

The background of the cover features large, three-dimensional, metallic-looking letters. The letter 'A' is on the left, 'D' is in the upper right, 'R' is in the middle right, and 'S' is in the lower right. These letters are highly reflective and have a blue-tinted metallic finish. The word 'GROUP' is positioned to the right of the 'A' and above the 'D'.

GROUP

2025

Interim
Report

中期報告

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

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Profitability analysis

The Group's consolidated revenue decreased slightly by 2% to HK\$594.9 million (2024: HK\$606.4 million) for the six months ended 30 June 2025 (the "Reporting Period"). During the Reporting Period, the Group recorded a net loss attributable to owners of the Company of HK\$15.0 million and a loss per share of 3.89 HK cents respectively (2024: a net profit attributable to owners of the Company of HK\$2.5 million and earnings per share of 0.64 HK cents respectively).

The Board considers that the reasons for the net loss attributable to owners of the Company were mainly due to the following items:

- the tariff policy of the United States (the "US") has significantly disrupted not only trade between the US and China, but also global supply chains, leading to increase in operating costs for running additional manufacturing facilities in Vietnam and Malaysia;
- a significant increase in staff costs, promotion and exhibition expenses for development of the distribution of frames and lens business in China and Southeast Asia markets; and
- the Group has financed through bank borrowings to support the establishment of production bases outside China, resulting in a significant increase in interests on bank borrowings by HK\$2.9 million.

Original design manufacturing ("ODM") division

Revenue generated by the ODM division contributed 64% to the consolidated revenue of the Group during the Reporting Period (2024: 69%). Sales to ODM customers decreased by 9% from HK\$419.0 million in the first six months of 2024 to HK\$379.2 million in the Reporting Period. The decrease in revenue was mainly due to a drastic increase in the US tariff on China in April 2025. As a result, most US customers requested that shipments be withheld until June 2025, leading to a significant 17% drop in sales to the US during the Reporting Period. Geographically, sales to Europe, the US, Asia and other regions accounted for 49%, 23%, 28% and 0% respectively (2024: 49%, 25%, 25% and 1% respectively) of the revenue of the ODM division during the Reporting Period. The Group continued to maintain a fairly balanced sales mix between prescription frames and sunglasses. Sales of prescription frames, sunglasses and spare parts accounted for 45%, 49% and 6% of the revenue generated by the ODM division respectively during the Reporting Period (2024: 44%, 50% and 6% respectively).

MANAGEMENT DISCUSSION AND ANALYSIS

Distribution division

The Group's house brand and licensed brand products were sold to retailers through the Group's wholesale arms in the United Kingdom, France, South Africa, Mainland China, Germany, Italy and Malaysia, and to independent distributors in other countries. Revenue for the distribution division increased moderately by 3% to HK\$144.2 million (2024: HK\$140.3 million) and accounted for 24% (2024: 23%) of the consolidated revenue during the Reporting Period. Sales to Europe, the US, Asia and other regions accounted for 66%, 8%, 15% and 11% respectively of the revenue of the distribution division during the Reporting Period (2024: 64%, 11%, 13% and 12% respectively). Sales to Asia increased significantly by 16% as compared to the same period last year, as a result of our marketing efforts in Asia, especially in Southeast Asia during the Reporting Period. The growth in sales was mainly generated from our own distributors in Hong Kong and Malaysia during the Reporting Period. STEPPER, the German brand owned by the Group, continued to be the most popular brand in our distribution division.

Lens division

Revenue for the lens division was HK\$71.5 million (2024: HK\$47.1 million) and accounted for 12% (2024: 8%) of the consolidated revenue during the Reporting Period. Sales increased significantly by 52% as compared to the same period last year, mainly because the Group further invested in expanding its lens production facilities in both China and Malaysia in the second half of 2024. At the moment, the revenue for the lens division is generated almost entirely from Asia and the Group plans to gradually expand its lens business to other regions.

