. Ng in implementing business strategies and new business development of the Group. Mr. Chu obtained a Master of Engineering Management degree from University of Technology Sydney in 2017 and received fellowship of Optical Industry from The Professional Validation Council of Hong Kong Industries in 2018.

DIRECTORS' REPORT

The directors of the Company (the "Directors") present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2025 (the "Reporting Period").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The activities of its principal subsidiaries, associates and joint ventures are the manufacture of, and trading in, prescription frames, sunglasses and optical lens as well as property holding, which are set out in notes 22, 25 and 26 to the consolidated financial statements respectively. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair review of the Group's business, a description of the principal risks and uncertainties facing the Group, an indication of likely future developments in the Group's business and an analysis using financial key performance indicators, can be found in the Chairman's Statement set out on pages 3 to 8 of this Annual Report. This discussion forms part of this Directors' Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on pages 41 and 42 of this Annual Report.

The Board did not recommend the payment of a final dividend for the Reporting Period.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 142 of this Annual Report.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2025 were as follows:

	2025 HK\$'000	2024 HK\$'000
Contributed surplus	105,369	105,369
Retained earnings	33,858	31,828
	139,227	137,197

DIRECTORS' REPORT

DIRECTORS AND SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Ng Hoi Ying, Michael

Ng Yat Shan

Ng Kim Ying

Wu Zhihong

Independent non-executive directors:

Wong Chi Wai

Chung Hil Lan Eric

Lam Yu Lung

Fong Kin Kiu

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Ms. Wu Zhihong, Dr. Fong Kin Kiu and Mr. Ng Kim Ying will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

No Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Each of the independent non-executive Directors was appointed for a term of not more than three years and is subject to retirement by rotation in accordance with the Company's Bye-laws.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company considers that all of the independent non-executive Directors are independent.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

On 10 June 2025, Arts Opti Lab (Shenzhen) Company Limited[^] (雅視光學科技(深圳)有限公司) (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, and Zhenjiang Changfan Optical Glasses Company Limited[^] (鎮江長帆光學眼鏡有限責任公司) (the "Vendor") entered into an equity transfer agreement, pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell an aggregate of 10% equity interest in Stepper & Colors Opti Technology (Jiangsu) Company Limited[^] (五彩司徠柏光學科技(江蘇)有限公司) (the "Target Company") at a consideration of RMB11,200,000 (equivalent to approximately HK\$12,208,000). After Completion, the Purchaser will have an aggregate interest in 65% of the equity interest in the Target Company and the Vendor will have an interest in 35% of the equity interest in the Target Company. As the Target Company is a subsidiary of the Company and the Vendor holds 45% equity interest in the Target Company, the Vendor is a connected person of the Company. For details, please refer to the Company's announcement dated 10 June 2025.

DIRECTORS' REPORT

Save as disclosed above, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company or an entity connected with a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions carried out by the Group during the year are set out in note 44 to the consolidated financial statements. The aforesaid related party transactions did not constitute connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

NOTIFIABLE TRANSACTIONS

On 26 June 2025, Arts Optic Property (M) Sdn. Bhd. (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, and WWRC Malaysia Sdn. Bhd. (the "Vendor") entered into a sale and purchase agreement, pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell a factory premises in Malaysia at a consideration of RM12,880,000 (equivalent to approximately HK\$23,828,000). For details, please refer to the Company's announcement dated 26 June 2025.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or their close associates were interested in any business which competes or is likely to compete, either directly or indirectly, with the Group's business during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws of the Company, the Directors and every one of their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions and damages which they may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duties. The Company has arranged appropriate directors' and officers' liability insurance for its directors and officers.

DIRECTORS' REPORT

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

As at 31 December 2025, 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Shares in the Company (Long Positions)

Name of director/ chief executive	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	62,833,347	153,600,000 <i>(Note a)</i>	219,289,347	56.77%
Ng Yat Shan	3,766,000	–	–	3,766,000	0.97%
Ng Kim Ying	21,703,000	–	–	21,703,000	5.62%
Wu Zhihong	62,833,347	156,456,000 <i>(Note b)</i>	–	219,289,347	56.77%

Notes:

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

Save as disclosed above, as at 31 December 2025 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the Directors, or their spouse or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the year.

DIRECTORS' REPORT

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 31 December 2025, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO recorded that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Shares in the Company (Long Positions)

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of issued share capital of the Company
HSBC International Trustee Limited	Trustee	153,600,000 (Note a)	39.77%
Maritime Overseas Assets Limited	Held by controlled corporation	153,600,000 (Note a)	39.77%
Ratagan International Company Limited	Beneficial owner	153,600,000 (Note a)	39.77%
David Michael Webb and Karen Anne Webb	Held by controlled corporation	39,720,000 (Note b)	10.28%
Preferable Situation Assets Limited	Beneficial owner	23,168,600 (Note c)	6.00%

Notes:

- (a) HSBC International Trustee Limited ("HSBCITL") was the trustee of The Arts 2007 Trust. The Arts 2007 Trust was a discretionary trust, the settlor of which is Mr. Ng Hoi Ying, Michael ("Mr. Ng") and the beneficiaries of which included Mr. Ng. Under The Arts 2007 Trust, 153,600,000 shares of the Company were held by Ratagan International Company Limited ("Ratagan"). The entire issued share capital of Ratagan was held by Maritime Overseas Assets Limited which was wholly-owned by HSBCITL.
- (b) According to the individual substantial shareholder notices filed by Mr. David Michael Webb ("Mr. Webb") and Mrs. Karen Anne Webb ("Mrs. Webb") on 2 June 2025, as at 31 May 2025 (i.e. the date of the relevant event as set out in the individual substantial shareholder notices filed on 2 June 2025), 23,168,600 shares of the Company were held by Preferable Situation Assets Limited ("PSAL") and 16,551,400 shares of the Company were held by Member One Limited ("MOL"). PSAL and MOL were wholly-owned by Mr. Webb and Mrs. Webb. Mr. Webb and Mrs. Webb were deemed to be interested in the 39,720,000 shares of the Company held by controlled corporations under Part XV of the SFO.
- (c) These shares were directly held by PSAL. Mr. Webb and Mrs. Webb were deemed to be interested in the 23,168,600 shares of the Company held by PSAL under Part XV of the SFO.

Save as disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO disclosed no other person as having notifiable interests or short positions in the issued share capital of the Company as at 31 December 2025.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 33% of the Group's total turnover and the amount of turnover attributable to the Group's largest customer was approximately 9% of the Group's total turnover. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 24% of the Group's total purchases and the amount of purchases attributable to the Group's largest supplier was approximately 8% of the Group's total purchases.

At no time during the year did a director, a close associate of a director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers mentioned above.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

The Company had no outstanding convertible securities, options, warrants or similar rights as at 31 December 2025 and there has been no exercise of any other convertible securities, options, warrants or similar rights during the year.

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 year. The Company did not hold any treasury shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda.

SUFFICIENCY OF PUBLIC FLOAT

Based on information which is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as at the date of this report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long-term sustainability of its businesses and the communities with which it engages. It puts great emphasis on environmental protection and sustainable development. The Group has actively promoted a material-saving and environmentally friendly working environment so as to protect the environment and reduce consumption.

A separate report on environmental, social and governance matters will be published on the same day of the publication of this Annual Report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

So far as the Company is aware, the Group has complied with all relevant laws and regulations promulgated by the relevant regulatory bodies that have a significant impact on the Group.

DIRECTORS' REPORT

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands that employees are valuable assets and provides a harmonious, safe and professional working environment and a competitive remuneration package to its employees. Details of the emolument policy of the Group are disclosed under the heading "Emolument Policy" of this report.

The Group maintains a close partnership with its customers and suppliers to fulfil its immediate and long-term goals. During the year under review, there was no material and significant dispute between the Group and its suppliers and/or customers.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is determined by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the executive Directors and independent non-executive Directors were determined by the Remuneration Committee benchmarked against comparable companies in Hong Kong. The shareholders of the Company authorised the Remuneration Committee to fix the remuneration of the executive Directors and independent non-executive Directors at the annual general meeting.

Details of the retirement benefit schemes for all qualifying employees of the Group are set out in note 40 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 22 to 33 of this Annual Report.

EVENTS AFTER THE REPORTING PERIOD

No important events affecting the Group have occurred after the end of financial period for the Reporting Period and up to the date of this Annual Report.

SIGNIFICANT INVESTMENTS

The Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Company's total assets as at 31 December 2025) during the Reporting Period.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL EXPENDITURE

As at 31 December 2025, the Group had capital commitments of HK\$183.4 million. Details of capital commitments are set out in note 42 to the consolidated financial statements. Save as disclosed in capital commitments, as of the date of this Annual Report, the Group did not have plans for material investments and capital expenditure.

DIRECTORS' REPORT

MATERIAL ACQUISITIONS AND DISPOSALS

There were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures by the Group during the Reporting Period.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. RSM Hong Kong as the auditor of the Company.

On behalf of the Board

Ng Hoi Ying, Michael

Chairman

Hong Kong, 27 March 2026

[^] The English translation of the Chinese name of the relevant entity included in this Directors' Report is for identification and reference only, and such translation may not be accurate and such entity may not have an official English translation/version of its Chinese name.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the “Board”) has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix C1 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 on corporate governance practices. The Company has complied with all applicable code provisions set out in the CG Code throughout the year ended 31 December 2025 (the “Reporting Period”).

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the 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 Reporting Period.

BOARD OF DIRECTORS

At 31 December 2025, the Board comprises of eight Directors, four of whom are executive Directors, namely Mr. Ng Hoi Ying, Michael, Ms. Ng Yat Shan, Mr. Ng Kim Ying and Ms. Wu Zhihong and four are independent non-executive Directors, namely Mr. Wong Chi Wai, Mr. Chung Hil Lan Eric, Mr. Lam Yu Lung and Dr. Fong Kin Kiu.

During the Reporting Period, four Board meetings and one general meeting were held. The attendance of each Director is set out as follows:

Directors	Attendance Record	
	Board meetings	General meeting
Ng Hoi Ying, Michael (<i>Chairman</i>)	4/4	1/1
Ng Yat Shan (<i>Chief executive officer</i>)	4/4	1/1
Ng Kim Ying	4/4	1/1
Wu Zhihong	4/4	1/1
Wong Chi Wai	4/4	1/1
Chung Hil Lan Eric	4/4	1/1
Lam Yu Lung	4/4	1/1
Fong Kin Kiu	4/4	1/1

Apart from the above regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of the other Directors during the year.

The Board is responsible for the formulation of the key business and strategic decisions of the Company and its subsidiaries (collectively the “Group”) and monitoring the performances of the management team. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group’s business to the management team.

CORPORATE GOVERNANCE REPORT

Mr. Ng Hoi Ying, Michael (“Mr. Ng”), the Chairman of the Board and an executive Director and Mr. Ng Kim Ying, an executive Director, are brothers. Ms. Ng Yat Shan (“Ms. Ng”), an executive Director and the chief executive officer of the Group, is the daughter of Mr. Ng, the niece of Mr. Ng Kim Ying and the step-daughter of Ms. Wu Zhihong. Ms. Wu Zhihong, an executive Director, is the spouse of Mr. Ng, the sister-in-law of Mr. Ng Kim Ying and the step-mother of Ms. Ng.

Save for disclosed above, there is no relationship, including financial, business, family or other material/relevant relationship(s) among members of the Board.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skill. The company secretary of the Company (the “Company Secretary”) also updates the Directors on the latest development of the Listing Rules and other applicable regulatory requirements.

The Directors participated in the following trainings during the Reporting Period:

Directors	Types of training
Ng Hoi Ying, Michael	A, C
Ng Yat Shan	A, C
Ng Kim Ying	A, C
Wu Zhihong	A, C
Wong Chi Wai	A, B, C
Chung Hil Lan Eric	A, C
Lam Yu Lung	A, C
Fong Kin Kiu	A, B, C

A: attending seminars and/or conferences

B: giving talks at seminars

C: reading newspapers and journals relating to directors’ duties and responsibilities as well as updates on the Listing Rules and other applicable regulatory requirements

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Ng is the founder and chairman of the Group. Ms. Ng is the chief executive officer of the Group. Ms. Ng is responsible for implementing business strategies and operational management formulated by the Board.

Ms. Ng is the daughter of Mr. Ng, the chairman of the Board and an executive Director, the niece of Mr. Ng Kim Ying, an executive Director, and the step-daughter of Ms. Wu Zhihong, an executive Director. Save for disclosed above, there is no relationship, including financial, business, family or other material/relevant relationship(s) among members of the Board and the chief executive officer of the Group.

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to Bye-law 87(1) of the bye-laws of the Company (the "Bye-laws"), at each annual general meeting of the Company, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. Bye-law 87(2) of the Bye-laws further provides that the Director(s) to retire by rotation shall be those who have been in office for the longest since their last re-election or appointment, and as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. According to Bye-law 86(2), any Director appointed by the Board to fill a casual vacancy shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

Ms. Wu Zhihong and Dr. Fong Kin Kiu were elected as Directors in the annual general meeting of the Company held on 8 June 2023 for a term of not more than 3 years and is subject to retirement by rotation in accordance with the Bye-laws. Mr. Ng Kim Ying was re-elected as Directors in the annual general meeting of the Company held on 6 June 2024 for a term of not more than 3 years and is subject to retirement by rotation in accordance with the Bye-laws. In accordance with the above-mentioned Bye-laws, Ms. Wu Zhihong, Dr. Fong Kin Kiu and Mr. Ng Kim Ying will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. Their proposed term of office is not more than 3 years and is subject to retirement by rotation in accordance with the Bye-laws.

Each of the independent non-executive Directors was appointed for a term of not more than 3 years and is subject to retirement by rotation in accordance with the Bye-laws.

According to code provision B.2.3 of the CG Code, if an independent non-executive Director serves for more than 9 years, any further appointment of such independent non-executive Director should be subject to a separate resolution to be approved by the shareholders. Mr. Wong Chi Wai ("Mr. Wong") and Mr. Chung Hil Lan Eric ("Mr. Chung") have served the Company as independent non-executive Directors for more than 9 years since 2004. The Company has received a confirmation of independence from Mr. Wong and Mr. Chung in accordance with Rule 3.13 of the Listing Rules. Mr. Wong and Mr. Chung have not engaged in any executive management of the Group and demonstrated their ability to provide an independent view to the Company's matters during their term of service. The Board considered that the long service of Mr. Wong and Mr. Chung would not affect their exercise of independent judgement and is satisfied that they have the required character, integrity, experience and profound knowledge of the business of the Group to continue effectively fulfilling their role as an independent non-executive Director. Based on the abovementioned and in accordance with code provision B.2.3 of the CG Code, the re-election of Mr. Wong and Mr. Chung were approved by the shareholders by way of a separate resolution at the annual general meeting of the Company on 5 June 2025.

During the Reporting Period, the Board also reviewed the implementation and effectiveness of mechanisms to ensure independent views and input are available to the Board. Taking into account, among others, the size, structure, composition of the Board and the annual meeting attended by the Chairman and all independent non-executive Directors without the presence of other Directors which has provided an effective platform for the Chairman to listen to independent views on various issues concerning the Group, the Board considered that the Company had in place mechanisms which remain effective to ensure the Board's strong independence.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

To enhance the effectiveness of the management of the Company, the Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee various aspects of the Company's affairs.

