Arts Group

Arts Optical International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 1120

Annual Report 2009

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Corporate Information

Board of Directors

Executive Directors

NG Hoi Ying, Michael
NG Kim Ying
LEE Wai Chung

Independent Non-Executive Directors

Francis George MARTIN
WONG Chi Wai
CHUNG Hil Lan Eric

Company Secretary

LEE Wai Chung

Auditor

Deloitte Touche Tohmatsu

Legal Advisers

Latham & Watkins
Conyers Dill & Pearman

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Website

www.artsgroup.com

Head Office and Principal Place of Business in Hong Kong

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

Principal Share Registrar

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

Hong Kong Branch Share Registrar

Tricor Secretaries Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

Principal Bankers

Australia and New Zealand Banking Group Limited
Hong Kong Branch
Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
China Construction Bank Corporation
Hong Kong Branch
Chong Hing Bank Limited
Dah Sing Bank, Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited

ARTS OPTICAL INTERNATIONAL HOLDINGS LIMITED

INVESTMENT HOLDING

ARTS OPTICAL COMPANY LIMITED — 100%

TRADING IN OPTICAL FRAMES TO ORIGINAL DESIGN MANUFACTURING CUSTOMERS

ARGENT OPTICAL MANUFACTORY LIMITED — 100%

MANUFACTURE OF OPTICAL FRAMES

EYECONCEPT LIMITED — 85%

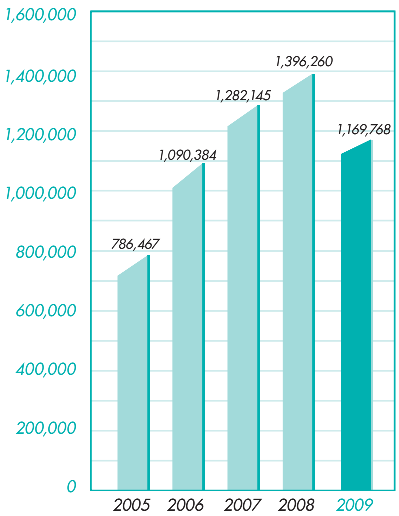
TRADING IN OPTICAL FRAMES UNDER OWN BRAND NAMES AND LICENSED BRAND NAMES

SHENZHEN NORTH OPTICAL INDUSTRIAL COMPANY LIMITED — 51%

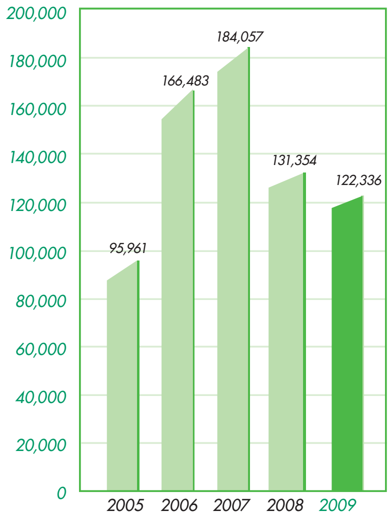
RETAILING OF OPTICAL PRODUCTS

Financial Highlights

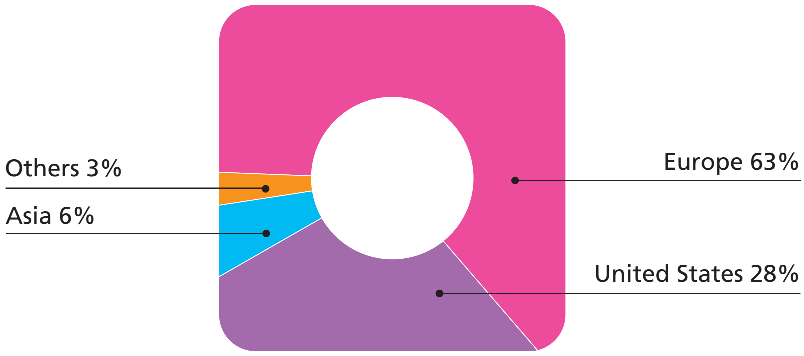
Consolidated revenue (HK$'000)



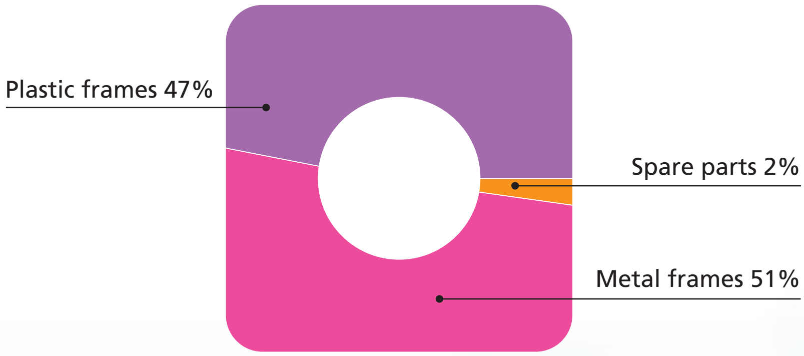
Profit attributable to owners of the Company (HK$'000)



Consolidated revenue by geographical locations in 2009



Revenue of ODM division by product range in 2009



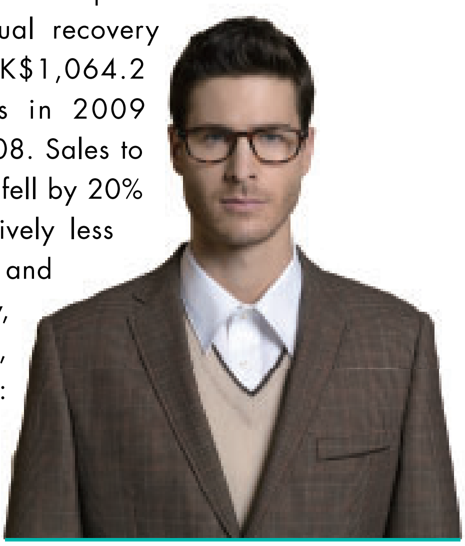
Business Review

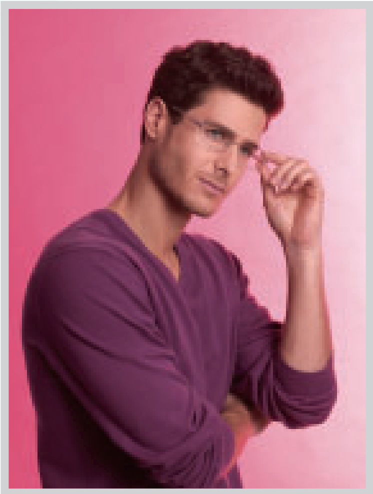
Profitability analysis

The market environment remained extremely challenging in 2009 after the drastic contraction of market demand for eyewear products in late 2008. The Group's consolidated revenue for the year decreased by 16% to HK$1,169.8 million (2008: HK$1,396.3 million). However, the volatile market conditions also rendered the management an opportunity to review and improve its cost structure. The decline in raw materials prices and the improvement in operational efficiency lifted the gross profit margin ratio of the Group by 2.5% from 22.3% in 2008 to 24.8% in 2009. Although total expenses were cut by HK$16.6 million (8%) as a result of strict cost control initiatives, total expenses-to-revenue ratio still increased by 1.3% from 14.3% to 15.6% because of the lower revenue level achieved in 2009. As some one-off gains reported last year were no longer recorded this year, profit attributable to owners of the Company declined by 7% to HK$122.3 million (2008: HK$131.4 million) in 2009. Basic earnings per share was correspondingly down by 7% to 31.9 HK cents (2008: 34.2 HK cents) in the year under review. Despite the decline in the net profit figure, net profit ratio was in fact up by 1.1% from 9.4% in 2008 to 10.5% in 2009.