Financial position and liquidity

Cash flows

The Group recorded a net cash outflow from operating activities of HK\$3.1 million during the Reporting Period (2024: inflow of HK\$28.2 million) and which was mainly resulted from cash flow derived from the net loss for the Reporting Period. Capital expenditure was still high at HK\$31.4 million (2024: HK\$73.2 million) as the Group continued to execute its investment plan of production lines for optical lens in Malaysia and factory expansion in Vietnam. The net cash position of the Group (being the bank balances and cash less bank borrowings) decreased by HK\$47.5 million from negative balance of HK\$13.8 million as at 31 December 2024 to negative balance of HK\$61.3 million as at 30 June 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

Working capital management

In contrast to the decrease in revenue during the Reporting Period, the inventory balance increased by 18% from HK\$220.5 million as at 31 December 2024 to HK\$260.4 million as at 30 June 2025 because most US customers had withheld shipments since April 2025 and only gradually granted permission for their release from June 2025 onwards. Inventory turnover period (being the ratio of inventory balances to cost of sales) increased from 71 days for the six months ended 30 June 2024 to 113 days for the Reporting Period. On the other hand, total amount of trade debtors and bills receivable balances decreased by 14% from HK\$354.6 million as at 31 December 2024 to HK\$305.8 million as at 30 June 2025 and which is in line with trend of decrease in revenue. Debtors turnover period (being the ratio of the total of trade debtors and bills receivable to revenue) increased slightly from 91 days for the six months ended 30 June 2024 to 94 days for the Reporting Period. There was no sign of deterioration in collecting payments from trade debtors as compared to the corresponding period in last year. The current ratio (being the ratio of total current assets to total current liabilities) of the Group remained stable at 1.2 as at 30 June 2025 and 31 December 2024.

Gearing position

The Group maintained a normal gearing position throughout the Reporting Period. The debt-to-equity ratio (expressed as a percentage of non-current liabilities over equity attributable to owners of the Company) slightly increased to 28% as at 30 June 2025 as compared to 27% as at 31 December 2024. The non-current liabilities of the Group comprised mainly bank borrowings which amounted to HK\$102.3 million as at 30 June 2025 (31 December 2024: HK\$96.4 million).

Net asset value

The Company had 386,263,374 shares in issue as at both 30 June 2025 and 31 December 2024 with equity attributable to owners of the Company of HK\$532.7 million and HK\$520.0 million as at 30 June 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 30 June 2025 was HK\$1.38 (31 December 2024: HK\$1.35).

Contingent liabilities

As at 30 June 2025, the Group did not have significant contingent liabilities (31 December 2024: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Charges on the Group's assets

As at 30 June 2025, the Group's investment properties, leasehold land and buildings and construction in progress were pledged as security for the Group's bank borrowings amounted to HK\$134.7 million (31 December 2024: HK\$107.1 million). Details of bank borrowings are set out in note 15 to the unaudited condensed consolidated financial statements.

Foreign currency exposure

The Group was mainly exposed to the fluctuation of Renminbi against both the United States dollar and the Hong Kong dollar. Save as 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 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 the Company's ordinary share capital, the Group's reserves and non-controlling interests) amounted to HK\$628.0 million as at 30 June 2025 (31 December 2024: HK\$605.0 million). As at 30 June 2025, the Group had current assets of HK\$773.8 million (31 December 2024: HK\$773.1 million) and current liabilities of HK\$671.1 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 30 June 2025, the Group had outstanding bank borrowings of HK\$216.2 million (31 December 2024: HK\$166.2 million). As at 30 June 2025, the Group maintained bank balances and cash of HK\$154.8 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.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Market outlook

The global economy has been grappling with persistent volatility and uncertainty stemming from the fluctuating trade environment shaped by the US tariff measures. These tariff policies have not only severely disrupted the US and China trade relations but also caused extensive disruptions to global supply chains, and exacerbated operational uncertainties across production and logistics sectors. Nevertheless, the Group adopted a forward-looking approach by establishing overseas production bases several years ago. With our integrated global production network spanning China, Vietnam and Malaysia, we are actively leveraging the synergies within this network to flexibly allocate production capacity in line with market dynamics. Moving forward, the Group will conduct regular reviews of the operating costs across all our self-owned manufacturing facilities and implement targeted cost-optimisation measures across multiple dimensions. These initiatives aim to maximise the Group's operational efficiency and enhance overall performance resilience amid the evolving trade landscape.