AUDIT COMMITTEE

An audit committee (the "Audit Committee") has been established by the Company since 1998 and currently comprises of Mr. Wong Chi Wai (the chairman of the Audit Committee), Mr. Chung Hil Lan Eric and Mr. Lam Yu Lung, all of whom are independent non-executive Directors. The duties of the Audit Committee include (but are not limited to) the review of the interim and annual reports of the Group as well as various auditing, financial reporting, risk management and internal control matters with the management and/or external auditor of the Company. The Audit Committee has performed the above duties and made recommendations to the Board on the appointment of the external auditor during the Reporting Period. Three Audit Committee meetings were held during the Reporting Period and the attendance of each committee member is set out as follows:

Directors	Attendance Record
Wong Chi Wai	3/3
Chung Hil Lan Eric	3/3
Lam Yu Lung	3/3

REMUNERATION COMMITTEE

A remuneration committee (the "Remuneration Committee") has been established by the Company since 2003 and currently comprises of Mr. Chung Hil Lan Eric (the chairman of the Remuneration Committee), Mr. Wong Chi Wai and Mr. Lam Yu Lung, all of whom are independent non-executive Directors.

One Remuneration Committee meeting was held during the Reporting Period and the attendance of each committee member is set out as follows:

Directors	Attendance Record
Chung Hil Lan Eric	1/1
Wong Chi Wai	1/1
Lam Yu Lung	1/1

The major roles and functions of the Remuneration Committee are summarised as follows:

1. to determine the remuneration of the executive Directors, independent non-executive Directors and senior management; and
2. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Remuneration Committee has, among other things, reviewed and determined the remuneration packages of the executive Directors, independent non-executive Directors and senior management with reference to their performance and the overall remuneration policy of the Group, and approved the terms of the Directors' service contracts. The shareholders of the Company authorised the Remuneration Committee to fix the remuneration of the executive Directors and independent non-executive Directors at the annual general meeting.

Details of the remuneration of the senior management by band are set out in note 16 to the consolidated financial statements.

As at 31 December 2025, the Group employed approximately 3,500 (31 December 2024: 3,600) full time staff in Mainland China, Hong Kong, Europe, Southeast Asia and South Africa. The Group remunerates its employees based on their performance, experience, qualifications and prevailing market salaries while performance bonuses are granted on a discretionary basis after considering individual performance and the operating results of the Group. Other employee benefits include insurance and medical coverage, subsidised educational and training programmes as well as provident fund schemes.

NOMINATION COMMITTEE

A nomination committee (the "Nomination Committee") has been established by the Company since 2012 and currently comprises of Mr. Lam Yu Lung (the chairman of the Nomination Committee), Mr. Wong Chi Wai, Mr. Chung Hil Lan Eric and Dr. Fong Kin Kiu, all of whom are independent non-executive Directors. The duties of the Nomination Committee include (but are not limited to) reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive Directors, and making recommendations to the Board on the appointment or re-appointment of Directors. The Nomination Committee has performed the above duties during the Reporting Period.

The Nomination Committee has adopted a board diversity policy in 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving sustainable and balanced development, the Company views increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development. Selection of candidates will be based on a range of perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board and the Nomination Committee are dedicated to cultivating the Company's Board diversity.

The Company will proactively provide training to our senior management and take gender diversity into account when recruiting suitable candidates who may in the future become our senior management personnel, so to develop a pipeline of potential successors for the Board and enhance gender diversity in the Board in the coming years. The Company may also engage resources to identify potential successors for the Board and enhance gender diversity in the coming years, if necessary. As at the date of this annual report, female representation on the Board is 25%. The Nomination Committee is committed to improving gender diversity as and when suitable candidates are identified. From the Group's perspective, as at 31 December 2025, the female-to-male ratio of the Group's employees is approximately 0.88. The Group is determined to maintain gender diversity and equality in terms of the whole workforce and expects the above is achievable with appropriate efforts to promote the culture of gender diversity, which the Group has been advocating for.

CORPORATE GOVERNANCE REPORT

One Nomination Committee meeting was held during the Reporting Period and the attendance of each committee member is set out as follows:

Directors	Attendance Record
Lam Yu Lung	1/1
Wong Chi Wai	1/1
Chung Hil Lan Eric	1/1
Fong Kin Kiu	1/1

NOMINATION POLICY

Nomination Criteria

In evaluating and selecting candidates for the directorship, the following criteria should be considered:

1. Character and integrity;
2. Qualifications including professional qualifications, skills, knowledge and experience, and diversity aspects under the board diversity policy adopted by the Company that are relevant to the Company's business and corporate strategy;
3. Any potential contributions that the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
4. Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company;
5. For independent non-executive Directors, whether the candidate would be considered independent in accordance with the Listing Rules; and
6. Such other perspectives that are appropriate for the Company's business and succession plan and where applicable may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for the nomination of directors and succession planning.

Nomination Procedures

The Company has put in place the following procedures for nominating Directors:

Appointment of New and Replacement Directors

1. If the Board determines that an additional or replacement Director is required, it will deploy multiple channels to identify suitable director candidates, including referral from Directors, shareholders, management, and external executive search firms.

CORPORATE GOVERNANCE REPORT

2. Upon compilation of the list of potential candidates and interviews of the potential candidates, the relevant Nomination Committee will shortlist candidates for consideration by themselves and/or the Board based on the criteria as set out above and such other factors that it considers appropriate. If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the criteria as set out above.
3. The Board has the final authority on determining suitable candidates for appointment as Director.

Re-election of Directors and Nomination from Shareholders

1. Where a retiring Director, being eligible, offers himself for re-election, the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.
2. In the case of independent non-executive Directors, the Nomination Committee shall ensure that the independent non-executive Directors meet the criteria of independence as laid down in the Listing Rules.
3. Any shareholder of the Company who wishes to nominate a person to stand for election as a Director at a general meeting must nominate the candidate in accordance with the procedures for shareholders to propose a person for election as a Director adopted by the Company. The Nomination Committee shall evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to shareholders in respect of the proposed election of director at the general meeting.

The nomination procedures shall be in compliance with the Listing Rules, the Company's memorandum of association and Bye-laws and all applicable laws and regulations.

DIVIDEND POLICY

The Company considers stable and sustainable returns to shareholders to be our goal and endeavours to maintain a progressive dividend policy.

In deciding whether to propose a dividend and in determining the dividend amount, the Board takes into account (a) the earnings performance of the Group; (b) the financial position of the Group; (c) the investment requirements of the Group; and (d) the future prospects of the Group.

There can be no assurance that a dividend will be proposed or declared in any given year. If a dividend is proposed or declared, there can be no assurance that the dividend amount will be as contemplated above.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the corporate governance policy of the Company and performing the corporate governance duties as below:

1. To develop and review the Group's policies and practices on corporate governance and make recommendations;
2. To review and monitor the training and continuous professional development of Directors and senior management;
3. To review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);
4. To develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and directors of the Group; and
5. To review the Group's compliance with the code of corporate governance and disclosure requirements in the Corporate Governance Report.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. In preparing the accounts for the Reporting Period, the Directors have adopted suitable accounting policies which are pertinent to the Group's operation and relevant to the financial statements, have made judgements and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis.

A statement by the auditor about its reporting responsibilities is included in the Independent Auditor's Report on pages 34 to 40 of this Annual Report.

AUDITOR'S REMUNERATION

During the year under review, the remuneration paid to the Company's auditor, Messrs. RSM Hong Kong is set out as follows:

Services rendered	Fees paid/payable HK\$'000
Audit services	1,850
Non-audit services:	
Agreed-upon procedures service	130

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Audit Committee assists the Board in evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensures that the Group establishes and maintains appropriate and effective risk management and internal control systems.

The risk management and internal control systems of the Group comprise of a well-established organisational structure and comprehensive policies and standards. Areas of responsibilities of each business and operational unit are clearly defined to ensure effective checks and balances.

The Board's annual review of the effectiveness of the risk management and internal control systems of the Group for the Reporting Period has considered the following:

- the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions as well as the review of risk management and internal control systems;
- the changes in the nature and extent of significant risks during the year and the Group's ability to respond to changes in its business and external environment;
- the scope and quality of management's ongoing monitoring of risks and of the internal control systems;
- the extent and frequency of communication of monitoring results to the Board, which enables it to assess control of the Group and the effectiveness of risk management;
- significant control failings or weaknesses, if any, that have been identified during the year and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Group's financial performance or condition; and
- the effectiveness of the Group's processes in relation to financial reporting and statutory and regulatory compliance.

The processes for assessing internal controls by the Audit Committee include:

- regular interviews with executive Directors in relation to key business operations, internal control and compliance issues, both financial and non-financial;
- review of significant issues arising from internal control review reports and the external audit report;
- private sessions with external consultants and auditors; and
- review of annual assessment and certification of internal controls from executive Directors, management of overseas subsidiaries and department heads in their areas of responsibility.

CORPORATE GOVERNANCE REPORT

The Audit Committee has also reviewed papers prepared by executive Directors covering:

- periodic financial reports and accounts;
- preview of annual accounting and financial reporting issues;
- annual internal control review plan;
- whistle-blowing reports;
- report on the Group's internal control systems; and
- reporting of outstanding litigation and compliance issues.

The Board reviews the risk management and internal control systems of the Group annually. With the assistance of an external consultant, Sage Business Services Limited and the Audit Committee, the Board assessed the effectiveness and adequacy of the Group's risk management and internal control systems which covered the process used to identify, evaluate and manage significant risks, all material controls, including financial, operational and compliance controls during the Reporting Period. No major issues have been raised, but certain areas for improvement have been identified and appropriate measures have been taken.

The Company currently does not have an internal audit function. The Board has been reviewing the effectiveness of the Group's risk management and/or internal control systems with the assistance of external consultants and the Audit Committee since 2006, as the Board considered this was a cost-efficient and effective approach given the size and operational complexity of the Group. The Board will review the need for an internal audit function on an annual basis.

INSIDE INFORMATION

The Group has in place a Policy on Disclosure of Inside Information (the "Policy") which sets out the procedures and internal controls for handling and dissemination of inside information in a timely manner in such a way so as not to place any person in a privileged dealing position and to allow time for the market to price the listed securities of the Company with the latest available information.

This Policy also provides guidelines to the directors, officers and all relevant employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

Dissemination of the inside information of the Company shall be conducted by publishing the relevant information on the Company's website and Hong Kong Exchanges and Clearing Limited's HKEXnews website, which is in accordance with the requirements of the Listing Rules.

COMPANY SECRETARY

Mr. Choi Pui Yiu has been appointed as the Company Secretary since 2017. There was no non-compliance with the professional qualifications and professional training requirements as set out in the Listing Rules during the Reporting Period.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting by Shareholders

Pursuant to Bye-law 58, a special general meeting may be convened by the Board upon requisition by any shareholder holding not less than one-tenth of the issued share capital of the Company carrying the right to vote at any general meetings of the Company. The shareholder shall make a written requisition to the Board or the Company Secretary, specifying the shareholding information of the shareholder, his/her contact details and the proposal regarding any specified transaction/business and its supporting documents.

The Board shall arrange to hold such general meeting within two (2) months after the receipt of such written requisition. Pursuant to Bye-law 59, the Company shall serve the requisite notice of the general meeting, including the time, place of meeting and particulars of resolutions to be considered at the meeting and the general nature of the business.

If within twenty-one (21) days of the receipt of such written requisition, the Board fails to proceed to convene such special general meeting, the shareholder shall do so pursuant to the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Making an Enquiry to the Board

Shareholders may send written enquiries, either by post, by facsimile or by email, together with his/her contact details, addressed to the head office of the Company at the following address or facsimile number or via email:

Arts Optical International Holdings Limited
Units A to G, 32nd Floor, King Palace Plaza
55 King Yip Street, Kwun Tong
Kowloon, Hong Kong

Facsimile number: (852) 2195 8994
Email: eddie.choi@artsgroup.com
Attention: Company Secretary

All enquiries shall be collected by the Company Secretary who shall report to the executive Directors periodically. The executive Directors shall review the enquiries and assign different kinds of enquiries to the appropriate division heads/managers for answering. After receiving the answers from the relevant division heads/managers, the Company Secretary will collate the answers for the executive Directors' review and approval. The Company Secretary shall then be authorised by the executive Directors to reply to each enquiry in writing.

Putting Forward Proposals at General Meetings

A shareholder shall make a written requisition to the Board or the Company Secretary at the head office address of the Company, specifying his/her shareholding information, contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

Constitutional Documents

There was no change to the Company's Memorandum of Association and Bye-laws during the Reporting Period. A copy of the latest consolidated version of the Memorandum of Association and Bye-laws is posted on the websites of the Company and Hong Kong Exchanges and Clearing Limited.

Shareholders Communication Policy

The Company has adopted a Shareholders Communication Policy since 2012 with the objective of ensuring that the Company's shareholders are provided with ready, equal and timely access to balanced and user-friendly information about the Company in order to enable the shareholders to exercise their rights in an informed manner, and to allow the shareholders and the investment community to engage actively with the Company.

A summary of the Shareholders Communication Policy is as follows:

Information shall be communicated to shareholders and the investment community mainly through the Company's financial reports, annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on the Company's website. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. The Company endeavours to encourage shareholders' participation, and in particular, the process of the Company's general meetings will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that shareholders' needs are best served. Board members, appropriate management executives and external auditors will attend annual general meetings to answer shareholders' questions. In order for the Company to solicit and understand the views of shareholders and stakeholders or to enable them to make any query in respect of the Company, shareholders and the investment community may contact the Company Secretary at the contact details as set out above.

The Company reviewed the Group's shareholders and investor engagement and communication activities conducted in the Reporting Period and was satisfied with the implementation and effectiveness of the Shareholders Communication Policy.