Original design manufacturing (ODM) division

The eyewear retailing markets of the main exports countries of the Group began their contraction in the final quarter of 2008, resulting in an unprecedented de-stocking exercise by retailers as well as importers. This inventory reduction process continued in the first quarter of 2009 and there were signs of stabilization followed by gradual recovery since the second quarter of the year. The Group recorded HK$1,064.2 million in consolidated revenue on sales to ODM customers in 2009 (2008: HK$1,284.0 million), representing a decline of 17% from 2008. Sales to the Group's two largest markets, Europe and the United States ("US"), fell by 20% and 17% respectively. Sales to emerging markets which were relatively less affected by the global recession were encouraging, with sales to Asia and other regions growing by 21% and 41% respectively. Geographically, sales to Europe, US, Asia and other regions accounted for 64%, 31%, 3% and 2% respectively of the sales of this division in 2009 (2008: 66%, 31%, 2% and 1% respectively).





The Group also adjusted its product mix amid the economic downturn. Sales of prescription frames remained relatively flat whereas sales of sunglasses, which are discretionary spending items, were down by 37% in 2009. Sales of prescription frames, sunglasses and spare parts accounted for 63%, 35% and 2% respectively of the turnover of this division in 2009 (2008: 53%, 46% and 1% respectively). The decline in proportion of sales of sunglasses also affected the sales mix of the products sold. Sales of metal frames, plastic frames and spare parts accounted for 51%, 47% and 2% respectively of total sales in 2009 (2008: 47%, 52% and 1% respectively) as a relatively high proportion of plastic frames were sunglasses.

Distribution and retailing divisions

The Group-owned German brand "STEPPER" continued its solid performance especially in European markets and this offset sales decline recorded in other brands and geographical markets. Revenue generated by the distribution division declined marginally by 3% from HK$103.9 million in 2008 to HK$100.5 million in 2009. Turnover was up by 3% in Europe, but it was down by 9%, 24% and 6% in Asia, North America and other regions respectively. Sales to Europe, Asia, North America and other regions accounted for 56%, 26%, 5% and 13% respectively of the turnover of the distribution division in 2009 (2008: 52%, 28%, 7% and 13% respectively).

After the disposal of all 3 shops in Beijing in 2008, the Group did not add to or close any of its retail shops throughout 2009. Because of the reduction of the average number of operating shops, turnover of the retailing division decreased by 39% to HK$5.1 million in 2009 (2008: HK$8.4 million). The Group operated a total of 3 shops in Shenzhen as at 31st December, 2009 and 31st December, 2008.

STEPPER EYEWEAR

FUSION by Stepper

FIORUCCI eyewear

PANTONE UNIVERSE EYEWEAR

OOPZ eyewear

Financial position and liquidity

Working capital management

The management continued to make strenuous efforts to improve the efficiency of the Group's working capital management. Inventory turnover period (being the ratio of inventory balance to cost of sales) decreased from 63 days in 2008 to 62 days in 2009. Debtors turnover period (ratio of trade debtors to sales) also decreased from 102 days to 98 days. The current ratio of the Group as at 31st December, 2009 was 2.9 to 1 (31st December, 2008: 2.3 to 1) with HK$809.4 million of current assets (31st December, 2008: HK$727.3 million) and HK$275.4 million of current liabilities (31st December, 2008: HK$313.8 million).

Cash flows

The Group generated a substantially higher level of net cash inflow from operating activities in 2009, amounting to HK$332.7 million (2008: HK$160.4 million), principally as a result of the cutting down of working capital requirements during the year. Capital expenditure was also reduced from HK$130.8 million in 2008 to HK$43.3 million in 2009 amid the uncertain export environment. As a result, the net cash position of the Group (bank and cash balance less bank borrowings) increased from HK$56.6 million as at 31st December, 2008 to HK$305.9 million as at 31st December, 2009.

Gearing position

The Group continued to keep a low gearing position throughout 2009. As at 31st December, 2009, total non-current liabilities and the debt-to-equity ratio (expressed as a percentage of total non-current liabilities over equity attributable to owners of the Company) were HK$38.5 million (31st December, 2008: HK$53.3 million) and 3.6% (31st December, 2008: 5.3%) respectively.

Net book value

The Group had 383,650,000 shares in issue as at both 31st December, 2009 and 31st December, 2008 with equity attributable to owners of the Company amounting to HK$1,071.5 million and HK$997.1 million as at 31st December, 2009 and 31st December, 2008 respectively. Net asset value per share (equity attributable to owners of the Company divided by the total number of shares in issue) as at 31st December, 2009 was HK$2.79 (31st December, 2008: HK$2.60).

Foreign currency exposure

The Group had limited exposure to foreign exchange rate fluctuations as most of its transactions were conducted in either US dollars, Hong Kong dollars or Renminbi and the exchange rates movements between these currencies were relatively stable during the year under review.

Contingent liabilities

Details of contingent liabilities are set out in note 37 to the consolidated financial statements.

PROSPECTS

There have been signs of recovery of demand for eyewear products from our ODM customers since the second quarter of 2009, albeit at different paces in different markets. Although business visibility remains low, market sentiment has significantly improved in recent months. The Group currently maintains a stable order book of around three months of sales orders on hand. On the cost side, the challenges facing us are the shortage of skilful labour in China which may push up the labour costs, rising raw material prices, accelerating inflation in China and the potential appreciation of Renminbi. We will tackle these challenges by maintaining flexibility in the scale of operations and further streamlining of our operations as well as possibly implementing modest price adjustments if the cost pressure intensifies.

The sales performance of the distribution division in 2009 demonstrated the resilience of the distribution business of the Group. Consumers continue to look for value frames in the face of severe economic challenges. The second global distributors conference held in Milan last month gave us the opportunity to introduce our brands to an expanded network of distributors and laid the foundation for business growth in 2010.

The contribution of the retailing division, which comprises three shops in Shenzhen, will continue to remain relatively limited in 2010.

Our strategy of liquidity and financial management has remained clear throughout this financial crisis. We will continue our efforts in further improving working capital management and cash flows.

Looking ahead, it is our top priority to work closely with our customers and suppliers in this tough and uncertain environment. With our strong financial strength and flexible operating structure, we are confident and well-positioned to capture any business opportunities as the market continues to recover.