The lens division and the burgeoning trajectory of the smart glasses sector collectively underscore their escalating strategic significance to the Group's long-term development blueprint. Through comprehensive market analysis, the Group has identified substantial growth potential and lucrative business opportunities within these domains. Consequently, we will sustain strategic resource allocation to proactively capitalise on the emergence of such opportunities, thereby reinforcing our competitive edge and driving sustainable value creation for the Group.

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 30 June 2025) during the Reporting Period.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL EXPENDITURE

As at 30 June 2025, the Group had capital commitments of HK\$219.0 million. Details of capital commitments are set out in note 17 to the unaudited condensed consolidated financial statements. Save as disclosed in capital commitments, as of the date of this report, the Group did not have plans for material investments and capital expenditure.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2025, the Group employed approximately 3,400 (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.

IMPORTANT EVENTS AFTER THE END OF THE FINANCIAL PERIOD

Save as disclosed herein, there are no important events affecting the Group which have occurred after the end of financial period for the Reporting Period and up to the date of this report.

Ng Hoi Ying, Michael

Chairman

Hong Kong, 28 August 2025

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2025

	Notes	Unaudited Six months ended 30 June	
		2025 HK\$'000	2024 HK\$'000
Revenue	4	594,939	606,394
Cost of sales		(419,799)	(434,355)
Gross profit		175,140	172,039
Other income		14,358	12,865
Other gains and losses		(2,853)	(4,737)
Reversal of impairment loss/(impairment loss)		761	(73)
Distribution and selling expenses		(30,294)	(25,086)
Administrative expenses		(160,797)	(146,392)
Other expenses		(562)	(663)
(Loss)/profit from operations		(4,247)	7,953
Finance costs	5	(5,085)	(989)
Share of profit of associates		7,820	4,158
Share of loss of joint ventures		(48)	(31)
(Loss)/profit before tax		(1,560)	11,091
Income tax expense	6	(8,390)	(5,557)
(Loss)/profit for the period	7	(9,950)	5,534
Other comprehensive income/(expense) after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		20,620	(6,223)
Exchange differences arising on translation of associates		10,117	(2,332)
Exchange differences arising on translation of joint ventures		14	(20)
Other comprehensive income/(expense) for the period, net of tax		30,751	(8,575)
Total comprehensive income/(expense) for the period		20,801	(3,041)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2025

		Unaudited	
		Six months ended 30 June	
		2025	2024
	Note	HK\$'000	HK\$'000
(Loss)/profit for the period attributable to:			
Owners of the Company		(15,035)	2,460
Non-controlling interests		5,085	3,074
		(9,950)	5,534
Total comprehensive income/(expense)			
for the period attributable to:			
Owners of the Company		13,968	(5,369)
Non-controlling interests		6,833	2,328
		20,801	(3,041)
		HK cents	HK cents
(Loss)/earnings per share			
Basic and diluted	9	(3.89)	0.64

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2025

		Unaudited 30 June 2025 HK\$'000	Audited 31 December 2024 HK\$'000
	Notes		
Non-current assets			
Investment properties	10	49,600	50,700
Property, plant and equipment	11	446,839	410,311
Deposits paid for acquisition of property, plant and equipment		12,568	12,488
Intangible assets		13,322	14,427
Goodwill		27,333	26,336
Investments in associates	12	96,966	79,132
Investments in joint ventures		1,183	1,217
Equity investments at fair value through other comprehensive income ("FVTOCI")		7,355	7,355
Deferred tax assets		20,061	20,698
		675,227	622,664
Current assets			
Inventories		260,428	220,462
Debtors, deposits and prepayments	13	358,260	399,977
Tax recoverable		241	356
Bank balances and cash		154,840	152,354
		773,769	773,149
Current liabilities			
Creditors and accrued charges	14	509,513	544,780
Contract liabilities		30,086	18,045
Refund liabilities		3,692	3,692
Consideration payable	12	—	556
Lease liabilities		5,734	4,557
Bank borrowings	15	113,889	69,714
Tax liabilities		8,187	7,758
		671,101	649,102
Net current assets		102,668	124,047
Total assets less current liabilities		777,895	746,711