INDEPENDENT AUDITOR'S REPORT



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**TO THE SHAREHOLDERS OF
ARTS OPTICAL INTERNATIONAL HOLDINGS LIMITED**
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Arts Optical International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 41 to 141, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are:

1. Impairment assessment of trade receivables
2. Valuation of investment properties
3. Impairment assessment of goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>1. Impairment assessment of trade receivables</p> <p><i>Refer to note 5(b)(v), note 6(b) and note 29 to the consolidated financial statements</i></p> <p>As at 31 December 2025, the Group had gross trade receivables of approximately HK\$421,609,000 and allowance for credit losses of approximately HK\$6,677,000.</p> <p>In general, the credit terms granted by the Group to customers ranged between 30 days to 150 days. Management performed periodic assessments of the recoverability of trade receivables and the sufficiency of allowance for credit losses based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.</p> <p>We focused on this area because the impairment assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none">• Understanding and evaluating the design and implementation of the relevant controls on impairment assessment of trade receivables and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;• Evaluating the outcome of prior period assessment of impairment of trade receivables to assess the effectiveness of management's estimation process;• Assessing whether trade receivables had been appropriately grouped by management based on their shared credit risk characteristics;• Testing the accuracy and completeness of the data used by management to develop the historical loss rates and assessing the sufficiency, reliability and relevance of that data;• With the assistance of our engaged valuation experts, testing the calculation of the historical loss rate and evaluating the reasonableness of the forward-looking adjustments made to reflect current and forecast future economic conditions;• Testing the accuracy of the ageing of trade receivables on a sample basis to supporting documents; and• Testing the calculation of expected credit loss provisions applying the provision rates to the age categories of the trade receivables outstanding at the reporting date.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>2. Valuation of investment properties</p> <p><i>Refer to note 5(b)(iv) and note 20 to the consolidated financial statements</i></p> <p>As at 31 December 2025, the investment properties are located in Hong Kong with carrying amount of HK\$48,600,000. A decrease in fair value of HK\$2,100,000 was recognised in profit or loss for the year ended 31 December 2025.</p> <p>The Group's investment properties are held at fair value based on the valuation performed by an independent firm of qualified professional valuers (the "Valuer"). Details of the valuation technique and key inputs used in the valuations are disclosed in note 7(c) to the consolidated financial statements. The valuation has been arrived at using income capitalisation approach for property located in Hong Kong.</p> <p>Under the income capitalisation approach, the valuation of investment properties depends on certain key inputs, including the reversion yield and monthly market rent and contracted monthly rent of comparable properties and adjusted based on the Valuer's knowledge of the factors specific to the respective properties.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none">• Understanding and evaluating the key controls over the management's process in determining the fair value of investment properties and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes, susceptibility to management bias or fraud;• Evaluating the Valuer's competence, capabilities and objectivity;• Assessing the estimates adopted by management and the Valuer by comparing these estimates with entity-specific information and market data to evaluate their reasonableness;• Obtaining rental agreements entered into by the Group and comparing the monthly market rent used in the valuation with the contracted monthly rent specified in those agreements; and• Assessing the reasonableness of the price per square metre for comparable properties and information used by the Valuer and the management in the valuation model, including adjustment for location and property specific factors to determine the appropriateness, completeness and accuracy of these inputs and to compare the comparable properties with prevailing market unit prices.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>3. Impairment assessment of goodwill</p> <p><i>Refer to note 5b(iii) and note 24 to the consolidated financial statements</i></p> <p>As at 31 December 2025, the Group has goodwill with carrying amount of HK\$27,304,000.</p> <p>The goodwill mainly arose from the acquisition of two non-wholly-owned subsidiaries. The Group identifies the business operated by each subsidiary as an individual cash generating unit ("CGU").</p> <p>The recoverable amount of the CGU was based on the calculation of value in use which requires management to make assumptions about the future including budgeted sales, gross profit ratio and growth rates and to determine an appropriate market discount rate. These estimates require significant management judgement.</p> <p>During the year, there was no material impairment on goodwill.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none">• Understanding and evaluating the key controls over the management's impairment assessment and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes, susceptibility to management bias or fraud;• Evaluating the outcome of prior period assessment of impairment assessment to assess the effectiveness of management's estimation process;• Assessing the integrity of the valuation models;• Assessing the reasonableness of management's key assumptions based on the current operating environment and our knowledge of the business and industry;• Reconciling input data to supporting evidence, including approved budgets and considering the accuracy of previous management budgets; and• Assessing the appropriateness of the discount rates used with the assistance of our engaged valuation specialists.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards issued by the HKICPA and the disclosure requirements of the Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is TSANG, Kit Fong, Maria (Practising certificate number: P05231).

RSM Hong Kong

Certified Public Accountants

29th Floor, Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong

27 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Revenue	8	1,333,874	1,282,272
Cost of sales		(915,193)	(905,790)
Gross profit		418,681	376,482
Other income	9	44,065	37,352
Other gains and losses	10	(21,727)	(19,624)
Impairment losses on trade receivables	12	(503)	(1,514)
Loss on deemed disposal of a subsidiary	45	–	(1,793)
Distribution and selling expenses		(64,718)	(56,757)
Administrative expenses		(322,004)	(311,292)
Other expenses		(1,230)	(1,110)
Profit from operations		52,564	21,744
Finance costs	13	(10,788)	(5,066)
Share of profit of associates		21,753	11,842
Share of loss of joint ventures		(112)	(77)
Profit before tax		63,417	28,443
Income tax expenses	14	(30,406)	(12,635)
Profit for the year	15	33,011	15,808
Other comprehensive income/(expenses) after tax:			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value change of equity investment at fair value through other comprehensive income ("FVTOCI")		–	(339)
<i>Items that reclassified and may be reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		26,410	(10,782)
Exchange differences arising on translation of associates		8,986	(4,716)
Exchange differences arising on translation of joint ventures		27	(20)
Realisation of exchange reserve upon deregistration of subsidiaries		(346)	(14)
Realisation of exchange reserve upon deemed disposal of a subsidiary		–	1,390
		35,077	(14,142)
Other comprehensive income/(expenses) for the year, net of tax		35,077	(14,481)
Total comprehensive income for the year		68,088	1,327

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Note	2025 HK\$'000	2024 HK\$'000
Profit for the year attributable to:			
Owners of the Company		20,703	11,419
Non-controlling interests		12,308	4,389
		33,011	15,808
Total comprehensive income for the year attributable to:			
Owners of the Company		53,623	(2,012)
Non-controlling interests		14,465	3,339
		68,088	1,327
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic and diluted	19	5.36	2.96

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Non-current assets			
Investment properties	20	48,600	50,700
Property, plant and equipment	21	519,943	410,311
Deposits paid for acquisition of property, plant and equipment		2,584	12,488
Intangible assets	23	12,187	14,427
Goodwill	24	27,304	26,336
Investments in associates	25	109,659	79,132
Investments in joint ventures	26	1,132	1,217
Equity investments at FVTOCI	27	7,355	7,355
Deferred tax assets	36	7,646	20,698
		736,410	622,664
Current assets			
Inventories	28	276,755	220,462
Debtors, deposits and prepayments	29	458,696	399,977
Current tax assets		288	356
Bank balances and cash	30	136,673	152,354
		872,412	773,149
Current liabilities			
Creditors and accrued charges	31	503,594	544,780
Contract liabilities	32	11,185	18,045
Refund liabilities	33	5,005	3,692
Consideration payable		–	556
Lease liabilities	34	4,811	4,557
Bank borrowings	35	197,655	69,714
Current tax liabilities		9,242	7,758
		731,492	649,102
Net current assets		140,920	124,047
Total assets less current liabilities		877,330	746,711

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Non-current liabilities			
Sundry creditors	31	21,561	–
Lease liabilities	34	11,465	15,078
Bank borrowings	35	147,494	96,442
Deferred tax liabilities	36	35,230	30,196
		215,750	141,716
NET ASSETS			
		661,580	604,995
Capital and reserves			
Share capital	37	38,626	38,626
Reserves	39	531,089	481,395
		569,715	520,021
Equity attributable to owners of the Company		91,865	84,974
Non-controlling interests			
TOTAL EQUITY			
		661,580	604,995

Approved by the Board of Directors on 27 March 2026 and are signed on its behalf by:

Ng Hoi Ying, Michael
Director

Ng Yat Shan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 note 39(b)(i)	Other reserve HK\$'000 note 39(b)(ii)	Exchange reserve HK\$'000 note 39(b)(iii)	Financial assets at FVTOCI reserve HK\$'000 note 39(b)(iv)	Property revaluation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2024	38,626	118,706	(3,269)	4,202	48,336	(1,838)	39,436	297,724	541,923	89,885	631,808
Profit for the year	-	-	-	-	-	-	-	11,419	11,419	4,389	15,808
Other comprehensive income	-	-	-	-	(13,092)	(339)	-	-	(13,431)	(1,050)	(14,481)
Total comprehensive income for the year	-	-	-	-	(13,092)	(339)	-	11,419	(2,012)	3,339	1,327
Transactions with owners in their capacity as owners:											
Dividends paid to owners of the Company	-	-	-	-	-	-	-	(19,313)	(19,313)	-	(19,313)
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	(2,262)	(2,262)
Contributions from non-controlling shareholders in respect of incorporation of subsidiaries	-	-	-	-	-	-	-	-	-	4,226	4,226
Deemed disposal of a subsidiary (note 45)	-	-	-	-	-	-	(260)	260	-	(10,181)	(10,181)
Acquisition of additional interests in subsidiaries (note 46)	-	-	-	(577)	-	-	-	-	(577)	(33)	(610)
	-	-	-	(577)	-	-	(260)	(19,053)	(19,890)	(8,250)	(28,140)
At 31 December 2024 and 1 January 2025	38,626	118,706	(3,269)	3,625	35,244	(2,177)	39,176	290,090	520,021	84,974	604,995
Profit for the year	-	-	-	-	-	-	-	20,703	20,703	12,308	33,011
Other comprehensive income	-	-	-	-	32,920	-	-	-	32,920	2,157	35,077
Total comprehensive income for the year	-	-	-	-	32,920	-	-	20,703	53,623	14,465	68,088
Transactions with owners in their capacity as owners:											
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	(2,477)	(2,477)
Deregistration of subsidiaries	-	-	-	-	-	-	-	-	-	(564)	(564)
Contributions from non-controlling shareholders in respect of incorporation of subsidiaries	-	-	-	-	-	-	-	-	-	522	522
Contributions from non-controlling shareholders in respect of increase in capital	-	-	-	-	-	-	-	-	-	4,093	4,093
Deregistration of a subsidiary	-	-	-	224	-	-	-	(224)	-	-	-
Acquisition of additional interests in subsidiaries (note 46)	-	-	-	(3,929)	-	-	-	-	(3,929)	(9,148)	(13,077)
	-	-	-	(3,705)	-	-	-	(224)	(3,929)	(7,574)	(11,503)
At 31 December 2025	38,626	118,706	(3,269)	(80)	68,164	(2,177)	39,176	310,569	569,715	91,865	661,580

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	2025 HK\$'000	2024 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	63,417	28,443
Adjustments for:		
Finance costs	10,788	5,066
Depreciation of property, plant and equipment	52,138	36,560
Amortisation of intangible assets	2,513	3,706
Allowance/(reversal of allowance) for inventories	9,164	(2,518)
Impairment losses on trade receivables	503	1,514
Interest income on bank deposits	(225)	(461)
Net losses/(gains) on disposals of property, plant and equipment	626	(286)
Decrease in fair value of investments properties	2,100	4,900
Share of profit of associates	(21,753)	(11,842)
Share of loss of joint ventures	112	77
Loss on deemed disposal of a subsidiary	–	1,793
Operating profit before working capital changes	119,383	66,952
Increase in inventories	(52,598)	(40,974)
Increase in debtors, deposits and prepayments	(56,642)	(1,758)
(Decrease)/increase in creditors and accrued charges	(33,418)	33,391
(Decrease)/increase in contract liabilities	(6,860)	4,796
Increase in refund liabilities	1,313	676
Cash (used in)/generated from operations	(28,822)	63,083
Income taxes paid	(10,768)	(8,359)
Net cash (used in)/generated from operating activities	(39,590)	54,724

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	2025 HK\$'000	2024 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Repayment of consideration payable	(556)	–
Purchases of investment properties	–	(14,080)
Purchases of property, plant and equipment	(130,820)	(174,090)
Proceeds from disposal of property, plant and equipment	2,489	10,666
Net proceed from deemed disposal of a subsidiary	–	3,149
Interest received	225	461
Withdrawal of short-term bank deposits	–	1,121
Deposits paid for acquisition of property, plant and equipment	(2,446)	(9,875)
Net cash used in investing activities	(131,108)	(182,648)
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of further interests in subsidiaries	(13,077)	(610)
Contributions from non-controlling shareholders in respect of incorporation of subsidiaries	522	4,226
Contributions from non-controlling shareholders in respect of increase in capital	4,093	–
Payments to non-controlling shareholders in respect of deregistration of subsidiaries	(564)	–
Dividends paid to owners of the Company	–	(19,313)
Dividends paid to non-controlling shareholders of subsidiaries	(2,477)	(2,262)
Interest paid on bank borrowings	(8,533)	(4,513)
Interest paid on lease liabilities	(2,255)	(553)
New bank borrowings raised	217,917	195,286
Repayments of bank borrowings	(38,924)	(37,305)
Repayments of lease liabilities	(6,090)	(4,693)
Net cash generated from financing activities	150,612	130,263
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(20,086)	2,339
Effect of foreign exchange rate changes	4,405	(1,548)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	152,354	151,563
CASH AND CASH EQUIVALENTS AT END OF YEAR	136,673	152,354

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. GENERAL INFORMATION

Arts Optical International Holdings Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 22.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is different from the functional currency of the Company, which is United States dollars (“US\$”), as directors of the Company (the “Directors”) consider that HK\$ is the most appropriate presentation currency in view of its place of listing.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRS Accounting Standards comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Companies Ordinance (Cap. 622).

The HKICPA has issued certain new and revised HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS

(a) Application of new and revised HKFRS Accounting Standards

The Group has adopted all of the new or amended HKFRS Accounting Standards and Interpretations issued by the HKICPA that are mandatory for the current reporting period. There was no material impact to the consolidated financial statements as a result of the adoption of these standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS (continued)

(b) Revised HKFRS Accounting Standards in issue but not yet effective

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new standards and amendments to standards and interpretation, which are not effective for the year ended 31 December 2025 and which have not been early adopted by the Group for the annual reporting period ended 31 December 2025. The Group's assessment of the impact of these new or amended HKFRS Accounting Standards and Interpretations, most relevant to the Group, are set out below:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9 and HKFRS 7 – Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
Amendment to HKFRS 9 and HKFRS 7 – Contracts Referencing Nature-dependent Electricity	1 January 2026
Amendment to HKAS 21 – Translation to a Hyperinflationary Presentation Currency	1 January 2027
HKFRS 18 – Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to HK Int 5 – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The Directors are in the process of making an assessment of what the impacts of these new standards, amendments to standards and interpretation are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS (continued)

(b) Revised HKFRS Accounting Standards in issue but not yet effective (continued)

HKFRS 18 “Presentation and Disclosure in Financial Statements”

HKFRS 18 will replace HKAS 1 “Presentation of financial statements”, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the consolidated financial statements, HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group presents and discloses financial performance in the financial statements.

The new accounting standard introduces the following key new requirements:

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities’ net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Group is currently assessing the impact of HKFRS 18, with respect to the structure of the Group’s statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Group is also assessing the impact on how information is grouped in the financial statements. Preliminary assessments indicate the following key impacts:

- The Group will need to reclassify certain income and expense items such as interest income, finance costs, share of profit/(loss) of associates and joint ventures into the new categories, namely investing and financing categories.
- The statement of cash flows will also be impacted, as the operating profit subtotal will be the required starting point for the indirect method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS (continued)

(b) Revised HKFRS Accounting Standards in issue but not yet effective (continued)

Amendments to the Classification and Measurement of Financial Instruments – Amendments to HKFRS 9 and HKFRS 7

The HKICPA issued targeted amendments to HKFRS 9 and HKFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- Clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- Clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- Add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- Update the disclosures for equity instruments designated at fair value through other comprehensive income (FVTOCI).

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKFRS 10 and HKAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments to HKFRS 10 *Consolidated Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. investment properties and certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The material accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated exchange reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(a) Consolidation (continued)

Non-controlling interests (“NCI”) represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. NCI are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. NCI are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the NCI having a deficit balance.

Changes in the Company’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and NCI are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the NCI are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(b) Separate financial statements

In the Company’s statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(c) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are, with limited exceptions, measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The NCI in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(d) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group's share of an associate post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated exchange reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(d) Associates (continued)

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group has assessed the type of each of its joint arrangements and determined them to all be joint ventures.