DIVIDENDS

The Board has resolved to recommend a final dividend of 7 HK cents per share for the year ended 31st December, 2009. Subject to the approval of shareholders at the forthcoming annual general meeting to be held on 28th May, 2010, the final dividend will be payable on 17th June, 2010 to shareholders whose names appear on the register of members of the Company on 28th May, 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 25th May, 2010 to 28th May, 2010, both days inclusive, during which period no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 24th May, 2010 in order to qualify for the proposed final dividend mentioned above.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 28th May, 2010. The notice of annual general meeting will be published on the Company's website at www.artsgroup.com and Hong Kong Exchanges and Clearing Limited's HKExnews website at www.hkexnews.hk and will be despatched to the shareholders on or about 21st April, 2010.

Employees and Remuneration Policies

As at 31st December, 2009, the Group employed approximately 10,300 (31st December, 2008: 11,600) full time staff in mainland China, Hong Kong and Europe. The Group remunerates its employees based on their performance, experience, qualifications and prevailing market salaries while performance bonuses are granted on a discretionary basis after considering individual performance and the operating results of the Group. Other employee benefits include insurance and medical cover, subsidised educational and training programmes, provident fund schemes as well as a share option scheme.

Appreciation

On behalf of the board of directors, 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, 9th April, 2010

Executive Directors

NG Hoi Ying, Michael ("Mr. Ng"), aged 55, is an executive director of the Company and the founder as well as the chairman of the Group. Mr. Ng is responsible for the corporate policy making and strategic planning of the Group. He has 42 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 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 currently is a committee member of the HKOMA, a Director of Hong Kong Commerce and Industry Associations Limited and a Life President of the Hong Kong Wong Tai Sin Industry And Commerce Association Limited. He is the brother of Mr. Ng Kim Ying.

NG Kim Ying, aged 54, 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 25 years of experience in the optical products industry and is the brother of Mr. Ng.

LEE Wai Chung, aged 43, is an executive director and the company secretary of the Company as well as the financial controller of the Group. Mr. Lee joined the Group in 1995 and is responsible for the Group's finance, accounting and company secretarial matters. He holds a Bachelor degree in Social Sciences from the University of Hong Kong. Mr. Lee is a Certified Public Accountant (Practising) and Certified Public Accountant in Hong Kong and the United States respectively as well as a non-practising member of the Chinese Institute of Certified Public Accountants. He is also an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Mr. Lee has 22 years of experience in accounting and auditing.

Independent Non-Executive Directors

Francis George MARTIN, aged 69, is an independent non-executive director of the Company and was formerly the President of the American Chamber of Commerce in Hong Kong and the President and Chief Executive of Security Pacific Asian Bank. Mr. Martin joined the Group in 1996 and has over 40 years of experience in the financial services industry. He was awarded the "Silver Bauhinia Star" by the Government of the Hong Kong Special Administrative Region and the "To Peace and Commerce" medal by the United States Department of Commerce in 2002 and 2005 respectively.

WONG Chi Wai, aged 43, is an independent non-executive director of the Company and a Certified Public Accountant (Practising) in Hong Kong and an associate member of The Institute of Chartered Accountants in England and Wales. Mr. Wong holds a Bachelor degree in Social Sciences from the University of Hong Kong and has also been admitted as a barrister of the High Court of Hong Kong since 1998. He has 22 years of experience in the accountancy profession and is the owner of a certified public accountants firm and an adviser to a law firm. Mr. Wong is an independent non-executive director of each of Bonjour Holdings Limited and Kin Yat Holdings Limited. He joined the Group in 2004.

CHUNG Hil Lan Eric, aged 44, is an independent non-executive director of the Company and a Certified Public Accountant (Practising) in Hong Kong and an associate member of The Institute of Chartered Accountants in England and Wales. Mr. Chung holds a Bachelor degree in Social Sciences from the University of Hong Kong. He has 22 years of experience in the accountancy profession and is the owner of a certified public accountants firm. Mr. Chung joined the Group in 2004.

Senior Management

LI Chi Hung, aged 49, is the general manager of the Group's production plants in Shenzhen and Zhongshan. Mr. Li joined the Group in 1976 and assisted Mr. Ng in the establishment and expansion of the two production plants mentioned above. He is also responsible for the overall management and development of these plants and has 34 years of experience in the optical products industry.

HUNG Chao Chia, aged 57, is the deputy general manager of the Group's production plants in Shenzhen and Zhongshan. Mr. Hung joined the Group in 1988 and is responsible for the financial management and administration of the two production plants mentioned above. Mr. Hung has 32 years of experience in the optical products industry. He is a member of The People's Political Consultative Committee of Zijin County, Heyuan City of Guangdong Province and the chairman of Shenzhen Association of the Optics & Optoelectronic.

WONG Kwok Leung, Alan, aged 52, is the product design and development director of the Group. Mr. Wong joined the Group in 1989 and is responsible for product and technology development of the Group. Mr. Wong has 30 years of experience in production management and product development, including 26 years in the optical products industry. He holds a Master degree in Engineering Management from the University of Technology in Sydney.

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31st December, 2009.

Principal Activities

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 39 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31st December, 2009 are set out in the consolidated statement of comprehensive income on page 27.

An interim dividend of 6.5 HK cents per share amounting to HK$24,938,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 7.0 HK cents per share amounting to HK$26,856,000 to the shareholders on the register of members on 28th May, 2010 and the retention of the remaining profit for the year.

Investment Property

The investment property of the Group was disposed of during the year. The resulting loss on disposal, which amounted to HK$21,000, has been charged directly to the consolidated statement of comprehensive income.

Property, Plant and Equipment

During the year, the Group acquired property, plant and equipment of approximately HK$49,632,000.

Details of this and other movements in property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

Share Capital

Details of movements in the share capital of the Company are set out in note 27 to the consolidated financial statements.

Distributable Reserves of the Company

The Company's reserves available for distribution to shareholders as at 31st December, 2009 were as follows:

	2009	2008
	HK$'000	*HK$'000*
Contributed surplus	**105,369**	105,369
Retained earnings	**81,632**	130,098
	187,001	235,467

Share Options

Particulars of the share option scheme (the "New Share Option Scheme") of the Company adopted at the annual general meeting held on 28th May, 2003 are set out in note 28 to the consolidated financial statements. Under the New Share Option Scheme, the maximum number of shares available for issue is 37,441,000 shares. No share options have been granted under the New Share Option Scheme since its adoption.

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 Kim Ying
Lee Wai Chung

Independent non-executive directors:

Francis George Martin
Wong Chi Wai
Chung Hil Lan Eric

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Mr. Chung Hil Lan Eric and Mr. Francis George Martin will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Directors and Service Contracts *(continued)*

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 subject to the 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 Company considers all of the independent non-executive directors independent.