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2025

		Unaudited 30 June 2025 HK\$'000	Audited 31 December 2024 HK\$'000
	Notes		
Non-current liabilities			
Lease liabilities		13,995	15,078
Bank borrowings	15	102,265	96,442
Deferred tax liabilities		33,637	30,196
		149,897	141,716
NET ASSETS		627,998	604,995
Capital and reserves			
Share capital	16	38,626	38,626
Reserves		494,046	481,395
Equity attributable to owners of the Company		532,672	520,021
Non-controlling interests		95,326	84,974
TOTAL EQUITY		627,998	604,995

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2025

	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Other reserve	Exchange reserve	Financial assets at FVTOCI reserve	Property revaluation reserve	Retained profits	Sub-total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2024 (audited)	38,626	118,706	(3,269)	4,202	48,336	(1,838)	39,436	297,724	541,923	89,885	631,808
Total comprehensive (expense)/income for the period (unaudited)	-	-	-	-	(7,829)	-	-	2,460	(5,369)	2,328	(3,041)
Dividends paid to owners of the Company (unaudited)	-	-	-	-	-	-	-	(19,313)	(19,313)	-	(19,313)
Acquisition of additional interests in a subsidiary (unaudited)	-	-	-	(438)	-	-	-	-	(438)	(152)	(590)
Contributions from non-controlling shareholders in respect of incorporation of a subsidiary (unaudited)	-	-	-	-	-	-	-	-	-	234	234
Changes in equity for the period (unaudited)	-	-	-	(438)	(7,829)	-	-	(16,853)	(25,120)	2,410	(22,710)
At 30 June 2024 (unaudited)	38,626	118,706	(3,269)	3,764	40,507	(1,838)	39,436	280,871	516,803	92,295	609,098
At 1 January 2025 (audited)	38,626	118,706	(3,269)	3,625	35,244	(2,177)	39,176	290,090	520,021	84,974	604,995
Total comprehensive income/(expense) for the period (unaudited)	-	-	-	-	29,003	-	-	(15,035)	13,968	6,833	20,801
Acquisition of additional interests in a subsidiary (unaudited)	-	-	-	(1,317)	-	-	-	-	(1,317)	597	(720)
Contributions from non-controlling shareholders in respect of capital increase of a subsidiary (unaudited)	-	-	-	-	-	-	-	-	-	2,922	2,922
Changes in equity for the period (unaudited)	-	-	-	(1,317)	29,003	-	-	(15,035)	12,651	10,352	23,003
At 30 June 2025 (unaudited)	38,626	118,706	(3,269)	2,308	64,247	(2,177)	39,176	275,055	532,672	95,326	627,998

Notes:

- 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.
- Other reserve arose from the acquisition of additional interests in subsidiaries from non-controlling interests and the disposal of partial interests in subsidiaries to non-controlling interests and third parties without losing control.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2025

	Unaudited Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(3,066)	28,223
Acquisition of further interests in a subsidiary	(720)	(590)
Purchase of property, plant and equipment	(31,362)	(73,243)
Proceeds from disposal of property, plant and equipment	1,914	7,348
Interest received	126	242
Repayment of consideration payable	(556)	–
Deposits paid for acquisition of property, plant and equipment	(10,122)	–
NET CASH USED IN INVESTING ACTIVITIES	(40,720)	(66,243)
Cash dividends paid to owners of the Company	–	(19,313)
Contributions from non-controlling shareholders in respect of incorporation of a subsidiary	–	234
Contributions from non-controlling shareholders in respect of capital increase of a subsidiary	2,922	–
New bank borrowings raised	53,588	61,715
Interest paid on bank borrowings	(3,662)	(760)
Interest paid on lease liabilities	(1,423)	(229)
Repayments of bank borrowings	(3,590)	(26,005)
Repayments of lease liabilities	(3,798)	(2,603)
NET CASH GENERATED FROM FINANCING ACTIVITIES	44,037	13,039
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	251	(24,981)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	152,354	151,563
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2,235	(3,052)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	154,840	123,530

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

1. BASIS OF PREPARATION

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

The condensed consolidated financial statements should be read in conjunction with the 2024 annual financial statements. Except as described below, the accounting policies (including the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2024.