Investments in joint ventures are accounted for in the consolidated financial statements by the equity method and are initially recognised at cost. Identifiable assets and liabilities of the joint ventures in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the joint ventures' identifiable assets and liabilities is recorded as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(e) Joint arrangements (continued)

The Group's share of a joint venture's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's entire carrying amount of that joint venture (including goodwill) and any related accumulated exchange reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's presentation currency. The functional currencies of the Group's principal operating subsidiaries are United States dollars ("US\$") and Renminbi ("RMB") respectively.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(f) Foreign currency translation (continued)

(ii) Transactions and balances in each entity's financial statements (continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all foreign operations (none of which has the currency of hyperinflationary economy) that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the exchange reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(g) Property, plant and equipment

Property, plant and equipment are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Land and buildings	Over the remaining term of the lease and over the estimated useful lives of 25 to 30 years or the lease term of the land on which buildings are located, if shorter
Leasehold improvements	Over the estimated useful lives of 3 to 5 years or the term of the lease, if shorter
Plant and machinery and motor vehicles	Over 5 to 10 years
Furniture, fixtures and office equipment	Over 3 to 5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rentals and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment property are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time.

Gains or losses arising from changes in the fair value of investment properties are recognised in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is withdrawn from use. Any gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 4(v).

(i) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) The Group as lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(i) Leases (continued)

(i) The Group as lessee (continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 4(h).

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(i) Leases (continued)

(i) The Group as lessee (continued)

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

(ii) The Group as lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

(j) Intangible assets other than goodwill

Intangible assets which represent trademark, customer relationships and non-compete agreement are stated at cost less accumulated amortisation and impairment losses. Amortisation is recognised in profit or loss as follows:

Trademark	Indefinite
Customer relationships	Straight-line basis over 10 years
Non-compete agreement	Straight-line basis over 6 years

The customer relationships and non-compete agreement have finite useful lives and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over the expected lives of the customer relationships and non-compete agreement, which are determined to be 10 years and 6 years respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. The costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(m) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(m) Recognition and derecognition of financial instruments (continued)

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(n) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt instruments

Debt instruments held by the Group are classified into the following measurement category:

- amortised cost, if the instrument is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the instruments is calculated using the effective interest method.
- FVTOCI – recycling, if the contractual cash flows of the instrument comprise solely payments of principal and interest and the instrument is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses ("ECL"), interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the instrument is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVTPL, if the instrument does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the instrument (including interest) are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(n) Financial assets (continued)

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the financial assets at FVTOCI reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the financial assets at FVTOCI reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for credit losses.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL.

(q) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRS Accounting Standards. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

(s) Financial guarantee contract

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the ECL model under HKFRS 9; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(t) Trade and other payables

Trade and other payables are recognised initially at their fair values and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(u) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(v) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sale of optical products is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Under the Group's standard contract terms, customers have a right of return within 14 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return so consequently recognises a right to returned goods asset and a corresponding adjustment to cost of sales. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years.

Revenue from subcontracting services is recognised when control of the promised services and goods is transferred to the customer.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Dividend income is recognised when the shareholders' rights to receive payment are established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(v) Revenue and other income (continued)

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(w) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave, maternity leave and paternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reduction in future contributions to the plan.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(w) Employee benefits (continued)

(ii) Pension obligations (continued)

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability or asset.
- If the contributions are linked to services, they reduce service costs. For the amount of contributions that is dependent on the number of years of service, the Group reduces service cost by attributing the contributions to periods of service using the attribution method required by HKAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the Group reduces service cost in the period in which the related service is rendered/ reduces service cost by attributing contributions to the employees' period of service in accordance with HKAS 19 paragraph 70.

For Long Service payment ("LSP") obligation, the Group accounts for the employer Mandatory Provident Fund ("MPF") contributions expected to be offsetted as a deemed employee contribution towards the LSP obligation in term of HKAS 19 paragraph 93(a) and it is measured on a net basis. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(x) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(y) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(z) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and interest in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(z) Taxation (continued)

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends either to settle its current tax assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

(aa) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or that are not yet available for use are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

The carrying amounts of other non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss and other comprehensive income to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(aa) Impairment of non-financial assets (continued)

Impairment losses for CGUs are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(bb) Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost, lease receivables, trade and other receivables, bank deposits and bank and cash balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and lease receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL ("12m ECL").

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(bb) Impairment of financial assets (continued)

Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) the financial instrument has a low risk of default;
- (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(bb) Impairment of financial assets (continued)

Significant increase in credit risk (continued)

The Group considers a financial asset to have low credit risk when the asset has external credit rating of “investment grade” in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of “performing”. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(bb) Impairment of financial assets (continued)

Credit-impaired financial assets (continued)

- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(bb) Impairment of financial assets (continued)

Measurement and recognition of ECL (continued)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(cc) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(dd) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

In applying the Group's accounting policies, which are described in note 4, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(i) Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the Directors have adopted the presumption that investment properties measured using the fair value model are recovered through sale.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Deferred tax assets

As at 31 December 2025, no deferred tax asset has been recognised on the unused tax losses of HK\$669,611,000 due to the unpredictability of future profit streams (2024: a deferred tax asset of HK\$13,000,000 in relation to unused tax losses of certain operating subsidiaries has been recognised. No deferred tax asset has recognised on the tax losses of HK\$480,017,000). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty especially the uncertainty on how volatility or disruptions in financial, foreign currency or commodity markets may progress and evolve. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

(b) Key sources of estimation uncertainty (continued)

(ii) Impairment of property, plant and equipment

Property, plant and equipment are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

The carrying amount of property, plant and equipment as at 31 December 2025 was HK\$519,943,000 (2024: HK\$410,311,000).

(iii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than the expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

The carrying amount of goodwill at the end of the reporting period was HK\$27,304,000 (2024: HK\$26,336,000). Details are provided in note 24 to the consolidated financial statements.

(iv) Fair value of investment properties

The Group appointed independent professional valuers to assess the fair values of the investment properties. In determining the fair value, the valuers have utilised a method of valuation which involves certain estimates. The Directors have exercised their judgement and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

The carrying amount of investment properties as at 31 December 2025 was HK\$48,600,000 (2024: HK\$50,700,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

(b) Key sources of estimation uncertainty (continued)

(v) Impairment of trade receivables

The Group uses practical expedient in estimating ECL on trade receivables using a provision matrix. The provision rates are based on ageing of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

As at 31 December 2025, the carrying amount of trade receivables is HK\$414,932,000 (net of allowance for credit losses of HK\$6,677,000) (2024: HK\$354,466,000 (net of allowance for credit losses of HK\$7,111,000)).

(vi) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write back in the period in which such estimate has been changed. As at 31 December 2025, the carrying amount of inventories was HK\$276,755,000, net of allowance for inventories of HK\$77,936,000 (2024: HK\$220,462,000, net of allowance for inventories of HK\$68,398,000).

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK\$, Renminbi ("RMB"), Euro ("EUR") and US\$. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (continued)

(a) Foreign currency risk (continued)

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in currencies other than the functional currencies of the relevant group entities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000
HK\$	28,345	24,944	94,130	49,698
RMB	26,570	31,087	7,383	8,143
EUR	10,554	6,085	2,935	3,373
US\$	59,827	54,442	918	1,519

Sensitivity analysis

The Group is mainly exposed to exchange rate fluctuation in currency of RMB and EUR. HK\$ and US\$ denominated monetary items arose from group entities with functional currency of US\$ and HK\$ respectively. As HK\$ is pegged to US\$, the Directors consider that the foreign currency exposure is limited.

At 31 December 2025, if HK\$ had strengthened or weakened 5% against RMB with all other variables held constant, consolidated profit before tax for the year and the equity would have been HK\$959,000 (2024: HK\$1,147,000) lower or higher, arising mainly as a result of the foreign exchange loss or gain on trade receivables denominated in RMB.

At 31 December 2025, if HK\$ had strengthened or weakened 5% against EUR with all other variables held constant, consolidated profit before tax for the year and the equity would have been HK\$381,000 (2024: HK\$136,000) lower or higher, arising mainly as a result of the foreign exchange loss or gain on trade receivables denominated in EUR.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days to 150 days from the date of billing.

The Group's concentration of credit risk by geographical locations is mainly in Italy, which accounted for 35% (2024: 45%) of the total trade receivables as at 31 December 2025. The Group has concentration of credit risk as 17% (2024: 18%) and 50% (2024: 49%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowances at an amount equal to lifetime ECLs which is calculated using a provision matrix, except for debtors with significant outstanding balances or credit-impaired, of which the Group determines the ECL on an individual basis.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2025 within lifetime ECL (not credit-impaired). Debtors with significant outstanding balances and credit-impaired with gross carrying amounts of HK\$253,920,000 (2024: HK\$216,444,000) and HK\$2,192,000 (2024: HK\$2,626,000) respectively as at 31 December 2025 were assessed individually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Trade receivables (continued)

Gross carrying amount Internal credit rating	2025			2024		
	Average loss rate %	Trade receivables HK\$'000	Credit loss allowance HK\$'000	Average loss rate %	Trade receivables HK\$'000	Credit loss allowance HK\$'000
A. Provision matrix						
– Current (not past due)	0.22	66,724	145	–	50,851	–
– 1 - 90 days	0.61	76,966	472	1.79	77,320	1,387
– More than 90 days	5.00	21,807	1,090	5.00	14,336	717
B. Individual assessment	1.09	253,920	2,778	1.10	216,444	2,381
C. Credit impaired	100.00	2,192	2,192	100.00	2,626	2,626
		421,609	6,677		361,577	7,111

The estimated loss rates under provision matrix and credit-impaired are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The estimated loss rates under individual assessment are estimated based on probability of default published by an international financial service company and are adjusted by loss given default rate and forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2025, impairment loss of HK\$316,000 (2024: HK\$1,244,000) and impairment loss of HK\$397,000 (2024: HK\$270,000) for trade receivables, based on the provision matrix and significant outstanding balances were made respectively. Reversal of impairment loss of HK\$210,000 (2024: nil) were made on credit-impaired debtors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Trade receivables (continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit- impaired) <i>HK\$'000</i>	Lifetime ECL (credit- impaired) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2024	2,979	3,088	6,067
Changes due to financial instruments recognised			
– Impairment losses recognised, net	1,514	–	1,514
– Write-offs	(4)	(462)	(466)
Exchange realignment	(4)	–	(4)
At 31 December 2024 and 1 January 2025	4,485	2,626	7,111
Changes due to financial instruments recognised			
– Impairment losses recognised/ (reversed), net	713	(210)	503
– Write-offs	(810)	(225)	(1,035)
Exchange realignment	97	1	98
At 31 December 2025	4,485	2,192	6,677

The Group writes off a trade receivable balance when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivable is over three years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Deposits and other receivables

For deposits and other debtors, the Directors make periodic individual assessment on the recoverability of deposits and other receivables based on quantitative and qualitative information that is reasonable and supportive forward looking information. The Directors believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12 months ECL. The Group performs impairment assessment under ECL model on outstanding balances individually. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

During the year ended 31 December 2025, no impairment allowance (2024: nil) was made on deposits and other receivables.

Bank balances

The credit risks on bank balances are limited because the counterparties are reputable banks and financial institutions with high credit ratings assigned by international credit-rating agencies. The Group assessed 12 months ECL for bank balances by reference to information relating to average loss rate of respective credit rating grades published by external credit rating agencies.

Based on the average loss rates, the ECL on bank balances is considered to be insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor usually settle after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increased in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The table below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Note	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
				2025 HK\$'000	2024 HK\$'000
Bills and other receivables	29	Low risk	12m ECL	21,155	20,591
Trade receivables	29	Low risk	Lifetime ECL (significant outstanding balance)	253,920	216,444
		Low risk	Lifetime ECL (provision matrix)	165,497	142,507
		Loss	Credit-impaired	2,192	2,626
				421,609	361,577

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the participation in supplier finance arrangements with banks and the raising of loans to cover expected cash demands, subject to approval by the Directors when the borrowing exceed certain predetermined level of authority.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

As at 31 December 2025, the Group has available unutilised overdrafts and short and medium term bank loan facilities of approximately HK\$900,000 (2024: HK\$900,000) and HK\$51,889,000 (2024: HK\$75,175,000) respectively. The facilities expiring within one year are annual facilities subject to review at various dates during 2026.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

All banking facilities from Hong Kong financial institutions are subject to the fulfillments of covenants. Some of those covenants relate to the Group's financial covenants which are tested periodically, as are commonly found in lending arrangements with financial institutions. If the Group was to breach these covenants, the related loans would become payable on demand. Information about the covenants for those bank loans classified as non-current, subject to the Group complying with covenants after the reporting period is set out below:

Loan	Carrying amount		Covenant(s)	Timing to comply with the covenant(s)
	2025 HK\$'000	2024 HK\$'000		
A	89,537	56,687	(i) loan-to-valuation ratio at 70% or below; (ii) consolidated tangible net worth of not less than HK\$350,000,000; (iii) net borrowings/tangible net worth of not higher than 6x; and (iv) earnings before interest, taxes, depreciation and amortisation to interest coverage debt of not lower than 4.0x.	At any time throughout the loan term

Up to the date of these consolidated financial statements, there are no indications that the Group would have difficulties complying with the above covenants when they will be next tested.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

The maturity analysis based on the contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Weighted average effective interest rate %	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	2 to 5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 31 December 2025							
Creditors and accrued charges	–	286,989	13,481	21,561	–	322,031	322,031
Lease liabilities	10.83	1,230	5,089	10,477	5,646	22,442	16,276
Bank borrowings-variable rate	3.57	104,210	100,113	146,268	9,910	360,501	345,149
At 31 December 2024							
Creditors and accrued charges	–	340,589	6,270	–	–	346,859	346,859
Lease liabilities	10.19	1,537	5,223	13,348	7,904	28,012	19,635
Bank borrowings-variable rate	4.28	2,643	72,916	91,885	14,446	181,890	166,156

Bank loans with a repayment on demand clause are included in the 'on demand or less than 3 months' time band in the above maturity analysis. As at 31 December 2025, the aggregate undiscounted principal amounts of these bank loans amounted to HK\$37,098,000. Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that such bank loans will be repaid more than five years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK\$49,343,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT (continued)

(d) Interest rate risk

The Group's cash flow interest rate risk primarily relates to bank balances and borrowings. It is the Group's policy to keep its borrowing at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Dollar Prime Rate, Hong Kong Interbank Offered Rate ("HIBOR") and China Loan Prime Rate arising from the Group's borrowings.

At 31 December 2025, if interest rates had been 50 basis points (2024: 50 basis points) lower/higher with all other variables held constant, consolidated profit before tax for the year would have been HK\$1,726,000 (2024: HK\$831,000) higher/lower, arising mainly as a result of lower/higher interest expense on bank borrowings.

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk inherent in the financial assets and financial liabilities as the year end exposure does not reflect the exposure during the year.