Directors' Interests in Contracts of Significance

No contracts of significance to which the Company or any of its subsidiaries was a party and in which 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.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31st December, 2009, 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 of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Shares in the Company (Long Position)

	Number of issued ordinary shares held			Approximate percentage of issued share capital of the Company
Name of director	**Personal interests**	**Other interests**	**Total**	
Ng Hoi Ying, Michael	2,856,000	151,000,000 *(Note a)*	153,856,000	40.10%
Ng Kim Ying	1,150,000	18,500,000 *(Note b)*	19,650,000	5.12%
Lee Wai Chung	2,750,000	–	2,750,000	0.72%

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures *(continued)*

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 ("HSBCITL") as trustee of The Arts 2007 Trust, a discretionary trust, the beneficiaries of which included Mr. Ng Hoi Ying, Michael.

(b) These shares were held by Universal Honour Developments Limited ("Universal Honour"). The entire issued share capital of Universal Honour was held by Rainbow City Investment Limited which was wholly-owned by HSBCITL as trustee of The Optical 2007 Trust, a discretionary trust, the beneficiaries of which included Mr. Ng Kim Ying.

Save as disclosed above and other than certain nominee shares in subsidiaries held by Ratagan in trust for the Group, as at 31st December, 2009, 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.

Directors' Rights to Acquire Shares or Debentures

Other than the New Share Option Scheme disclosed under the heading "Share Options" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, other than as disclosed above, none of the directors of the Company, 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.

Substantial Shareholders

Other than the interests disclosed under the heading "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, as at 31st December, 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows 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 Position)

Name of shareholder	Capacity	Number of issued ordinary shares held		Approximate percentage of issued share capital of the Company
HSBC International Trustee Limited	Trustee	187,182,000	*(Note a)*	48.79%
Maritime Overseas Assets Limited	Held by controlled corporation	151,000,000	*(Note a)*	39.36%
Ratagan International Company Limited	Beneficial owner	151,000,000	*(Note a)*	39.36%
Mondrian Investment Partners Limited	Investment manager	30,770,000		8.02%
David Michael Webb	Beneficial owner	3,224,000		0.84%
	Held by controlled corporation	19,178,000	*(Note b)*	4.99%

Notes:

(a) HSBC International Trustee Limited ("HSBCITL") was the trustee of both The Arts 2007 Trust and The Optical 2007 Trust. The Arts 2007 Trust was a discretionary trust and the beneficiaries of which included Mr. Ng Hoi Ying, Michael. Under The Arts 2007 Trust, 151,000,000 shares of the Company were held by Ratagan International Company Limited ("Ratagan"). The entire issued share capital of Ratagan was held by Maritime Overseas Assets Limited which was wholly-owned by HSBCITL. The Optical 2007 Trust was a discretionary trust and the beneficiaries of which included Mr. Ng Kim Ying. Under The Optical 2007 Trust, 18,500,000 shares of the Company were held by Universal Honour Developments Limited ("Universal Honour"). The entire issued share capital of Universal Honour was held by Rainbow City Investment Limited which was also wholly-owned by HSBCITL.

(b) These shares were directly held by Preferable Situation Assets Limited ("PSAL"). Mr. David Michael Webb was deemed to be interested in the 19,178,000 shares 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 a notifiable interests or short positions in the issued share capital of the Company as at 31st December, 2009.

Major Customers and Suppliers

For the year ended 31st December, 2009, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 51% of the Group's total turnover and the amount of turnover attributable to the Group's largest customer was approximately 14% of the Group's total turnover. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 30% of the Group's total purchases and the amount of purchases attributable to the Group's largest supplier was approximately 16% of the Group's total purchases.

At no time during the year did a director, an 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) has an interest in any of the Group's five largest customers or suppliers mentioned above.

Convertible Securities, Options, Warrants or Similar Rights

Other than the New Share Option Scheme disclosed under the heading "Share Options" above and in note 28 to the consolidated financial statements, the Company had no outstanding convertible securities, options, warrants or similar rights as at 31st December, 2009 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 purchased, sold or redeemed any of the Company's listed shares during the year.

Pre-emptive Rights

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

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 of the Company were determined by the Remuneration Committee benchmarked against comparable companies in Hong Kong. The emoluments of the independent non-executive directors of the Company were recommended by the board of directors of the Company and approved by the shareholders at the annual general meeting.

The Company has adopted a share option scheme as an incentive to its directors and eligible employees. Details of the scheme are set out in note 28 to the consolidated financial statements.

Details of the retirement benefit schemes for all qualifying employees of the Group are set out in note 33 to the consolidated financial statements.

Sufficiency of Public Float

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

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 20 to 24 of this Annual Report.

Auditor

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board
Ng Hoi Ying, Michael
Chairman

Hong Kong, 9th April, 2010

Corporate Governance Practices

The board of directors of the Company (the "Board") has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices. The Company had complied with all applicable code provisions in the CG Code throughout the year ended 31st December, 2009, except for deviation from code provision A.2.1 of the CG Code as disclosed under the paragraph "Chairman and Chief Executive Officer" below.

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 10 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 year ended 31st December, 2009.

Board of Directors

The Board comprises six Directors, three of which are executive Directors, namely Mr. Ng Hoi Ying, Michael, Mr. Ng Kim Ying and Mr. Lee Wai Chung, and three are independent non-executive Directors, namely Mr. Francis George Martin, Mr. Wong Chi Wai and Mr. Chung Hil Lan Eric.

During the year ended 31st December, 2009, four Board meetings were held. The attendance of each Director is set out as follows:

Directors	**Attendance Record**
Ng Hoi Ying, Michael	4/4
Ng Kim Ying	4/4
Lee Wai Chung	4/4
Francis George Martin	4/4
Wong Chi Wai	4/4
Chung Hil Lan Eric	4/4

Board of Directors *(continued)*

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.

Board minutes are kept by the company secretary of the Company and are sent to the Directors for records. Each Board member is entitled to have access to Board papers and all able, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Mr. Ng Hoi Ying, Michael, the Chairman of the Board and an executive director and Mr. Ng Kim Ying, an executive director, are brothers.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ng Hoi Ying, Michael ("Mr. Ng") is the founder and chairman of the Group. The Company does not at present have any officer with the title "chief executive officer" and Mr. Ng has been carrying out the duties of both the chairman and chief executive officer since the establishment of the Group and the Company. The Board intends to maintain this structure in the future as it believes that this structure ensures efficient and effective formulation and implementation of business strategies without compromising the balance of power and authority between the Board and the management of the Company.

Appointment and Re-election of Directors

The Company has not established a Nomination Committee. The duties and functions of the Nomination Committee recommended in the CG Code are performed by the Board collectively with no Director being involved in fixing his own terms of appointment and no independent non-executive Director being involved in assessing his own independence. The Board takes into account criteria such as expertise, experience, integrity and commitment in the appointment of new 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 longest in office 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.

Appointment and Re-election of Directors *(continued)*

Mr. Ng Kim Ying and Mr. Ng Hoi Ying, Michael were re-elected as Directors in the annual general meeting of the Company held on 23rd May, 2008 for a term of no more than three years and subject to retirement by rotation in accordance with the Bye-laws. Mr. Lee Wai Chung and Mr. Wong Chi Wai were re-elected as Directors in the annual general meeting of the Company held on 29th May, 2009 for a term of no more than three years and subject to retirement by rotation in accordance with the Bye-laws.