2. NEW AND REVISED HKFRS ACCOUNTING STANDARDS

Amended HKFRS Accounting Standards adopted by the Group

The Group has applied the amendments to HKAS 21 "Lack of Exchangeability" for the first time from 1 January 2025. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standard.

Impact of new and amended HKFRS Accounting Standards issued but not yet adopted by the Group

Hong Kong Financial Reporting Standard ("HKFRS") 18 "Presentation and Disclosure in Financial Statements"

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

2. NEW AND REVISED HKFRS ACCOUNTING STANDARDS (continued)

Impact of new and amended HKFRS Accounting Standards issued but not yet adopted by the Group (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 FVTOCI.

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

3. FAIR VALUE MEASUREMENTS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

3. FAIR VALUE MEASUREMENTS (continued)

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

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

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

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

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

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

(a) Disclosures of level in fair value hierarchy:

Description	Fair value measurements as at 30 June 2025 (unaudited)
	Level 3
	HK\$'000

Recurring fair value measurements:

Financial assets

Financial assets at FVTOCI

Unlisted equity securities

7,355

Investment properties

Commercial units – Hong Kong

49,600

Total

56,955

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

3. FAIR VALUE MEASUREMENTS (continued)

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

	Fair value measurements as at 31 December 2024 (audited)
Description	Level 3 HK\$'000

Recurring fair value measurements:

Financial assets

Financial assets at FVTOCI

Unlisted equity securities	7,355
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Investment properties

Commercial units – Hong Kong	50,700
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Total	58,055
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

3. FAIR VALUE MEASUREMENTS (continued)

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

Assets

Description	Financial assets at FVTOCI- Unlisted equity securities HK\$'000	Investment properties HK\$'000	2025 Total HK\$'000
At 1 January 2025	7,355	50,700	58,055
Total gains or losses recognised in profit or loss (#)	–	(1,100)	(1,100)
At 30 June 2025	7,355	49,600	56,955
(#) Include unrealised gains and losses recognised in profit or loss attributable to assets held at end of reporting period	–	(1,100)	(1,100)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

3. FAIR VALUE MEASUREMENTS (continued)

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

Assets (continued)

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

3. FAIR VALUE MEASUREMENTS (continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 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 (the "Board") of directors of the Company (the "Directors") for these fair value measurements. Discussions of valuation processes and results are held between the CFO and the Board at least twice a year.

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

3. FAIR VALUE MEASUREMENTS (continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2025: (continued)

Level 3 fair value measurements					Fair value – Assets	
Description	Valuation techniques	Unobservable inputs	Range	Effect on fair value for increase of inputs	30 June 2025	31 December 2024
					HK\$'000 (unaudited)	HK\$'000 (audited)
Investment properties						
– Commercial units	Income capitalisation approach	Reversion yield	3.4%	Decrease	49,600	50,700
– Hong Kong			(31 December 2024: 3.2%)			
		Monthly market rent	Office portion: HK\$32.8 (31 December 2024: HK\$39.9) per square foot per month on lettable area basis	Increase		
			Car parking space portion: HK\$3,400 to HK\$3,500 (31 December 2024: HK\$3,400 to HK\$3,500) per car parking space per month			
Financial assets at FVTOCI	Discount cash flow	Discount rate	13%	Decrease	7,355	7,355
			(31 December 2024: 13%)			
		Discount of lack of marketability	15.7%	Decrease		
			(31 December 2024: 15.7%)			

There were no changes in the valuation techniques used.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

4. REVENUE AND SEGMENT INFORMATION

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

Segment profit or loss represents the profit earned by or loss from each segment without allocation of central administration costs, directors' emoluments, interest income, property rental income, net foreign exchange gains or losses, changes in fair values of investment properties, 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

4. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenues and results

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

For the six months ended 30 June 2025 (unaudited)

	Europe HK\$'000	United States HK\$'000	Asia HK\$'000	Other regions HK\$'000	Total HK\$'000
Revenue from contracts with customers (Note)					
Original design					
manufacturing division	184,777	87,659	106,439	392	379,267
Distribution division	95,502	10,906	21,078	16,685	144,171
Lens division	266	–	71,074	161	71,501
Revenue from external customers	280,545	98,565	198,591	17,238	594,939
Result					
Segment profit	14,691	1,942	1,650	2,216	20,499
Unallocated income and gains					363
Unallocated corporate expenses and losses					(25,235)
Interest income on bank deposits					126
Finance costs					(5,085)
Share of profit of associates					7,820
Share of loss of joint ventures					(48)
Loss before tax					(1,560)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

4. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

For the six months ended 30 June 2024 (unaudited)

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

5. FINANCE COSTS

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interests on bank borrowings	3,662	760
Interests on lease liabilities	1,423	229
	5,085	989

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current period:		
Hong Kong Profits Tax	1,132	643
The People's Republic of China (excluding Hong Kong) (the "PRC") Enterprise Income Tax	113	197
United Kingdom Corporation Tax	2,193	2,073
South Africa Corporation Tax	69	122
Italy Corporation Tax	162	322
Deferred taxation	4,185	2,174
	7,854	5,531
Underprovision in respect of prior period:		
PRC Enterprise Income Tax	536	20
South Africa Corporation Tax	—	6
	536	26
	8,390	5,557

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

6. INCOME TAX EXPENSE (continued)

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

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

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

United Kingdom Corporation Tax is calculated at the applicable rate of 25% for the entity with profits in excess of GBP250,000 in accordance with the relevant law and regulations in the United Kingdom for both periods.

South Africa Corporation Tax is calculated at the applicable rate of 27% in accordance with the relevant law and regulations in South Africa for both periods.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

7. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Amortisation of intangible assets (included in distribution and selling expenses)	1,346	2,231
(Reversal of impairment loss)/impairment loss recognised on debtors, net	(761)	73
Cost of inventories recognised as an expense	409,691	438,376
Depreciation of property, plant and equipment	23,701	16,138
Decrease in fair values of investment properties	1,100	4,000
Gross rental income from investment properties (included in other income)	(363)	(620)
Less: Direct operating expenses of investment properties that generated rental income during the period	222	143
	(141)	(477)
Net loss/(gain) on disposal of property, plant and equipment (included in other gains and losses)	176	(265)
Allowance for/(write back of allowance for) inventories, net (included in cost of sales) (Note)	10,108	(4,021)
Net foreign exchange losses (included in other gains and losses)	1,577	1,002

Note:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

8. DIVIDENDS

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)

Final dividend paid of nil per share in respect
of 2024 (2024: 5.0 HK cents per share
in respect of 2023)

— 19,313

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2025 and 30 June 2024.

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

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the following data:

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)

(Loss)/profit for the purpose of basic
(loss)/earnings per share
– (Loss)/profit for the period attributable to
owners of the Company

(15,035) 2,460

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

9. (LOSS)/EARNINGS PER SHARE (continued)

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

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

10. INVESTMENT PROPERTIES

	30 June 2025 HK\$'000 (unaudited)	31 December 2024 HK\$'000 (audited)
At 1 January	50,700	78,160
Deemed disposal of a subsidiary	–	(22,560)
Decrease in fair value recognised in profit or loss	(1,100)	(4,900)
At 30 June/31 December	49,600	50,700

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

10. INVESTMENT PROPERTIES (continued)

On 30 June 2025, independent valuation was undertaken by Vigers Appraisal & Consulting Limited which is an independent firm of professional valuers not connected to the Group which has appropriate professional qualifications and recent experience in the valuation of similar properties in the neighbourhood.

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

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

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2025, the Group acquired property, plant and equipment of approximately HK\$51,440,000 (six months ended 30 June 2024: HK\$56,034,000).