(e) Categories of financial instruments at 31 December

	2025 HK\$'000	2024 HK\$'000
Financial assets:		
Financial assets measured at FVTOCI		
Equity investments	7,355	7,355
Financial assets measured at amortised cost	572,759	527,411
Financial liabilities:		
Financial liabilities measured at amortised cost	667,181	513,015
Lease liabilities	16,276	19,635

(f) Fair values

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7. FAIR VALUE MEASUREMENTS

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

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

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

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

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

(a) Disclosures of level in fair value hierarchy at 31 December:

Description	Fair value measurements using: Level 3 2025 HK\$'000
Recurring fair value measurements:	
Financial assets	
Financial assets at FVTOCI	
Unlisted equity securities	7,355
Investment properties	
Commercial units – Hong Kong	48,600
Total	55,955

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7. FAIR VALUE MEASUREMENTS (continued)

(a) Disclosures of level in fair value hierarchy at 31 December: (continued)

Description	Fair value measurements using: Level 3 2024 HK\$'000
Recurring fair value measurements:	
Financial assets	
Financial assets at FVTOCI	
Unlisted equity securities	7,355
Investment properties	
Commercial units – Hong Kong	50,700
Total	58,055

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

Description	Financial assets at FVTOCI- Unlisted equity securities HK\$'000	Investment properties HK\$'000	2025 Total HK\$'000
At 1 January 2025	7,355	50,700	58,055
Total gains or losses recognised in profit or loss (#)	–	(2,100)	(2,100)
At 31 December 2025	7,355	48,600	55,955
(#) Include unrealised gains or losses recognised in profit or loss attributable to assets held at end of reporting period	–	(2,100)	(2,100)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7. FAIR VALUE MEASUREMENTS (continued)

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

Description	Financial assets at FVTOCI-		2024 Total HK\$'000
	Unlisted equity securities HK\$'000	Investment properties HK\$'000	
At 1 January 2024	7,694	78,160	85,854
Total gains or losses recognised in profit or loss (#)	–	(4,900)	(4,900)
in other comprehensive income	(339)	–	(339)
Deemed disposal of a subsidiary	–	(22,560)	(22,560)
At 31 December 2024	7,355	50,700	58,055
(#) Include unrealised gains or losses recognised in profit or loss attributable to assets held at end of reporting period	–	(4,900)	(4,900)

The total gains or losses recognised in other comprehensive income are presented in fair value change of equity investment at FVTOCI in the consolidated statement of profit or loss and other comprehensive income.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7. FAIR VALUE MEASUREMENTS (continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2025:

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 (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);
- market rental unit price (estimated based on unit price, infrastructure, scale, geographical location, traffic, environment and security between the comparables and the property); and
- discount for lack of marketability (estimated based on the volatility of share price of listed entities in similar industries).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

7. FAIR VALUE MEASUREMENTS (continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2025: (continued)

Level 3 fair value measurements					Fair value – Assets	
Description	Valuation techniques	Unobservable inputs	Range	Effect on fair value for increase of inputs	2025 HK\$'000	2024 HK\$'000
Investment properties – Commercial units – Hong Kong	Income capitalisation approach	Reversion yield	3.4% (31 December 2024: 3.2%)	Decrease	48,600	50,700
		Monthly market rent	Office portion: HK\$35.4 (31 December 2024: HK\$39.9) per square foot per month on lettable area basis	Increase		
		Car parking space portion:	HK\$3,500 (31 December 2024: HK\$3,400 to HK\$3,500) per car parking space per month			
Financial assets at FVTOCI	Discount cash flow	Discount rate	13% (31 December 2024: 13%)	Decrease	7,355	7,355
		Discount of lack of marketability	15.6% (31 December 2024: 15.7%)	Decrease		

During the two years, there were no changes in the valuation techniques used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

8. REVENUE

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines for the year is as follows:

	2025 HK\$'000	2024 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Original design manufacturing division	869,744	875,424
– Distribution division	300,775	294,790
– Lens division	163,355	112,058
	1,333,874	1,282,272

The Group derives all revenue from the transfer of goods and services at a point in time.

Under the Group's standard contract terms, customers have a right to return within 14 days. The Group uses its accumulated historical experience to estimate the sales return on a portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A refund liability is recognised when the Group expects to refund some or all of the consideration received from customers.

9. OTHER INCOME

	2025 HK\$'000	2024 HK\$'000
Compensation from other customers	4,611	4,351
Compensation from an associate	–	610
Government subsidy (<i>Note</i>)	8,484	1,958
Gross rental income from investment properties	1,100	3,252
Interest income on bank deposits	225	461
Product development income	1,642	3,907
Sales of scrap materials	540	2,734
Sales of raw materials	7,508	4,991
Subcontracting fee income	7,269	1,630
Other rental income	8,375	8,490
Others	4,311	4,968
	44,065	37,352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

9. OTHER INCOME (continued)

Note: For the years ended 31 December 2025 and 2024, the government subsidy mainly represented subsidies to the Group by the People's Republic of China (excluding Hong Kong) (the "PRC") government for the renewal of pollution treatment facilities of manufacturing companies.

10. OTHER GAINS AND (LOSSES)

	2025 HK\$'000	2024 HK\$'000
Net foreign exchange losses	(19,001)	(15,010)
Net (losses)/gains on disposals of property, plant and equipment	(626)	286
Decrease in fair values of investment properties	(2,100)	(4,900)
	(21,727)	(19,624)

11. 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.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 4 to the consolidated financial statements. Segment profit or loss represents the profit earned by or loss from each segment without allocation of central administration costs, directors' emoluments, interest income, property rental income, net foreign exchange gains or losses, changes in fair values of investment properties, loss on deemed disposal of a subsidiary, finance costs and share of results of associates and joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11. SEGMENT INFORMATION (continued)

Information about operating segment profit or loss:

	Europe HK\$'000	United States HK\$'000	Asia HK\$'000	Other regions HK\$'000	Total HK\$'000
For the year ended 31 December 2025					
Original design manufacturing division	383,873	191,752	291,398	2,721	869,744
Distribution division	187,371	27,319	48,931	37,154	300,775
Lens division	777	–	161,081	1,497	163,355
Revenue from external customers	572,021	219,071	501,410	41,372	1,333,874
Segment profit	71,363	26,190	29,876	5,393	132,822
Unallocated income and gains					1,100
Unallocated corporate expenses and losses					(81,583)
Interest income on bank deposits					225
Finance costs					(10,788)
Share of profit of associates					21,753
Share of loss of joint ventures					(112)
Profit before tax					63,417

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11. SEGMENT INFORMATION (continued)

Information about operating segment profit or loss: (continued)

	Europe HK\$'000	United States HK\$'000	Asia HK\$'000	Other regions HK\$'000	Total HK\$'000
For the year ended 31 December 2024					
Original design manufacturing division	438,960	226,428	203,826	6,210	875,424
Distribution division	180,149	27,955	44,664	42,022	294,790
Lens division	1,016	–	111,042	–	112,058
Revenue from external customers	620,125	254,383	359,532	48,232	1,282,272
Segment profit	41,744	15,650	14,843	5,692	77,929
Unallocated income and gains					3,537
Unallocated corporate expenses and losses					(58,390)
Loss on deemed disposal of a subsidiary					(1,793)
Interest income on bank deposits					461
Finance costs					(5,066)
Share of profit of an associate					11,842
Share of profit of joint ventures					(77)
Profit before tax					28,443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11. SEGMENT INFORMATION (continued)

Other segment information

Amounts included in the measure to segment profit:

	Europe HK\$'000	United States HK\$'000	Asia HK\$'000	Other regions HK\$'000	Unallocated HK\$'000	Total HK\$'000
Year ended 31 December 2025						
Depreciation of property, plant and equipment	8,257	4,125	5,308	58	34,390	52,138
(Reversal of impairment losses)/impairment losses on trade receivables	(40)	724	(131)	(50)	–	503
Allowance for inventories	5,309	1,855	1,881	119	–	9,164
Other material items of income and expense:						
– Cost of inventories sold	219,833	109,215	207,680	3,305	–	540,033
– Staff costs	185,885	72,910	143,038	3,770	2,989	408,592

	Europe HK\$'000	United States HK\$'000	Asia HK\$'000	Other regions HK\$'000	Unallocated HK\$'000	Total HK\$'000
Year ended 31 December 2024						
Depreciation of property, plant and equipment	5,856	3,020	2,305	83	25,296	36,560
Impairment losses on trade receivables	768	75	220	451	–	1,514
(Reversal of allowance)/ allowance for inventories	(528)	(2,697)	882	(175)	–	(2,518)
Other material items of income and expense:						
– Cost of inventories sold	247,224	130,574	141,136	5,350	–	524,284
– Staff costs	227,849	100,558	112,134	4,834	3,144	448,519

Amounts regularly provided to the CODM but not included in the measure of segment profit and not allocated to any operating and reportable segment included net gain or loss on disposal of property, plant and equipment and depreciation of right-of-use assets which are set out in notes 10 and 15 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11. SEGMENT INFORMATION (continued)

Geographical information

Information about the Group's revenue is presented based on the location of the external customers. Information about the Group's non-current assets other than financial instrument and deferred tax assets is presented based on the geographical location of the Group.

	Revenue from external customers		Non-current assets	
	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000
Hong Kong	N/A	N/A	122,944	129,484
The PRC	N/A	N/A	319,343	292,882
United States	219,071	254,383	–	–
Italy	323,394	354,536	92,732	64,222
Other countries	791,409	673,353	186,390	108,023
	1,333,874	1,282,272	721,409	594,611

Information about major customers

During the year ended 31 December 2024, one customer accounted for over 10% of the Group's total sales as follow:

	2024 HK\$'000
Customer A (locate in the United States)	151,097

No single customer accounted for more than 10% of the Group's total sales during the year ended 31 December 2025.

12. IMPAIRMENT LOSSES ON TRADE RECEIVABLES

	2025 HK\$'000	2024 HK\$'000
Impairment losses on trade receivables	503	1,514

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

13. FINANCE COSTS

	2025 HK\$'000	2024 HK\$'000
Interest on bank borrowings	8,533	4,513
Interest on lease liabilities	2,255	553
	10,788	5,066

14. INCOME TAX EXPENSES

	2025 HK\$'000	2024 HK\$'000
Current year:		
Hong Kong Profits Tax	2,774	2,563
PRC Enterprise Income Tax	3,385	1,175
United Kingdom Corporation Tax	4,654	4,270
Others	874	159
Deferred taxation (<i>note 36</i>)	18,185	4,417
	29,872	12,584
Under/(over)provision in respect of prior year:		
Hong Kong Profits Tax	(2)	(3)
PRC Enterprise Income Tax	536	48
Others	–	6
	534	51
	30,406	12,635

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. INCOME TAX EXPENSES (continued)

Under the Law of the PRC Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25% for both years. As a PRC incorporated subsidiary, 五彩司徠柏光學科技(江蘇)有限公司 ("Stepper & Colors") has been accredited as a "High and New Technology Enterprise" by the relevant authorities for a term of three years from 24 December 2024 to 23 December 2027, it is entitled to a reduced tax rate of 15% during this period. Accordingly, the PRC EIT is calculated at 15% on the assessable profit of Stepper & Colors for the year ended 31 December 2025. The PRC EIT of other PRC incorporated subsidiaries of the Group is calculated at 25% on the respective assessable profits.

United Kingdom Corporation Tax is calculated at the applicable rate of 25% for the entity with profits in excess of British Pound Sterling ("GBP") 250,000 in accordance with the relevant law and regulations in the United Kingdom for both years.

The Group's Vietnam incorporated subsidiary operates in an industrial park in Vietnam. Under applicable Vietnamese laws and regulations, it is exempt from corporate income tax for the years ended 31 December 2025 and 2026, is eligible for a reduced tax rate of 10% from 2027 through 2030, and will be subject to the standard tax rate of 20% on taxable profits from 2031 onward.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2025 HK\$'000	2024 HK\$'000
Profit before tax	63,417	28,443
Tax at Hong Kong Profits Tax rate of 16.5%	10,464	4,693
Tax effect of share of profit of associates	(3,589)	(1,954)
Tax effect of share of loss of joint ventures	18	13
Tax effect of expenses that are not deductible	1,604	4,896
Tax effect of income that is not taxable	(764)	(718)
Underprovision in respect of prior year, net	534	51
Tax effect of tax losses not recognised	15,256	7,593
Tax effect of tax losses previously recognised and reversed	13,000	–
Tax effect of other deductible temporary differences not recognised	5,606	5,718
Utilisation of tax losses not previously recognised	(3,258)	(2,732)
Utilisation of deductible temporary differences not previously recognised	(2,054)	(2,131)
Dividend withholding tax	7,009	1,930
Effect of different tax rate of subsidiaries operating in other jurisdictions	(7,942)	1,871
Effect of two-tiered tax rate of Hong Kong	(165)	(165)
Others	(5,313)	(6,430)
Income tax expense	30,406	12,635

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

15. PROFIT FOR THE YEAR

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

	2025 HK\$'000	2024 HK\$'000
Amortisation of intangible assets (included in distribution and selling expenses)	2,513	3,706
Impairment losses on trade receivables	503	1,514
Auditors' remuneration:		
– Audit service	1,850	1,780
– Non-audit services	130	120
Cost of inventories recognised as an expense (<i>Note a</i>)	906,029	908,308
Depreciation of property, plant and equipment	52,138	36,560
Decrease in fair values of investment properties	2,100	4,900
Allowance for/(reversal of allowance for) inventories (included in cost of sales) (<i>Note b</i>)	9,164	(2,518)
Operating leases rentals in respect of rented premises	338	40
Direct operating expenses of investment properties that did not generate rental income	592	2,813
Direct operating expenses of investment properties that generate rental income	361	288

Notes:

- (a) Cost of inventories sold includes staff costs and depreciation of approximately HK\$227,042,000 (2024: HK\$246,762,000) which are included in the amounts disclosed separately above.
- (b) The reversal of allowance for inventories arose upon utilisation, disposal or when its estimated net realisable value increased.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

16. EMPLOYEE BENEFITS EXPENSE

	2025 HK\$'000	2024 HK\$'000
Salaries, bonuses and allowances	381,444	401,654
Retirement benefit scheme contributions	27,148	46,865
	408,592	448,519

Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2024: two) executive directors whose emoluments are set out in note 17. The emoluments of the remaining three (2024: three) highest paid individuals are set out below:

	2025 HK\$'000	2024 HK\$'000
Salaries and other benefits	4,099	4,222
Performance related incentive bonuses	568	298
Contributions to retirement benefit schemes	552	438
	5,219	4,958

The emoluments of the remaining three (2024: three) individuals fell within the following bands:

	Number of individuals	
	2025	2024
HK\$1,000,001 to HK\$1,500,000	–	2
HK\$1,500,001 to HK\$2,000,000	3	–
HK\$2,000,001 to HK\$2,500,000	–	1
	3	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

17. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every director in respect of a person's services as a director of the Company undertaking is set out below:

	Fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonus HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Executive directors:					
Mr. Ng Hoi Ying, Michael	–	1,220	440	57	1,717
Ms. Ng Yat Shan	–	1,235	126	18	1,379
Mr. Ng Kim Ying	–	455	–	21	476
Ms. Wu Zhihong	–	406	–	16	422
	–	3,316	566	112	3,994
Independent non-executive directors:					
Mr. Wong Chi Wai	156	–	–	–	156
Mr. Chung Hil Lan Eric	156	–	–	–	156
Mr. Lam Yu Lung	156	–	–	–	156
Dr. Fong Kin Kiu	156	–	–	–	156
	624	–	–	–	624
Total for 2025	624	3,316	566	112	4,618
Executive directors:					
Mr. Ng Hoi Ying, Michael	–	1,300	756	60	2,116
Ms. Ng Yat Shan	–	1,235	756	18	2,009
Mr. Ng Kim Ying	–	455	–	21	476
Ms. Wu Zhihong	–	300	–	22	322
	–	3,290	1,512	121	4,923
Independent non-executive directors:					
Mr. Wong Chi Wai	156	–	–	–	156
Mr. Chung Hil Lan Eric	156	–	–	–	156
Mr. Lam Yu Lung	156	–	–	–	156
Dr. Fong Kin Kiu	156	–	–	–	156
	624	–	–	–	624
Total for 2024	624	3,290	1,512	121	5,547

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

17. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

Note:

The executive directors' emoluments shown above were for their services in connection with their services as Directors. The independent non-executive directors' emoluments shown above were for their services as Directors.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

18. DIVIDENDS

Dividends for ordinary shareholders of the Company recognised as distribution during the year:

	2025 HK\$'000	2024 HK\$'000
2023 final dividend paid of 5.0 HK cents per share	–	19,313

No dividend in respect of the year ended 31 December 2025 has been proposed by the Directors.