Mr. Chung Hil Lan Eric and Mr. Francis George Martin will retire at the forthcoming annual general meeting and will offer themselves for re-election. Their proposed term of office shall not be more than three years and is subject to retirement by rotation in accordance with the Bye-laws.

Remuneration Committee

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

One Remuneration Committee meeting was held during the year ended 31st December, 2009 and the attendance of each committee member is set out as follows:

Directors	Attendance Record
Francis George Martin	1/1
Wong Chi Wai	1/1
Chung Hil Lan Eric	1/1

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

1. To determine the remuneration of the executive Directors.

2. To review the remuneration policy of the Group.

During the year ended 31st December, 2009, the Remuneration Committee has, among other things, reviewed and determined the remuneration of the executive Directors with reference to their performance and the overall remuneration policy of the Group. The remuneration of independent non-executive Directors was recommended by the Board and approved by the shareholders of the Company at the annual general meeting.

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 year ended 31st December, 2009, 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 25 to 26.

Auditor's Remuneration

During the year under review, the remuneration paid to the Company's auditor, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	**Fees paid/payable**
	HK$'000
Audit services	1,480
Non-audit services:	
Review on 2009 interim results	310
Tax compliance services	121
Review on 2009 preliminary annual results	13

Audit Committee

An Audit Committee has been established by the Company since 1998 to act in an advisory capacity and make recommendations to the Board. The Audit Committee currently comprises Mr. Wong Chi Wai (chairman of the Audit Committee), Mr. Chung Hil Lan Eric and Mr. Francis George Martin, all of whom are independent non-executive Directors. The duties of the Audit Committee include (but is not limited to) review of the interim and annual reports of the Group as well as various auditing, financial reporting and internal control matters with the management and/or external auditor of the Company. The Audit Committee has performed the above duties during the year ended 31st December, 2009. Three Audit Committee meetings were held during the year ended 31st December, 2009 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
Francis George Martin	3/3

Internal Controls

It is the responsibility of the Board to ensure that the Group maintains sound and effective internal controls to safeguard the shareholders' investments and the Group's assets.

The internal control system of the Group comprises 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 check and balances.

The Board, with the assistance of RSM Nelson Wheeler Consulting Limited, assessed the effectiveness of the Group's internal control system which covered all material controls, including financial, operational and compliance controls as well as risk management functions during the year ended 31st December, 2009. No major issue raised but certain areas for improvement had been identified and appropriate measures had been taken.

Deloitte.
德勤

TO THE SHAREHOLDERS OF
ARTS OPTICAL INTERNATIONAL HOLDINGS LIMITED
雅視光學集團有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Arts Optical International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 89, which comprise the consolidated statement of financial position as at 31st December, 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

9th April, 2010

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2009

	Notes	**2009** **HK$'000**	2008 HK$'000 (restated)
Revenue	5	**1,169,768**	1,396,260
Cost of sales		**(879,381)**	(1,085,157)
Gross profit		**290,387**	311,103
Other income	6	**23,574**	25,729
Other gains and losses	7	**1,107**	7,485
Distribution and selling expenses		**(23,770)**	(36,704)
Administrative expenses		**(157,069)**	(159,838)
Other expenses		**(930)**	(1,067)
Finance costs	8	**(831)**	(1,592)
Profit before tax		**132,468**	145,116
Income tax expense	9	**(9,793)**	(13,441)
Profit for the year	10	**122,675**	131,675
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		**1,939**	16,464
Total comprehensive income for the year		**124,614**	148,139
Profit for the year attributable to:			
Owners of the Company		**122,336**	131,354
Non-controlling interests		**339**	321
		122,675	131,675
Total comprehensive income attributable to:			
Owners of the Company		**124,275**	147,714
Non-controlling interests		**339**	425
		124,614	148,139
Earnings per share	14		
– Basic		**31.9 HK cents**	34.2 HK cents

Consolidated Statement of Financial Position

At 31st December, 2009

	Notes	31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000
Non-current Assets				
Investment property	15	**–**	7,300	7,400
Property, plant and equipment	16	**523,569**	568,938	501,674
Prepaid lease payments	17	**34,027**	34,869	33,565
Deposits paid for acquisition of property, plant and equipment		**1,298**	6,338	4,783
Intangible assets	18	**4,680**	4,680	4,680
Loan receivable	19	**10,114**	12,361	14,137
Available-for-sale investments	20	**5,858**	5,858	5,858
Deferred tax assets	29	**181**	–	53
		579,727	640,344	572,150
Current Assets				
Inventories	21	**148,335**	188,317	210,980
Debtors, deposits and prepayments	22	**316,127**	394,457	353,241
Loan receivable	19	**2,248**	2,248	2,262
Prepaid lease payments	17	**886**	886	834
Tax recoverable		**54**	188	108
Short-term bank deposits	23	**118,906**	–	7,506
Bank balances and cash	23	**222,850**	141,239	100,934
		809,406	727,335	675,865
Assets classified as held for sale	24	**–**	–	3,227
		809,406	727,335	679,092
Current Liabilities				
Creditors and accrued charges	25	**260,579**	264,300	286,348
Bank borrowings	26	**10,000**	48,824	36,835
Tax liabilities		**4,841**	725	1,967
		275,420	313,849	325,150
Net Current Assets		**533,986**	413,486	353,942
Total Assets less Current Liabilities		**1,113,713**	1,053,830	926,092

Consolidated Statement of Financial Position

At 31st December, 2009

	Notes	**31.12.2009 HK$'000**	31.12.2008 HK$'000	1.1.2008 HK$'000
Capital and Reserves				
Share capital	27	**38,365**	38,365	38,365
Reserves		**1,033,094**	958,694	869,551
Equity attributable to owners of the Company		**1,071,459**	997,059	907,916
Non-controlling interests		**3,711**	3,447	1,552
Total Equity		**1,075,170**	1,000,506	909,468
Non-current Liabilities				
Deferred tax liabilities	29	**12,710**	17,491	15,566
Bank borrowings	26	**25,833**	35,833	–
Loan from a minority shareholder of a subsidiary	30	**–**	–	1,058
		38,543	53,324	16,624
		1,113,713	1,053,830	926,092

The consolidated financial statements on pages 27 to 89 were approved and authorised for issue by the Board of Directors on 9th April, 2010 and are signed on its behalf by:

Ng Hoi Ying, Michael
DIRECTOR

Ng Kim Ying
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2009

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Other reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2008	38,365	113,950	(3,269)	1,023	44,563	713,284	907,916	1,552	909,468
Profit for the year	–	–	–	–	–	131,354	131,354	321	131,675
Exchange differences arising on translation of foreign operations	–	–	–	–	16,360	–	16,360	104	16,464
Total comprehensive income for the year	–	–	–	–	16,360	131,354	147,714	425	148,139
Dividends paid	–	–	–	–	–	(57,548)	(57,548)	–	(57,548)
Disposal of interests in a subsidiary *(note 34)*	–	–	–	(1,023)	–	–	(1,023)	(268)	(1,291)
Disposal of partial interests in a subsidiary	–	–	–	–	–	–	–	1,738	1,738
At 31st December, 2008	38,365	113,950	(3,269)	–	60,923	787,090	997,059	3,447	1,000,506
Profit for the year	–	–	–	–	–	122,336	122,336	339	122,675
Exchange differences arising on translation of foreign operations	–	–	–	–	1,939	–	1,939	–	1,939
Total comprehensive income for the year	–	–	–	–	1,939	122,336	124,275	339	124,614
Dividends paid	–	–	–	–	–	(49,875)	(49,875)	(75)	(49,950)
At 31st December, 2009	38,365	113,950	(3,269)	–	62,862	859,551	1,071,459	3,711	1,075,170