During the six months ended 30 June 2025, the Group entered into two new lease agreements for use of factory and office for 2 years. The Group has recognised an addition of right-of-use assets of HK\$3,877,000 included in additions of property, plant and equipment and lease liabilities of HK\$3,877,000 respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

12. INVESTMENTS IN ASSOCIATES

On 27 March 2019, the Group entered into a share purchase agreement with an existing shareholder of the Group's associate ("Vendor"), pursuant to which Vendor agreed to sell and the Group agreed to purchase 7.5% of the issued share capital of Trenti Industria Occhiali S.p.A. for a consideration of EUR787,500 (equivalent to approximately HK\$6,941,000) and reinvestment of dividend. The transaction was completed on 10 April 2019. Up to 30 June 2025, the Group has fully paid EUR787,500 (equivalent to approximately HK\$6,975,000) (31 December 2024: EUR724,500 (equivalent to approximately HK\$6,419,000)) to the Vendor and the remaining consideration of EUR63,000 (equivalent to approximately HK\$556,000) has been settled on 31 January 2025 pursuant to the share purchase agreement.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

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

Included in the Group's debtors, deposits and prepayments are trade debtors of HK\$305,632,000 (31 December 2024: HK\$354,466,000). The following is the ageing analysis of trade debtors net of allowance for credit losses presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

	30 June 2025 HK\$'000 (unaudited)	31 December 2024 HK\$'000 (audited)
0 – 90 days	195,722	245,483
91 – 180 days	93,184	99,562
More than 180 days	16,726	9,421
	305,632	354,466

As at 30 June 2025, total bills receivables amounting to HK\$194,000 (31 December 2024: HK\$172,000) are held by the Group for settlement of debtors. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills receivables by the Group are with a maturity period of less than one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

13. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2025 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2024.

During the six months ended 30 June 2025, the Group reversed the impairment allowance of HK\$761,000 (six months ended 30 June 2024: provided the impairment allowance of HK\$73,000).

Trade debtor due from the associate

As at 30 June 2025, included in the Group's trade debtors is an amount due from the Group's associate of HK\$53,285,000 (31 December 2024: HK\$64,407,000) net of allowance for credit losses of HK\$593,000 (31 December 2024: HK\$716,000) which is repayable on similar credit terms with reference to those offered to the customers of the Group who are similar in size and stature. As at 30 June 2025, the amount outstanding is unsecured with carrying amount of HK\$9,472,000 (31 December 2024: HK\$11,279,000) which is past due balance. As at 30 June 2025, an impairment loss of HK\$593,000 (31 December 2024: HK\$716,000) has been recognised in respect of the amount outstanding from the associate.

14. CREDITORS AND ACCRUED CHARGES

	30 June 2025 HK\$'000 (unaudited)	31 December 2024 HK\$'000 (audited)
Trade creditors	136,815	173,490
Provision of penalty	19,383	19,359
Other creditors and accrued charges	353,315	351,931
	509,513	544,780

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

14. CREDITORS AND ACCRUED CHARGES (continued)

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

	30 June 2025 HK\$'000 (unaudited)	31 December 2024 HK\$'000 (audited)
0 – 60 days	121,422	132,589
61 – 120 days	7,159	36,308
More than 120 days	8,234	4,593
	136,815	173,490

Trade creditor due to the associate

As at 30 June 2025, included in the Group's trade creditors is an amount due to the Group's associate of HK\$242,000 (31 December 2024: HK\$194,000), which is repayable on similar credit terms with reference to those offered from the suppliers of the Group who are similar in size and stature. The amount outstanding is unsecured and not past due at the end of the reporting period.

15. BANK BORROWINGS

	30 June 2025 HK\$'000 (unaudited)	31 December 2024 HK\$'000 (audited)
Secured bank borrowings	216,154	166,156

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

15. BANK BORROWINGS (continued)

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

	30 June 2025 HK\$'000 (unaudited)	31 December 2024 HK\$'000 (audited)
Within one year	113,889	69,714
More than one year, but not exceeding two years	22,371	14,116
More than two years, but not exceeding five years	66,426	68,538
More than five years	13,468	13,788
	216,154	166,156

- (b) 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.