19. EARNINGS PER SHARE

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

	2025 HK\$'000	2024 HK\$'000
Profit for the purpose of basic earnings per share		
– Profit for the year attributable to owners of the Company	20,703	11,419

	2025 Number of shares	2024 Number of shares
Weighted average number of shares for the purpose of basic earnings per share	386,263,374	386,263,374

No diluted earnings per share has been presented as there were no potential ordinary shares in issue during 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

20. INVESTMENT PROPERTIES

The Group leases out lettable units of the properties under operating leases with rentals payable monthly. The lease terms are for initial periods of 1 to 2 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	2025 HK\$'000	2024 HK\$'000
At 1 January	50,700	78,160
Deemed disposal of a subsidiary (note 45)	–	(22,560)
Decrease in fair value recognised in profit or loss	(2,100)	(4,900)
At 31 December	48,600	50,700

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

The valuations were carried out by Vigers Appraisal & Consulting Limited ("Vigers") as at 31 December 2025 and 2024. Vigers is an independent firm of professional valuers, not connected with the Group, and possesses the appropriate qualifications and recent experience in valuing comparable properties in the area.

The valuations were determined using the income capitalisation approach for the Hong Kong properties as at 31 December 2025 and 2024. Under the income capitalisation approach, market rentals for all lettable units were capitalised with reference to achieved rents for those units and rents for comparable properties nearby. The capitalisation rate was derived from reversion yield and current and contracted monthly rents of similar properties, and adjusted for factors specific to each property based on the valuers' expertise. The valuation techniques are unchanged from the prior period.

At 31 December 2025, the carrying amount of investment properties located in Hong Kong amounted to HK\$48,600,000 (2024: HK\$50,700,000) were pledged as securities for the Group's bank borrowings amounted to HK\$89,537,000 (2024: HK\$58,687,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

21. PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in land and buildings held for own use		Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	Buildings	Buildings						
	HK\$'000 (Note)	HK\$'000						
Cost								
At 1 January 2024	152,175	673,777	665,336	763,931	43,899	13,060	57,931	2,370,109
Additions	15,697	824	10,230	50,993	6,596	639	90,474	175,453
Transfers	–	48,358	338	2,877	–	–	(51,573)	–
Disposals	(714)	–	–	(4,551)	(191)	(477)	–	(5,933)
Deemed disposal of a subsidiary (note 45)	(7,656)	(15,008)	–	–	–	–	–	(22,664)
Lease modifications	26	–	–	–	–	–	–	26
Reclassification	–	(4,733)	4,733	(5)	5	–	–	–
Exchange realignment	(2,868)	(22,683)	(24,215)	(25,190)	(1,427)	(347)	(1,833)	(78,563)
At 31 December 2024 and 1 January 2025	156,660	680,535	656,422	788,055	48,882	12,875	94,999	2,438,428
Additions	30,975	34,251	3,179	59,657	6,445	4,139	11,718	150,364
Transfers	–	104,436	2,228	207	–	–	(106,871)	–
Disposals	(6,419)	–	–	(3,634)	(353)	(1,465)	–	(11,871)
Exchange realignment	3,799	35,113	34,908	39,185	2,350	630	583	116,568
At 31 December 2025	185,015	854,335	696,737	883,470	57,324	16,179	429	2,693,489
Accumulated depreciation and impairment								
At 1 January 2024	44,041	640,182	645,438	685,367	39,680	11,424	–	2,066,132
Charge for the year	9,316	3,115	10,194	11,264	1,907	764	–	36,560
Disposals	(714)	–	–	(1,948)	(109)	(395)	–	(3,166)
Deemed disposal of a subsidiary (note 45)	(486)	(1,166)	–	–	–	–	–	(1,652)
Reclassification	–	(20)	20	(2)	2	–	–	–
Exchange realignment	(1,897)	(19,822)	(23,795)	(22,637)	(1,288)	(318)	–	(69,757)
At 31 December 2024 and 1 January 2025	50,260	622,289	631,857	672,044	40,192	11,475	–	2,028,117
Charge for the year	10,868	6,843	12,051	17,748	3,587	1,041	–	52,138
Disposals	(4,098)	–	–	(1,899)	(308)	(1,206)	–	(7,511)
Exchange realignment	2,781	28,155	34,500	32,782	2,098	486	–	100,802
At 31 December 2025	59,811	657,287	678,408	720,675	45,569	11,796	–	2,173,546
Carrying amount								
At 31 December 2025	125,204	197,048	18,329	162,795	11,755	4,383	429	519,943
At 31 December 2024	106,400	58,246	24,565	116,011	8,690	1,400	94,999	410,311

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

21. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2025, the carrying amount of land and buildings located in Hong Kong, Malaysia and the PRC amounted to HK\$236,540,000 (2024: HK\$178,964,000) was pledged as securities for the Group's bank borrowings amounted to HK\$299,619,000 (2024: HK\$107,100,000).

Note:

Right-of-use assets

	Land and buildings HK\$'000	Land use rights HK\$'000	Right-of-use assets HK\$'000	Total HK\$'000
At 1 January 2024	80,577	18,886	8,671	108,134
Additions	–	–	15,697	15,697
Lease modifications	–	–	26	26
Deemed disposal of a subsidiary	–	(7,170)	–	(7,170)
Depreciation	(3,960)	(683)	(4,673)	(9,316)
Exchange realignment	–	(972)	1	(971)
At 31 December 2024 and 1 January 2025	76,617	10,061	19,722	106,400
Additions	–	26,029	4,946	30,975
Disposal	–	–	(2,321)	(2,321)
Depreciation	(3,961)	(375)	(6,532)	(10,868)
Exchange realignment	–	823	195	1,018
At 31 December 2025	72,656	36,538	16,010	125,204

The land and buildings consist of properties located in Hong Kong.

Lease liabilities of HK\$16,276,000 (2024: HK\$19,635,000) are recognised with related right-of-use assets of HK\$16,010,000 (2024: HK\$19,722,000) as at 31 December 2025. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2025 HK\$'000	2024 HK\$'000
Depreciation expenses on right-of-use assets	10,868	9,316
Interest expense on lease liabilities (included in finance costs)	2,255	553
Expenses relating to short-term lease (included in cost of sales and administrative expenses)	338	40

Details of total cash outflow for leases are set out in note 41(c).

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21. PROPERTY, PLANT AND EQUIPMENT (continued)

Note: (continued)

Right-of-use assets (continued)

For both years, the Group leases various offices, factory premises and warehouses for its operations. Lease contracts are entered into for fixed term of 2 years to 10 years (2024: 2 months to 10 years), but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial and office buildings for its manufacturing and operation activities. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities.

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2025 and 2024, there has no such triggering event.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

22. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2025 and 31 December 2024 are as follows:

Name	Place of incorporation/ registration and operation	Paid up capital	Percentage of effective ownership interest				Principal activities
			2025		2024		
			Direct	Indirect	Direct	Indirect	
Allied Power Inc.	British Virgin Islands	Canadian Dollars 50,000	100%	–	100%	–	Investment holding
Argent Optical Manufactory Limited	Hong Kong	HK\$100,000	–	100%	–	100%	Investment holding
Arts Opti Lab (Shenzhen) Company Limited [#]	PRC	HK\$202,000,000	–	100%	–	100%	Manufacture of prescription frames and sunglasses
Arts Optic Lab (M) Sdn Bhd	Malaysia	Malaysian Ringgit ("MYR") 12,000,000 (2024: MYR4,000,000)	–	77.20%	–	36.15% (Note)	Manufacture of optical lens
Arts Optical Company Limited	Hong Kong	HK\$1,000,000	–	100%	–	100%	Trading in prescription frames and sunglasses
Arts Studio Limited	Hong Kong	HK\$100	–	100%	–	100%	Trading in prescription frames and sunglasses
Shanghai Stepper Eyewear Company Limited [@]	PRC	RMB6,600,000	–	100%	–	100%	Trading in prescription frames and sunglasses
Sin Dak Industrial Limited	Hong Kong	HK\$40,000	–	100%	–	100%	Property holding
Stepper Deutschland GmbH	Germany	EUR50,000	–	48% (Note)	–	48% (Note)	Trading in prescription frames and sunglasses
Stepper Eyewear Limited ("Stepper HK")	Hong Kong	HK\$100	–	80%	–	80%	Trading in prescription frames and sunglasses
Stepper France	France	EUR50,000	–	70.4%	–	70.4%	Trading in prescription frames and sunglasses
Stepper South Africa (Proprietary) Limited	South Africa	South African Rand 500,000	–	80%	–	80%	Trading in prescription frames and sunglasses

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

22. PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operation	Paid up capital	Percentage of effective ownership interest				Principal activities
			2025		2024		
			Direct	Indirect	Direct	Indirect	
Stepper (UK) Limited ("Stepper UK")	United Kingdom	GBP5,000	–	72%	–	72%	Trading in prescription frames and sunglasses
Stepper Vision Plus Sdn Bhd	Malaysia	MYR3,700,000	–	60%	–	60%	Trading in prescription frames and sunglasses
Viet Nam Argent Optical Limited Company	Vietnam	US\$3,000,000	–	100%	–	100%	Manufacture of prescription frames and sunglasses
雅姆斯新零售(鷹潭)有限公司 (known as "AMOS Retail (Yingtang) Company Limited") [#]	PRC	US\$16,500,000 (2024: US\$16,000,000)	–	100%	–	100%	Property holding
宏懋金屬製品(深圳)有限公司 (known as "Hongmao Metal Products (Shenzhen) Company Limited") [#]	PRC	HK\$61,000,000	–	100%	–	100%	Property holding
滙駿光學城(河源)有限公司 (known as "Huijun Optic (Heyuan) Limited") [#]	PRC	HK\$99,000,000	–	100%	–	100%	Property holding
滙駿光學(河源)有限公司 (known as "Huijun Optical (Heyuan) Limited") [#]	PRC	HK\$51,000,000	–	100%	–	100%	Manufacture of prescription frames and sunglasses
雅姆斯智能系統(深圳)有限公司 (known as "AMOS Intelligent System (Shenzhen) Company Limited") ("AMOS") [@]	PRC	RMB6,000,000 (2024: RMB5,304,525)	–	100%	–	100%	System development
五彩司徠柏光學科技(江蘇)有限 公司 (known as "Stepper & Colors Opti Technology (Jiangsu) Company Limited") ("Stepper & Colors") [@]	PRC	RMB50,000,000	–	65%	–	55%	Manufacture of optical lens

[#] These subsidiaries are registered as wholly foreign-owned enterprises under the PRC law.

[@] These subsidiaries are registered in the PRC with limited liabilities.

Note: These companies are deemed to be direct/indirect subsidiaries of the Company because the Company is able to control the composition of their board of directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

22. PRINCIPAL SUBSIDIARIES (continued)

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities at 31 December 2025 or at any time during the year.

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Remark: The amounts disclosed below do not reflect the elimination of intragroup transactions.

Name	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2025	2024	2025	2024	2025	2024
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
Stepper HK and its subsidiaries	Hong Kong and overseas	20%	20%	7,303	4,412	49,127	43,739
Stepper & Colors	PRC	35%	45%	7,435	4,401	39,332	41,015
Individually immaterial subsidiaries with non-controlling interests				(2,430)	(4,424)	3,406	220
				12,308	4,389	91,865	84,974

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22. PRINCIPAL SUBSIDIARIES (continued)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Stepper HK and its subsidiaries

	2025 HK\$'000	2024 HK\$'000
At 31 December:		
Non-current assets	18,863	18,373
Current assets	250,012	217,706
Non-current liabilities	(1,348)	(2,162)
Current liabilities	(46,471)	(40,878)
Net assets	221,056	193,039
Equity attributable to owners of the Company	176,832	154,321
Non-controlling interests of Stepper HK	42,569	36,941
Non-controlling interests of Stepper HK's subsidiaries	1,655	1,777
For the year ended 31 December:		
Revenue	285,714	271,323
Expenses	255,041	250,161
Profit for the year	30,673	21,162
Profit attributable to owners of the Company	23,366	16,229
Profit attributable to the non-controlling interests of Stepper HK	5,841	4,057
Profit attributable to the non-controlling interests of Stepper HK's subsidiaries	1,466	876
Profit for the year	30,673	21,162

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For the year ended 31 December 2025

22. PRINCIPAL SUBSIDIARIES (continued)

Stepper HK and its subsidiaries (continued)

	2025 HK\$'000	2024 HK\$'000
For the year ended 31 December:		
Other comprehensive income/(expense) attributable to owners of the Company	2,345	(821)
Other comprehensive income/(expense) attributable to the non-controlling interests of Stepper HK	586	(205)
Other comprehensive income attributable to the non-controlling interests of Stepper HK's subsidiaries	89	8
Other comprehensive income/(expense) for the year	3,020	(1,018)
Total comprehensive income attributable to owners of the Company	25,711	15,408
Total comprehensive income attributable to the non-controlling interests of Stepper HK	6,427	3,852
Total comprehensive income attributable to the non-controlling interests of Stepper HK's subsidiaries	1,555	884
Total comprehensive income for the year	33,693	20,144
Net cash generated from operating activities	17,669	18,602
Net cash used in investing activities	(761)	(138)
Net cash used in financing activities	(28,796)	(20,335)
Net decrease in cash and cash equivalents	(11,888)	(1,871)

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For the year ended 31 December 2025

22. PRINCIPAL SUBSIDIARIES (continued)

Stepper & Colors

	2025 HK\$'000	2024 HK\$'000
At 31 December:		
Non-current assets	70,250	58,851
Current assets	95,710	70,359
Non-current liabilities	(11,924)	(13,855)
Current liabilities	(41,660)	(24,210)
Net assets	112,376	91,145
Equity attributable to owners of the Company	73,044	50,130
Non-controlling interests of Stepper & Colors	39,332	41,015
For the year ended 31 December:		
Revenue	147,246	114,446
Expenses	128,722	104,666
Profit for the year	18,524	9,780
Profit attributable to owners of the Company	11,089	5,379
Profit attributable to the non-controlling interests of Stepper & Colors	7,435	4,401
Profit for the year	18,524	9,780

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For the year ended 31 December 2025

22. PRINCIPAL SUBSIDIARIES (continued)

Stepper & Colors (continued)

	2025 HK\$'000	2024 HK\$'000
For the year ended 31 December:		
Other comprehensive income/(expense) attributable to owners of the Company	2,706	(807)
Other comprehensive income/(expense) attributable to the non-controlling interests of Stepper & Colors	1,084	(660)
Other comprehensive income/(expense) for the year	3,790	(1,467)
Total comprehensive income attributable to owners of the Company	13,795	4,572
Total comprehensive income attributable to the non-controlling interests of Stepper & Colors	8,519	3,741
Total comprehensive income for the year	22,314	8,313
Net cash generated from operating activities	21,857	4,711
Net cash used in investing activities	(19,928)	(3,245)
Net cash generated from financing activities	21,575	–
Net increase in cash and cash equivalents	23,504	1,466

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For the year ended 31 December 2025

23. INTANGIBLE ASSETS

	Trademark <i>HK\$'000</i>	Customer relationships <i>HK\$'000</i>	Non-compet agreement <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
At 1 January 2024	4,680	35,183	1,890	41,753
Exchange realignment	–	(4,722)	(27)	(4,749)
At 31 December 2024 and 1 January 2025	4,680	30,461	1,863	37,004
Exchange realignment	–	493	41	534
At 31 December 2025	4,680	30,954	1,904	37,538
Amortisation and impairment				
At 1 January 2024	4,680	18,306	866	23,852
Charged for the year	–	2,923	313	3,236
Exchange realignment	–	(4,496)	(15)	(4,511)
At 31 December 2024 and 1 January 2025	4,680	16,733	1,164	22,577
Charged for the year	–	2,202	311	2,513
Exchange realignment	–	229	32	261
At 31 December 2025	4,680	19,164	1,507	25,351
Carrying amount				
At 31 December 2025	–	11,790	397	12,187
At 31 December 2024	–	13,728	699	14,427

The average remaining amortisation periods for customer relationships and non-compet agreement are 5 years (2024: 6 years) and 1 year (2024: 2 years) respectively.