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.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2009

	Notes	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**132,468**	145,116
Adjustments for:			
Finance costs		**831**	1,592
Release of prepaid lease payments		**842**	835
Depreciation of property, plant and equipment		**95,744**	81,882
Allowance for inventories		**9,904**	17,298
Allowance for doubtful debts		**1,246**	8,944
Gain on disposal of assets classified as held for sale		**–**	(6,226)
Gain on disposal of interests in a subsidiary		**–**	(1,864)
Gain on disposal of partial interests in a subsidiary		**–**	(4,442)
Decrease in fair value of investment property		**–**	100
Interest income		**(1,231)**	(476)
Dividend income from available-for-sale investments		**(273)**	(1,434)
Net loss on disposal of property, plant and equipment		**128**	350
Loss on disposal of investment property		**21**	–
Operating cash flows before movements in working capital		**239,680**	241,675
Decrease in inventories		**31,146**	1,055
Decrease (increase) in debtors, deposits and prepayments		**76,078**	(47,484)
Decrease in creditors and accrued charges		**(3,721)**	(22,048)
Cash generated from operations		**343,183**	173,198
Income taxes paid		**(10,505)**	(12,785)
NET CASH FROM OPERATING ACTIVITIES		**332,678**	160,413
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(43,294)**	(130,234)
Additions to prepaid lease payments		**–**	(562)
Proceeds from disposal of assets classified as held for sale		**–**	9,282
Proceeds from disposal of partial interests in a subsidiary		**990**	5,190
Disposal of interests in a subsidiary	34	**–**	(3)
Proceeds from disposal of property, plant and equipment		**–**	465
Net proceeds from disposal of investment property		**7,279**	–
Interest received		**1,231**	476
Repayment of loan receivable		**2,247**	1,790
Dividend received from available-for-sale investments		**273**	1,434
Deposits paid for acquisition of property, plant and equipment		**(1,298)**	(6,338)
NET CASH USED IN INVESTING ACTIVITIES		**(32,572)**	(118,500)

Consolidated Statement of Cash Flows

For the year ended 31st December, 2009

	2009 HK$'000	2008 HK$'000
FINANCING ACTIVITIES		
Dividends paid to owners of the Company	**(49,875)**	(57,548)
Dividend paid to minority shareholders of a subsidiary	**(75)**	–
Interest paid	**(831)**	(1,504)
New bank borrowings raised	**11,606**	150,921
Repayment of bank borrowings	**(60,430)**	(103,099)
Repayment of loan from a minority shareholder of a subsidiary	**–**	(570)
NET CASH USED IN FINANCING ACTIVITIES	**(99,605)**	(11,800)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**200,501**	30,113
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**141,239**	108,440
Effect of foreign exchange rate changes	**16**	2,686
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**341,756**	141,239
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Short-term bank deposits	**118,906**	–
Bank balances and cash	**222,850**	141,239
	341,756	141,239

1. General

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on 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 to the annual report.

The Company is an investment holding company. The principal activities of the Company and its principal subsidiaries (the "Group") are set out in note 39.

The consolidated financial statements are presented in Hong Kong dollars which is different from the functional currency of the Company, which is in United States dollars, as directors of the Company consider that Hong Kong dollars is the most appropriate presentation currency in view of its place of listing.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group have applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) "Presentation of Financial Statements"

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

In addition, the adoption of HKAS 1 (Revised 2007) has resulted in a presentation of a third consolidated statement of financial position as at 1st January, 2008 as the Group has reclassified items in its financial statements during the current financial year (see below).

HKFRS 8 "Operating Segments"

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see note 5).

The Group has early adopted amendment to HKFRS 8 as part of Improvements to HKFRSs issued in 2009. The amendment clarifies that an entity shall report a measure of total assets for each reportable segment if such amounts are regularly provided to the chief operating decision maker.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

[1] Effective for annual periods beginning on or after 1st July, 2009
[2] Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate
[3] Effective for annual periods beginning on or after 1st January, 2010
[4] Effective for annual periods beginning on or after 1st February, 2010
[5] Effective for annual periods beginning on or after 1st July, 2010
[6] Effective for annual periods beginning on or after 1st January, 2011
[7] Effective for annual periods beginning on or after 1st January, 2013

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of "Improvements to HKFRSs" issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from 1st January, 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment property, which is measured at fair value, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Losses applicable to the non-controlling interest in excess of the non-controlling interest's share of the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

3. Significant Accounting Policies (continued)

Revenue recognition (continued)

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalty arrangement that is based on sales is recognised by reference to the underlying arrangement.

Property, plant and equipment

Property, plant and equipment other than buildings under construction, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than buildings under construction, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Buildings under construction represents property, plant and equipment in the course of construction for production or for its own use purposes. Buildings under construction is carried at cost less any recognised impairment loss. Buildings under construction is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

3. Significant Accounting Policies *(continued)*

Investment property

An investment property is a property held to earn rentals and/or for capital appreciation.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. Significant Accounting Policies (continued)

Leasing (continued)

Leasehold land and buildings

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Intangible assets

Intangible assets represent trademarks with indefinite useful lives and are carried at cost less any subsequent accumulated impairment losses (see accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. Significant Accounting Policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. 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) 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 fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale investments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including debtors, loan receivable, bank balances and short-term bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade debtors, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 120 days, observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including creditors and accrued charges, bank borrowings and loan from a minority shareholder of a subsidiary) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the 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 base 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 difference to the extent that it is probable that taxable profits will be available against which those 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.

3. Significant Accounting Policies (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary difference associated with investments in subsidiaries, 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets 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. Deferred tax is recognised in profit or loss, except when it relates to items that are 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 respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. Significant Accounting Policies (continued)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (exchange reserve).

Retirement benefit costs

Payments to the defined contribution retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Equity settled share-based payment transactions

Share options granted to directors and employees of the Group

For grants of share options which are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

For share options which are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

4. Key Source of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required 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.

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.

The following are the key assumptions concerning the future, and other key source 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 within the next financial year:

Estimated impairment of debtors

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2009, the carrying amount of trade debtors is HK$312,654,000 net of allowance for doubtful debts of HK$24,732,000 (2008: HK$388,725,000 net of allowance for doubtful debts of HK$27,430,000).