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

Bank borrowings of HK\$134,669,000 (31 December 2024: HK\$107,100,000) are secured by a charge over the Group's investment properties, land and buildings and construction in progress.

- (d) The details of loan covenants of the Group's borrowings 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 was 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 six months ended 30 June 2025.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

16. SHARE CAPITAL

Number of shares		Nominal value	
30 June 2025	31 December 2024	30 June 2025	31 December 2024
		HK\$'000	HK\$'000
(unaudited)	(audited)	(unaudited)	(audited)

Ordinary shares of HK\$0.1 each

Authorised:

At beginning and end of period	1,000,000,000	1,000,000,000	100,000	100,000
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Issued and fully paid:

At beginning and end of period	386,263,374	386,263,374	38,626	38,626
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17. CAPITAL COMMITMENTS

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

	30 June 2025	31 December 2024
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– set up cost of investment in subsidiaries	144,240	120,518
– buildings under construction	1,671	3,345
– leasehold land and buildings	39,529	20,170
– plant and machinery	32,745	4,857
– leasehold improvements	670	105
– furniture, fixtures and office equipment	131	50
	218,986	149,045

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

18. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2025 HK\$'000 (unaudited)	2024 HK\$'000 (unaudited)
Sales of prescription frames and sunglasses to an associate	53,177	59,435
Purchase of prescription frames, sunglasses and raw materials from an associate	48	91
Repayments of lease liability to an associate	1,317	–

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

18. RELATED PARTY TRANSACTIONS (continued)

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

	Six months ended 30 June	
	2025	2024
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Short-term benefits	5,906	7,222
Post-employment benefits	346	331
	6,252	7,553

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

19. APPROVAL OF FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the Board on 28 August 2025.

SUPPLEMENTARY INFORMATION

DIVIDENDS

The board (the “Board”) of directors of the Company (the “Directors”) has resolved not to declare any interim dividend (2024: nil) for the six months ended 30 June 2025 (the “Reporting Period”).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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 securities (including sale of treasury shares, as defined under the Listing Rules) during the Reporting Period. As at 30 June 2025, the Company did not hold any treasury shares (as defined under the Listing Rules).

ISSUE OF EQUITY SECURITIES

The Company did not issue any equity securities for cash or sell any treasury shares for cash during the Reporting Period.

SUPPLEMENTARY INFORMATION

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

As at 30 June 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, 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 (Note a)	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 (Note b)	–	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 held/interested by Mr. Ng Hoi Ying, Michael pursuant to Part XV of the SFO.

Save as disclosed above, as at 30 June 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.

SUPPLEMENTARY INFORMATION

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, other than the interests disclosed under the heading “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures” above, as at 30 June 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 (<i>Note a</i>)	39.77%
Maritime Overseas Assets Limited	Held by controlled corporation	153,600,000 (<i>Note a</i>)	39.77%
Ratagan International Company Limited	Beneficial owner	153,600,000 (<i>Note a</i>)	39.77%
David Michael Webb and Karen Anne Webb	Held by controlled corporations	39,720,000 (<i>Note b</i>)	10.28%
Preferable Situation Assets Limited	Beneficial owner	23,168,600 (<i>Note c</i>)	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.

SUPPLEMENTARY INFORMATION

Save as disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO disclosed no other person as having notifiable interests or short positions in the issued share capital of the Company as at 30 June 2025.

CORPORATE GOVERNANCE

The Company has complied with all applicable code provisions set out in the Corporate Governance Code contained in Part 2 of Appendix C1 to the Listing Rules throughout the Reporting Period.

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

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

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

CORPORATE INFORMATION

Board of directors

Executive directors

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

Independent non-executive directors

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

Company secretary

CHOI Pui Yiu

Auditor

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

Legal advisers

Stephenson Harwood
Conyers Dill & Pearman

Registered office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong

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

Principal share registrar

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

Hong Kong branch share registrar

Tricor 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



Arts Optical International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 1120