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For the year ended 31 December 2025

24. GOODWILL

	2025 HK\$'000	2024 HK\$'000
Cost		
At 1 January	26,336	26,763
Exchange realignment	968	(427)
At 31 December	27,304	26,336
Accumulated impairment losses		
At 1 January and 31 December	–	–
Carrying amount		
At 31 December	27,304	26,336

Goodwill mainly arising from the acquisition of two non-wholly-owned subsidiaries which are engaged in trading in prescription frames and sunglasses in United Kingdom (i.e. Stepper UK) amounted to HK\$8,190,000 (2024: HK\$7,619,000) and manufacture of optical lens in the PRC (i.e. Stepper & Colors) amounted to HK\$18,120,000 (2024: HK\$17,723,000). The Group identifies the business operated by each non-wholly-owned subsidiary as an individual CGU. Particulars of impairment testing on goodwill are disclosed below.

In addition to goodwill, property, plant and equipment, right-of-use assets and other intangible assets that generate cash flows together with the related goodwill are also included in the respective CGU for the purpose of impairment assessment.

The recoverable amounts of Stepper UK CGU and Stepper & Colors CGU have been determined on a value in use calculation. The recoverable amounts are based on certain key assumptions. The value in use calculations uses cash flow projections based on the latest financial budgeted approved by the Company's management covering a period of 5 years, and at discount rates of 11.55% (2024: 13.73%) and 12.98% (2024: 12.9%) for Stepper UK and Stepper & Colors respectively. The cash flows beyond the 5-year period are extrapolated using growth rates of 3% (2024: 3%) and 2% (2024: 2%) for Stepper UK and Stepper & Colors respectively. Cash flow projections during the budget period for both CGUs are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance and management's expectations for the market development.

The goodwill was tested for impairment at the end of each reporting period by comparing the carrying amount of the CGUs with the recoverable amount of the CGUs. The management of the Group believes that any reasonably possible change in the key assumptions on which the recoverable amounts are based would not caused their carrying amount to exceed their recoverable amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25. INVESTMENTS IN ASSOCIATES

	2025 HK\$'000	2024 HK\$'000
Trenti Industria Occhiali S.p.A. ("Trenti")	92,124	63,520
Arts Group Joint Stock Company ("Arts JSC")	17,535	15,612
	109,659	79,132

	Trenti	
	2025 HK\$'000	2024 HK\$'000
Cost of the Group's interest in an associate (<i>Notes</i>)		
– Unlisted	28,680	28,680
– Amortisation of intangible assets	(7,202)	(6,990)
– Exchange realignment	(1,199)	(1,779)
	20,279	19,911
Share of post-acquisition profit or loss and other comprehensive income	73,555	45,319
Adjustment on partial disposal	(1,710)	(1,710)
	92,124	63,520

Notes:

(a) Breakdown of cost of investment

	Trenti	
	2025 HK\$'000	2024 HK\$'000
Share of 45% (2024: 45%) interest in net assets	16,695	16,695
Intangible assets – customer relationships	7,765	7,765
Goodwill	4,220	4,220
	28,680	28,680

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25. INVESTMENTS IN ASSOCIATES (continued)

Notes: (continued)

(b) Movement of intangible assets – customer relationships

	Trenti	
	2025 HK\$'000	2024 HK\$'000
At 1 January	826	1,368
Amortisation recognised in profit or loss	(212)	(470)
Exchange realignment	101	(72)
At 31 December	715	826

The customer relationships have finite useful lives and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over the expected lives of the customer relationships, which are determined to be 10 years.

(c) Movement of goodwill

	Trenti	
	2025 HK\$'000	2024 HK\$'000
At 1 January	3,637	3,899
Exchange realignment	479	(262)
At 31 December	4,116	3,637

Goodwill arising from the acquisition of Trenti which is engaged in manufacture of and trading in prescription frames and sunglasses. The Group identifies the business operated as an individual CGU.

The Group's trade receivables balance and trade payables balance due from/to Trenti are disclosed in notes 29 and 31 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

25. INVESTMENTS IN ASSOCIATES (continued)

	Arts JSC	
	2025	2024
	HK\$'000	HK\$'000
Cost of the Group's interest in an associate	15,612	15,612
Share of post-acquisition profit or loss and other comprehensive income	1,923	–
Group's share of carrying amount of interests	17,535	15,612

Details of the associates at the end of the reporting period are as follows:

Name	Place of incorporation	Issued and paid up capital	Percentage of ownership interest/ voting power		Principal activities
			2025	2024	
Trenti	Italy	EUR305,560	45%	45%	Manufacture of and trading in prescription frames and sunglasses
Arts JSC	Vietnam	Vietnam Dong 101,650,000,000	45%	45%	Property holding

The above investments in associates are held through wholly-owned subsidiaries of the Company.

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25. INVESTMENTS IN ASSOCIATES (continued)

The following tables show information on the associates that are material to the Group. Associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS Accounting Standards financial statements of the associates.

	Trenti		Arts JSC	
	2025	2024	2025	2024
Percentage of ownership interest/voting rights held by the Group	45%/45%		45%/45%	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December:				
Non-current assets	96,469	78,045	54,325	43,572
Current assets	287,099	216,809	4,455	6,761
Current liabilities	(179,194)	(153,230)	(8,415)	(15,640)
Non-current liabilities	–	–	(11,399)	–
Net assets	204,374	141,624	38,966	34,693
Group's share of net assets	91,968	63,731	17,535	15,612
Goodwill	4,115	3,637	–	–
Intangible assets	715	826	–	–
Other adjustments	(4,674)	(4,674)	–	–
Group's share of carrying amount of interests	92,124	63,520	17,535	15,612
For the year ended 31 December:				
Revenue	517,233	451,250	9,509	–
Profit for the year	43,368	26,316	5,734	–
Other comprehensive income/(expense)	20,145	(9,739)	(1,461)	–
Total comprehensive income	63,513	16,577	4,273	–

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For the year ended 31 December 2025

26. INVESTMENTS IN JOINT VENTURES

	2025 HK\$'000	2024 HK\$'000
Cost of unlisted investment in joint venture	956	956
Capital contribution, at cost	1,306	1,306
Share of post-acquisition profit or loss and other comprehensive income	22	107
	2,284	2,369
Loan to a joint venture (<i>Note</i>)	3,714	3,714
	5,998	6,083
Impairment loss recognised in profit or loss	(4,866)	(4,866)
	1,132	1,217

Note:

The loan to the joint venture of HK\$3,714,000 (2024: HK\$3,714,000) included in the Group's non-current assets is unsecured, carries interest at 0.01% per annum and not repayable within one year from the end of the reporting period.

Details of the joint ventures at the end of the reporting period are as follows:

Name	Place of incorporation	Paid up capital	Percentage of ownership interest/ voting power		Principal activities
			2025	2024	
廣州佳視美光學眼鏡有限公司 (known as "Guangzhou Jiashimei Optical Company Limited") ("Guangzhou Jiashimei")	PRC	RMB1,000,000	20%	20%	Trading in prescription frames and sunglasses
天峰特材(深圳)有限公司 (known as "Tianfeng Special Materials (Shenzhen) Company Limited") ("Shenzhen Tianfeng")	PRC	RMB4,000,000	30%	30%	Trading in metal materials

The above investments in joint ventures are held through wholly-owned subsidiaries of the Company.

In terms of contractual agreements drawn up and signed among all shareholders of Guangzhou Jiashimei and Shenzhen Tianfeng, respectively, all decisions on financial policies must be agreed by unanimous consent among all shareholders of the entities. Accordingly, there are contractual sharing of control over Guangzhou Jiashimei and Shenzhen Tianfeng, respectively, and the investments in those entities are accounted for by the Group as interests in joint ventures.

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For the year ended 31 December 2025

27. EQUITY INVESTMENTS AT FVTOCI

	2025 HK\$'000	2024 HK\$'000
Unlisted equity securities	7,355	7,355
Analysed as:		
Non-current assets	7,355	7,355

The carrying amount of the Group's equity investments at FVTOCI is denominated in the functional currency of the relevant group entity.

Equity securities which are not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

28. INVENTORIES

	2025 HK\$'000	2024 HK\$'000
Raw materials	57,264	55,316
Work in progress	103,468	70,633
Finished goods	116,023	94,513
	276,755	220,462

29. DEBTORS, DEPOSITS AND PREPAYMENTS

	2025 HK\$'000	2024 HK\$'000
Trade receivables from contracts with customers	421,609	361,577
Less: Allowance for expected credit losses	(6,677)	(7,111)
	414,932	354,466
Bills receivables	392	172
Other debtors, deposits and prepayments	43,372	45,339
Total debtors, deposits and prepayments	458,696	399,977

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For the year ended 31 December 2025

29. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

The carrying amounts of the Group's trade and other receivables are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2025 HK\$'000	2024 HK\$'000
HK\$	24,813	17,470
RMB	15,881	20,570
EUR	9,094	4,029
US\$	40,587	28,749
Japanese Yen ("JPY")	1,609	1,076

The following is the ageing analysis of trade receivables balance net of allowance for expected credit losses presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

	2025 HK\$'000	2024 HK\$'000
0 – 90 days	275,402	245,483
91 – 180 days	123,492	99,562
More than 180 days	16,038	9,421
	414,932	354,466

The following is the ageing analysis of bills receivables presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

	2025 HK\$'000	2024 HK\$'000
0 – 90 days	392	172

As at 31 December 2025, included in the Group's trade receivables are debtors with aggregate carrying amount of HK\$125,071,000 (2024: HK\$87,183,000) which are past due as at the reporting date. Out of the past due balances, HK\$17,593,000 (2024: HK\$8,887,000) has been past due 90 days or more and is not considered as in default. The Group does not hold any collateral over these balances.

The Group allows trade debtors a credit period of 30 to 150 days. No interest is charged on overdue balances. Receivables past due more than 360 days are fully provided for, based on historical evidence that such amounts are generally unrecoverable. Receivables past due less than 360 days are provided for based on estimated irrecoverable amounts, determined with reference to historical settlement patterns and subsequent collections.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2025 are set out in note 6(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

29. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

Trade receivables due from the associate

Included in the Group's trade receivables balance is an amount due from the Group's associate of HK\$63,515,000 (2024: HK\$64,407,000) net of allowance for expected credit losses of HK\$706,000 (2024: HK\$716,000). This balance is repayable on credit terms comparable to those offered to the Group's similarly size customers. The amount outstanding is unsecured with carrying amount of HK\$9,624,000 (2024: HK\$11,279,000) which is past due balance.

30. BANK BALANCES AND CASH

The carrying amounts of the Group's bank balances and cash are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2025 HK\$'000	2024 HK\$'000
HK\$	3,532	7,474
RMB	10,689	10,517
EUR	1,460	2,056
US\$	19,240	25,693
JPY	646	6,365
GBP	84	260

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

31. CREDITORS AND ACCRUED CHARGES

	2025 HK\$'000	2024 HK\$'000
Trade payables	165,224	173,490
Provision of penalty (<i>Note</i>)	27,061	19,359
Other creditors and accrued charges	332,870	351,931
	525,155	544,780
Analysed as:		
Current liabilities	503,594	544,780
Non-current liabilities	21,561	–
	525,155	544,780

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31. CREDITORS AND ACCRUED CHARGES (continued)

Note: On 14 November 2023, the Group received a Decision of Administrative Penalty (the "Decision") from Shenzhen Longgang District Planning and Land Supervision Bureau (the "Bureau"). According to the Decision, the Bureau considered that one of the Group's factory premises located in Shenzhen Longgang District is an illegal construction. As a result, the Bureau decided to impose a penalty according to relevant rules and regulations on the Group. On 10 December 2025, the Group and the Bureau agreed a final penalty of RMB29,600,000 (equivalent to approximately HK\$32,561,000). RMB5,000,000 (equivalent to approximately HK\$5,500,000) was paid upon signing the settlement agreement, RMB5,000,000 (equivalent to approximately HK\$5,500,000) is payable in 2026, and the remaining balance will be paid in instalments from 2027 through 2029.

The carrying amounts of the Group's trade and other payables are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2025 HK\$'000	2024 HK\$'000
HK\$	22,274	20,112
RMB	7,383	8,143
EUR	2,935	3,373
US\$	918	1,519
JPY	82	76

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

	2025 HK\$'000	2024 HK\$'000
0 – 60 days	139,191	132,589
61 – 120 days	17,953	36,308
More than 120 days	8,080	4,593
	165,224	173,490

The credit period for purchase of goods is 60 days to 120 days. Trade creditors do not charge interest. The Group has financial risk management policies in place to ensure that all payables to major suppliers are settled within the credit period.

Trade payables due to the associate

Included in the Group's trade payables balance is an amount due to the Group's associate of HK\$4,000 (2024: HK\$194,000), which is repayable on credit terms comparable to those offered by suppliers of similar size and standing. The amount outstanding is unsecured and not past due at the end of the reporting period.

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32. CONTRACT LIABILITIES

	2025 HK\$'000	2024 HK\$'000
Optical products	11,185	18,045

Movements in contract liabilities:

	2025 HK\$'000	2024 HK\$'000
At 1 January	18,045	13,249
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the period	(16,715)	(12,552)
Increase in contract liabilities as a result of billing in advance	9,855	17,348
At 31 December	11,185	18,045

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the commencement of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposits.

The amount of billings in advance of performance received that is expected to be recognised as income after more than one year is HK\$1,330,000 (2024: HK\$697,000).

33. REFUND LIABILITIES

	2025 HK\$'000	2024 HK\$'000
Estimated amount for right of returns on sales of optical products	5,005	3,692

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34. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2025 HK\$'000	2024 HK\$'000	2025 HK\$'000	2024 HK\$'000
Within one year	6,319	6,760	4,811	4,557
In the second to fifth years, inclusive	10,477	13,348	6,562	8,617
Over five years	5,646	7,904	4,903	6,461
	22,442	28,012	16,276	19,635
Less: Future finance charges	(6,166)	(8,377)	N/A	N/A
Present value of lease obligations	16,276	19,635	16,276	19,635
Less: Amount due for settlement within 12 months (shown under current liabilities)			(4,811)	(4,557)
Amount due for settlement after 12 months			11,465	15,078

The weighted average incremental borrowing rates applied to lease liabilities range from 1.12% to 13.14% (2024: 1.12% to 13.14%).