Determination of net realisable value of inventories

The cost of inventories is written down to net realisable value when the cost of inventories is not recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may not also be recoverable if the estimated costs to be incurred to make the sale have increased. When the net realisable value of an item of inventory is less than the carrying amount, the excess is written off immediately in the consolidated statement of comprehensive income. As at 31st December, 2009, the carrying amount of inventories is HK$148,335,000 net of allowance for inventories of HK$95,938,000 (2008: HK$188,317,000 net of allowance for inventories of HK$81,196,000).

5. Segment Information

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st January, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments by location of customers. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The information reported to the Group's chief operating decision maker (i.e. Executive Directors) for the purpose of resource allocation and assessment of performance is focused on geographical markets, based on the location of customers. Thus, the Group is currently organised into four segments which are sales of optical products to customers located in Europe, the United States, Asia and other regions.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

For the year ended 31st December, 2009

	Europe	United States	Asia	Other regions	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	739,004	327,765	63,584	39,415	1,169,768
Result					
Segment profit	106,654	44,340	11,941	3,893	166,828
Unallocated income					854
Unallocated corporate expenses					(35,614)
Interest income on bank deposits					1,231
Finance costs					(831)
Profit before tax					132,468

5. Segment Information (continued)

Segment revenues and results (continued)

For the year ended 31st December, 2008 (restated)

	Europe	United States	Asia	Other regions	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	903,186	397,026	64,064	31,984	1,396,260
Result					
Segment profit	107,381	44,731	11,347	2,594	166,053
Unallocated income					14,879
Unallocated corporate expenses					(34,700)
Interest income on bank deposits					476
Finance costs					(1,592)
Profit before tax					145,116

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, investment income, property rental income, royalty income, gain on disposal of assets classified as held for sale, gain on disposal of interests in a subsidiary, gain on disposal of partial interests in a subsidiary and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

Total segment assets and liabilities are not disclosed as they are not regularly reviewed by the chief operating decision maker.

5. Segment Information (continued)

Other segment information

2009

Amounts included in the measure to segment profit:

	Europe HK$'000	United States HK$'000	Asia HK$'000	Other regions HK$'000	Adjustments HK$'000 (Note)	Consolidated HK$'000
Depreciation of property, plant and equipment	**41,819**	**19,825**	**1,956**	**1,546**	**30,598**	**95,744**
Allowance (write back) for doubtful debts	**6,649**	**(5,228)**	**(92)**	**(83)**	**–**	**1,246**
Allowance for inventories	**6,313**	**2,359**	**545**	**687**	**–**	**9,904**

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit and not allocated to any reportable segment included release of prepaid lease payments and loss on disposal of property, plant and equipment.

Note: The reconciling item to adjust expenditure for the Group head office's corporate assets, which are not included in segment information.

2008

Amounts included in the measure to segment profit:

	Europe HK$'000	United States HK$'000	Asia HK$'000	Other regions HK$'000	Adjustments HK$'000 (Note)	Consolidated HK$'000
Depreciation of property, plant and equipment	38,419	17,604	1,182	805	23,872	81,882
Allowance (write back) for doubtful debts	5,761	1,150	2,497	(464)	–	8,944
Allowance for inventories	11,569	4,558	349	822	–	17,298

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit and not allocated to any reportable segment included release of prepaid lease payments, loss on disposal of property, plant and equipment, fair value change of investment property, gain on disposal of assets classified as held for sale, gain on disposal of interests in a subsidiary and gain on disposal of partial interests in a subsidiary.

Note: The reconciling item to adjust expenditure for the Group head office's corporate assets, which are not included in segment information.

5. Segment Information (continued)

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets other than loan receivable, available-for-sale investments and deferred tax assets.

	Revenue from external customers Year ended		Non-current assets	
	31.12.2009	31.12.2008	**31.12.2009**	31.12.2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**7,105**	14,827
The People's Republic of China (excluding Hong Kong) ("PRC")	**–**	–	**551,789**	602,618
United States	**327,765**	397,026	**4,680**	4,680
Italy	**485,204**	670,769	**–**	–
Other countries	**356,799**	328,465	**–**	–
	1,169,768	1,396,260	**563,574**	622,125

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2009	2008
	HK$'000	*HK$'000*
Customer A[1]	**160,817**	222,912
Customer B[2]	**157,960**	176,491
Customer C[1]	**130,097**	214,980

1 Revenue from Europe

2 Revenue from the United States

6. Other Income

	2009 HK$'000	2008 HK$'000
Included in other income are:		
Sales of scrap materials	**5,387**	7,568
Compensation from customers	**14,353**	13,248
Interest income on bank deposits	**1,231**	476
Property rental income less negligible outgoings	**–**	445
Dividend income from available-for-sale investments	**273**	1,434
Royalty income on intangible assets	**581**	468

7. Other Gains and Losses

	2009 HK$'000	2008 HK$'000
Gain on disposal of assets classified as held for sale *(note 24)*	**–**	6,226
Gain on disposal of interests in a subsidiary *(note 34)*	**–**	1,864
Gain on disposal of partial interests in a subsidiary	**–**	4,442
Net loss on disposal of property, plant and equipment	**(128)**	(350)
Net foreign exchange gains (losses)	**1,256**	(4,597)
Loss on disposal of investment property	**(21)**	–
Decrease in fair value of investment property	**–**	(100)
	1,107	7,485

8. Finance Costs

	2009 HK$'000	2008 HK$'000
Interest on bank borrowings wholly repayable within five years	**831**	1,504
Imputed interest on loan from a minority shareholder of a subsidiary	**–**	88
	831	1,592

9. Income Tax Expense

	2009 HK$'000	2008 HK$'000
The charge comprises:		
Hong Kong Profits Tax		
– Current year	**16,264**	11,481
– Overprovision in respect of prior year	**–**	(1,510)
	16,264	9,971
PRC Enterprise Income Tax		
– Current year	**11**	1,492
– Overprovision in respect of prior year	**(1,520)**	–
	(1,509)	1,492
Deferred taxation *(note 29)*		
– Current year	**(4,962)**	1,195
– Underprovision in respect of prior year	**–**	1,669
– Attributable to change in tax rate	**–**	(886)
	(4,962)	1,978
	9,793	13,441

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

PRC Enterprise Income Tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

9. INCOME TAX EXPENSE *(continued)*

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was increased from 15% to 18% and 20% for the years ended 31st December, 2008 and 31st December, 2009 respectively and will increase progressively to 25% in the next three years in the Shenzhen Special Economic Zone or reduced from 33% to 25% outside the Shenzhen Special Economic Zone, from 1st January, 2008 onwards.

In relation to 50:50 appointment basis, a portion of the Group's profits neither arises in, nor is derived from, Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax. Further, in the opinion of the directors of the Company, that portion of the Group's profit is not subject to taxation in any other jurisdiction in which the Group operates for both years.