The carrying amounts of the Group's lease liabilities are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2025 HK\$'000	2024 HK\$'000
HK\$	201	586

35. BANK BORROWINGS

	2025 HK\$'000	2024 HK\$'000
Secured bank borrowings	345,149	166,156

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35. BANK BORROWINGS (continued)

- (a) The analysis of the repayment schedule of borrowings is as follows:

	2025 HK\$'000	2024 HK\$'000
Within one year	197,655	69,714
More than one year, but not exceeding two years	62,338	14,116
More than two years, but not exceeding five years	75,523	68,538
More than five years	9,633	13,788
	345,149	166,156

- (b) The carrying amounts of the Group's bank borrowings are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2025 HK\$'000	2024 HK\$'000
HK\$	71,655	29,000

- (c) The effective interest rate per annum at the end of the reporting period on the bank borrowings of the Group was as follows:

	2025	2024
Variable-rate borrowings	3.57%	4.28%

- (d) The fair values of the Group's borrowings are as follows:

The fair values of the bank borrowings were approximated to their carrying amounts due to their short term nature or carrying interest at variable rate.

- (e) The details of pledged assets and collaterals to the Group's borrowings are as follows:

Bank borrowings of HK\$299,619,000 (2024: HK\$107,100,000) are secured by charges over the Group's investment properties (*note 20*), land and buildings and construction in progress (*note 21*).

- (f) The details of loan covenants of the Group's borrowing are as follows:

All banking facilities from Hong Kong financial institutions are subject to the fulfillment of covenants. Some of those relating to the Group's financial metrics which are tested periodically, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the related borrowings would become payable on demand.

The Group has complied with the financial covenants of its borrowing facilities during the years ended 31 December 2025 and 2024.

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36. DEFERRED TAX

The following are the deferred tax assets/(liabilities) recognised by the Group:

	Undistributable profits of an associate <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>	Other temporary differences <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2024	(11,853)	(11,558)	5,359	13,000	(5,052)
(Charge)/credit to profit or loss (note 14)	(1,930)	(3,019)	532	–	(4,417)
Exchange realignment	–	(29)	–	–	(29)
At 31 December 2024 and 1 January 2025	(13,783)	(14,606)	5,891	13,000	(9,498)
(Charge)/credit to profit or loss (note 14)	(7,008)	1,599	224	(13,000)	(18,185)
Exchange realignment	–	99	–	–	99
At 31 December 2025	(20,791)	(12,908)	6,115	–	(27,584)

The following is the analysis of the deferred tax balances (after offset) for consolidated statement of financial position purpose:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Deferred tax assets	7,646	20,698
Deferred tax liabilities	(35,230)	(30,196)
	(27,584)	(9,498)

At the end of the reporting period, no deferred tax assets have been recognised on the tax losses of HK\$669,611,000 (2024: HK\$480,017,000) due to unpredictability of future profit streams. Included in unrecognised tax losses are losses of total HK\$97,944,000 that will expire from 2026 to 2030 (2024: HK\$72,824,000 that will expire from 2025 to 2029). Other tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK\$1,091,458,000 (2024: HK\$1,069,930,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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37. SHARE CAPITAL

	Number of shares		Nominal value	
	2025	2024	2025 HK\$'000	2024 HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised:				
At beginning and end of year	1,000,000,000	1,000,000,000	100,000	100,000
Issued and fully paid:				
At beginning and end of year	386,263,374	386,263,374	38,626	38,626

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Total debt comprises bank borrowings and lease liabilities. Adjusted capital comprises all components of equity (i.e. share capital, retained profits and other reserves) except for non-controlling interests. At the end of the reporting period, the Group has debt outstanding of HK\$361,425,000 (2024: HK\$185,791,000) and the debt-to-adjusted capital ratio increased from 36% at 31 December 2024 to 63% at 31 December 2025 resulted from increase of bank borrowings and lease liabilities during the year.

The only externally imposed capital requirement is that for the Company to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Company receives a report from the share registrar monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2025, the approximate percentage of the total shares in public hands was 26% (2024: 26%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

38. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Summarised financial information before intragroup eliminations in respect of the company, Arts Optical International Holdings Limited is set out below:

	At 31 December	
	2025	2024
	HK\$'000	HK\$'000
Non-current assets		
Investment in a subsidiary	139,097	139,097
Amount due from a subsidiary	162,320	160,047
	301,417	299,144
Current assets		
Deposits and prepayments	176	207
Bank balances	148	149
	324	356
Current liabilities		
Accrued charges	2,651	2,440
Dividend payable	70	70
Financial guarantee liabilities	2,461	2,461
	5,182	4,971
Net current liabilities	(4,858)	(4,615)
NET ASSETS	296,559	294,529
Capital and reserves		
Share capital (note 37)	38,626	38,626
Reserves	257,933	255,903
EQUITY	296,559	294,529

Approved by the Board of Directors on 27 March 2026 and is signed on its behalf by:

Ng Hoi Ying, Michael
Director

Ng Yat Shan
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

38. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(b) Reserve movement of the Company

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i> <i>(Note)</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2024	118,706	105,369	32,906	256,981
Profit for the year	–	–	18,235	18,235
Dividends paid (<i>note 18</i>)	–	–	(19,313)	(19,313)
At 31 December 2024 and 1 January 2025	118,706	105,369	31,828	255,903
Profit for the year	–	–	2,030	2,030
At 31 December 2025	118,706	105,369	33,858	257,933

Note: The contributed surplus of HK\$105,469,000 represents the difference between the consolidated net asset value of Allied Power Inc. and the nominal amount of share capital issued by the Company, together with the subsequent capitalisation of HK\$100,000 of nil-paid shares arising from the group reorganisation in year 1996.

39. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Special reserve

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.

(ii) Other reserve

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

39. RESERVES (continued)

(b) Nature and purpose of reserves (continued)

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(f) to the consolidated financial statements.

(iv) Financial assets at FVTOCI reserve

The financial assets at FVTOCI reserve comprises the cumulative net change in the fair value of financial assets at FVTOCI held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 4(n) to the consolidated financial statements.

40. RETIREMENT BENEFIT SCHEMES

The Group has participated in a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

As stipulated under the rules and regulations in the PRC, the subsidiaries established in the PRC are required to contribute certain percentage of payroll costs of its employees to a state-managed retirement scheme operated by the provincial governments for its employees in the PRC. After the contribution, the Group has no further obligation for actual payment of the retirement benefits.

The retirement benefit scheme contributions arising from the above retirement schemes charged to profit or loss represent contributions payable to the funds by the Group at rates specified in the rules of the schemes.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of HK\$27,260,000 (2024: HK\$46,986,000) represents contributions paid and payable to these schemes by the Group. At the end of the reporting period, there was no forfeited contribution available to reduce future contributions in both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

Additions to right-of-use assets during the year of HK\$4,946,000 (2024: HK\$15,697,000) were financed by leases liabilities.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings <i>HK\$'000</i>	Dividend payable to non-controlling shareholders of subsidiaries <i>HK\$'000</i>	Lease liabilities <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2024	16,545	–	8,605	25,150
Financing cash flows	153,468	(2,262)	(5,246)	145,960
Additions	–	–	15,697	15,697
Lease modifications	–	–	26	26
Interest expenses	4,513	–	553	5,066
Deemed disposal of a subsidiary (note 45)	(8,370)	–	–	(8,370)
Dividends declared	–	2,262	–	2,262
At 31 December 2024 and 1 January 2025	166,156	–	19,635	185,791
Financing cash flows	170,460	(2,477)	(8,345)	159,638
Additions	–	–	4,946	4,946
Disposal	–	–	(2,415)	(2,415)
Interest expenses	8,533	–	2,255	10,788
Dividends declared	–	2,477	–	2,477
Exchange realignment	–	–	200	200
At 31 December 2025	345,149	–	16,276	361,425

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2025 HK\$'000	2024 HK\$'000
Within operating cash flows	338	40
Within financing cash flows	8,345	5,246
	8,683	5,286

These amounts relate to the following:

	2025 HK\$'000	2024 HK\$'000
Lease rental paid	8,683	5,286

42. CAPITAL COMMITMENTS

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

	2025 HK\$'000	2024 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– set up cost of investment in subsidiaries	129,715	120,518
– buildings under construction	26,020	3,345
– leasehold land and buildings	–	20,170
– plant and machinery	21,108	4,857
– leasehold improvements	6,541	105
– furniture, fixtures and office equipment	–	50
	183,384	149,045

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

43. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group regularly entered into short-term leases for offices, factory premises and warehouses. As at 31 December 2025, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 21.

The Group as lessor

Operating leases relate to investment property owned by the Group with lease terms of one to five years. All operating lease contracts contain market review clauses in the event that the lessee exercises its options to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Minimum lease payments receivable on leases are as follows:

	2025 HK\$'000	2024 HK\$'000
Within one year	1,220	421
In the second year	354	185
	1,574	606

The following table presents the amounts reported in profit or loss:

	2025 HK\$'000	2024 HK\$'000
Lease income on operating leases	1,100	3,252

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

44. RELATED PARTY TRANSACTIONS

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

	2025 HK\$'000	2024 HK\$'000
Sales of prescription frames and sunglasses to an associate	115,701	122,894
Purchase of prescription frames, sunglasses and raw materials from an associate	60	327
Compensation received from an associate	–	610

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

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

	2025 HK\$'000	2024 HK\$'000
Short term benefits	10,641	11,414
Post-employment benefits	732	627
	11,373	12,041

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

45. DEEMED DISPOSAL OF A SUBSIDIARY

On 31 December 2024, the Group disposed of a 12% shareholding in Arts JSC for a consideration of Vietnam Dong 10,800,000,000 (equivalent to approximately HK\$3,348,000) to an independent third party (the "Buyer"), and the Buyer has subscribed 1,330,000 new shares of Arts JSC. Consequently, the Group's indirect shareholding in Arts JSC decreased from 64% to 45%. As a result, the Group deemed further disposal of Arts JSC as a non-wholly-owned subsidiary and reclassified it as an associate.

	HK\$'000
Cash consideration	3,348
Fair value of retained interest in Arts JSC	15,612
	<u>18,960</u>
Carrying amount of net assets of Arts JSC	
Current assets	
Debtors and deposits	1,413
Bank balances	199
Non-current assets	
Investment properties (note 20)	22,560
Leasehold land and buildings (note 21)	21,012
Current liabilities	
Creditors and accrued charges	(7,270)
Bank borrowings (note 41(b))	(8,370)
	<u>29,544</u>
Net assets of Arts JSC at 31 December 2024	29,544
Non-controlling interests	(10,181)
Release of exchange reserve	1,390
	<u>20,753</u>
Loss on deemed disposal of a subsidiary	<u>(1,793)</u>
Net cash inflow arising on deemed disposal:	
Cash consideration	3,348
Less: bank balance disposed of	(199)
	<u>3,149</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

46. CHANGE OF INTERESTS IN SUBSIDIARIES

Acquisition of additional interests in subsidiaries

During the year ended 31 December 2025, the Group acquired additional 35% shareholding in Prima Ideas Company Limited at a consideration of HK\$1. Following this acquisition, the Group's percentage of effective ownership interest in Prima Ideas Company Limited increased from 65% to 100%.

During the year ended 31 December 2025, the Group acquired additional 10% shareholding in Stepper & Colors at a consideration of HK\$12,186,000. Following this acquisition, the Group's percentage of effective ownership interest in Stepper & Colors increased from 55% to 65%.

During the year ended 31 December 2025, the Group acquired additional 41.05% shareholding in Arts Optic Lab (M) Sdn Bhd at a consideration of HK\$720,000. Following this acquisition, the Group's percentage of effective ownership interest in Arts Optic Lab (M) Sdn Bhd increased from 36.15% to 77.20%.

During the year ended 31 December 2025, the Group acquired additional 16% shareholding in 司徠柏鏡片(深圳)有限公司 (known as "Stepper Lens (Shenzhen) Company Limited") at a consideration of HK\$171,000. Following this acquisition, the Group's percentage of effective ownership interest in Stepper Lens (Shenzhen) Company Limited increased from 71% to 87%.

During the year ended 31 December 2024, the Group acquired additional 4% shareholding in Stepper France at a consideration of HK\$20,000. Following this acquisition, the Group's percentage of effective ownership interest in Stepper France increased from 66.4% to 70.4%.

During the year ended 31 December 2024, the Group acquired additional 9% shareholding in AMOS at a consideration of HK\$590,000. Following this acquisition, the Group's percentage of effective ownership interest in AMOS increased from 91% to 100%.

The effects of the above acquisitions on the equity attributable to owners of the company are as follows:

	2025 HK\$'000	2024 HK\$'000
Shares of net assets in subsidiaries acquired	9,148	33
Considerations	(13,077)	(610)
	(3,929)	(577)

47. EVENTS AFTER THE REPORTING PERIOD

There is no subsequent event after the reporting period which has material impact to the consolidated financial statements of the Group.

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2024 HK\$'000	2025 HK\$'000
REVENUE	1,152,941	1,144,103	1,196,309	1,282,272	1,333,874
PROFIT BEFORE TAX	32,388	127,078	56,858	28,443	63,417
INCOME TAX EXPENSE	(6,501)	(7,057)	(162)	(12,635)	(30,406)
PROFIT FOR THE YEAR	25,887	120,021	56,696	15,808	33,011
PROFIT FOR THE YEAR ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	20,700	114,773	51,321	11,419	20,703
NON-CONTROLLING INTERESTS	5,187	5,248	5,375	4,389	12,308
	25,887	120,021	56,696	15,808	33,011

ASSETS AND LIABILITIES

	At 31 December				
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2024 HK\$'000	2025 HK\$'000
TOTAL ASSETS	1,122,829	1,091,157	1,276,544	1,395,813	1,608,822
TOTAL LIABILITIES	(582,497)	(485,208)	(644,736)	(790,818)	(947,242)
	540,332	605,949	631,808	604,995	661,580
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	453,633	519,217	541,923	520,021	569,715
NON-CONTROLLING INTERESTS	86,699	86,732	89,885	84,974	91,865
	540,332	605,949	631,808	604,995	661,580

PROPERTIES HELD FOR INVESTMENT

LIST OF INVESTMENT PROPERTIES

Location	Type of properties	Lease term
Units H, J and K on 32nd Floor King Palace Plaza 55 King Yip Street, Kwun Tong Kowloon, Hong Kong	Office premises	Medium-term lease
Car parking spaces no. P35, P36, P37, P41, P42 and P43 on 2nd Floor King Palace Plaza 55 King Yip Street, Kwun Tong Kowloon, Hong Kong	Car parks	Medium-term lease

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

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

Independent non-executive directors

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

COMPANY SECRETARY

CHOI Pui Yiu

AUDITOR

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

LEGAL ADVISERS

Stephenson Harwood
Conyers Dill & Pearman

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

WEBSITE

www.artsgroup.com

The logo for Arts Group, featuring the word "Arts" in a white, elegant script font and the word "Group" in a white, clean, sans-serif font, positioned to the right of "Arts".

Arts Group

Arts Optical International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 1120