Income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2009	2008
	HK$'000	*HK$'000*
Profit before tax	**132,468**	145,116
Tax at the applicable rate of 16.5%	**21,857**	23,944
Tax effect of expenses not deductible for tax purpose	**2,505**	6,491
Tax effect of income not taxable for tax purpose	**(2,340)**	(3,775)
Tax effect of Hong Kong Profits Tax on 50:50 apportionment basis	**(11,158)**	(11,102)
(Over)underprovision in respect of prior year	**(1,520)**	159
Tax effect of tax losses and other deductible temporary differences for current year not recognised	**636**	547
Utilisation of tax losses and other deductible temporary differences for prior years previously not recognised	**(216)**	(2,963)
Decrease in opening deferred tax liabilities resulting from a decrease in applicable tax rate	**–**	(886)
Effect of different tax rates of subsidiaries operating in the PRC	**33**	549
Others	**(4)**	477
Income tax expense for the year	**9,793**	13,441

10. Profit for the Year

	2009 HK$'000	2008 HK$'000
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**1,480**	1,480
Cost of inventories recognised as an expense	**869,477**	1,067,859
Depreciation of property, plant and equipment	**95,744**	81,882
Operating lease rentals in respect of rented premises	**4,656**	4,299
Release of prepaid lease payments	**842**	835
Staff costs:		
Directors' emoluments *(note 11)*	**2,339**	2,387
Other staff		
– Salaries and other allowances	**325,695**	365,394
– Contributions to retirement benefit schemes	**3,592**	3,662
Total staff costs	**331,626**	371,443
Allowance for inventories	**9,904**	17,298
Allowance for doubtful debts, net	**1,246**	8,944

11. Directors' Emoluments

The emoluments paid or payable to each of the six (2008: six) directors were as follows:

2009

		Other emoluments			
	Fee HK$'000	Salaries and other benefits HK$'000 (Note a)	Performance related incentive bonus HK$'000 (Note b)	Contributions to retirement benefits scheme HK$'000 (Note a)	Total HK$'000
Executive directors:					
Ng Hoi Ying, Michael	–	–	198	7	205
Ng Kim Ying	–	195	–	9	204
Lee Wai Chung	–	1,228	213	57	1,498
	–	1,423	411	73	1,907
Independent non-executive directors:					
Francis George Martin	144	–	–	–	144
Wong Chi Wai	144	–	–	–	144
Chung Hil Lan Eric	144	–	–	–	144
	432	–	–	–	432
Total emoluments	432	1,423	411	73	2,339

11. Directors' Emoluments (continued)

2008

		Other emoluments			
	Fee	Salaries and other benefits	Performance related incentive bonus	Contributions to retirement benefits scheme	Total
	HK$'000	HK$'000 (Note a)	HK$'000 (Note b)	HK$'000 (Note a)	HK$'000
Executive directors:					
Ng Hoi Ying, Michael	–	–	235	10	245
Ng Kim Ying	–	195	–	9	204
Lee Wai Chung	–	1,203	248	55	1,506
	–	1,398	483	74	1,955
Independent non-executive directors:					
Francis George Martin	144	–	–	–	144
Wong Chi Wai	144	–	–	–	144
Chung Hil Lan Eric	144	–	–	–	144
	432	–	–	–	432
Total emoluments	432	1,398	483	74	2,387

11. Directors' Emoluments (continued)

Notes:

(a) During the years ended 31st December, 2009 and 31st December, 2008, Mr. Ng Hoi Ying, Michael, an executive director, waived emoluments as follows:

	2009 **HK$'000**	2008 HK$'000
Amounts waived in respect of emoluments for the current year:		
Salaries and other benefits	**1,235**	1,235
Contributions to retirement benefits scheme	**50**	48
	1,285	1,283

(b) The performance related incentive bonus is determined by the Remuneration Committee of the Company with reference to the financial performance of the Group and the performance of the individual director for the two years ended 31st December, 2009 and 31st December, 2008 respectively.

12. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, one (2008: one) was an executive director of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining four (2008: four) individuals were as follows:

	2009 **HK$'000**	2008 HK$'000
Salaries and other benefits	**3,788**	3,704
Contributions to retirement benefits scheme	**173**	168
Performance related incentive bonus	**590**	704
	4,551	4,576

Their emoluments were all within HK$1,000,001 to HK$1,500,000.

13. Dividends

	2009 HK$'000	2008 HK$'000
Dividend recognised as distribution during the year:		
Final dividend paid in respect of 2008 of 6.5 HK cents (2008: 8.0 HK cents in respect of 2007) per share	**24,937**	30,692
Interim dividend paid in respect of 2009 of 6.5 HK cents (2008: 7.0 HK cents in respect of 2008) per share	**24,938**	26,856
	49,875	57,548

A final dividend in respect of 2009 of 7.0 HK cents (2008: 6.5 HK cents) per share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. Earnings Per Share

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

	2009 HK$'000	2008 HK$'000
Earnings for the purpose of basic earnings per share	**122,336**	131,354
	Number of shares	
Number of shares for the purpose of basic earnings per share	**383,650,000**	383,650,000

No diluted earnings per share have been presented as there were no potential ordinary shares in issue in both 2009 and 2008.

15. Investment Property

	HK$'000
FAIR VALUE	
At 1st January, 2008	7,400
Decrease in fair value	(100)
At 31st December, 2008	7,300
Disposal	(7,300)
At 31st December, 2009	–

The investment property which was disposed of during the year was situated on land in Hong Kong held under a medium-term lease.

The fair value of the Group's investment property at 31st December, 2008 had been arrived at on the basis of a valuation carried out on that day by Messrs. Vigers Appraisal & Consulting Limited, independent qualified professional valuers not connected with the Group. Messrs. Vigers Appraisal & Consulting Limited are members of the Hong Kong Institute of Surveyors and Royal Institution of Chartered Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in Hong Kong. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

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

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Buildings under construction HK$'000	Total HK$'000
COST							
At 1st January, 2008	227,501	63,441	517,338	60,026	9,246	115,787	993,339
Exchange adjustments	12,944	3,480	27,994	2,292	364	3,033	50,107
Additions	5,936	10,510	61,611	10,627	765	45,568	135,017
Disposals	–	(274)	(6,144)	(5,576)	(250)	–	(12,244)
Reclassification	21,217	–	–	–	–	(21,217)	–
At 31st December, 2008	267,598	77,157	600,799	67,369	10,125	143,171	1,166,219
Exchange adjustments	403	107	616	28	16	216	1,386
Additions	–	24,118	12,887	2,763	482	9,382	49,632
Disposals	–	(94)	(1,577)	(362)	(662)	–	(2,695)
Reclassification	(1,345)	1,345	373	–	(373)	–	–
At 31st December, 2009	266,656	102,633	613,098	69,798	9,588	152,769	1,214,542
DEPRECIATION AND AMORTISATION							
At 1st January, 2008	56,893	50,993	334,804	42,631	6,344	–	491,665
Exchange adjustments	4,486	3,456	24,892	2,040	289	–	35,163
Provided for the year	9,379	7,381	58,208	6,075	839	–	81,882
Eliminated on disposals	–	(254)	(5,563)	(5,367)	(245)	–	(11,429)
At 31st December, 2008	70,758	61,576	412,341	45,379	7,227	–	597,281
Exchange adjustments	101	87	322	(7)	12	–	515
Provided for the year	10,669	11,397	65,352	7,467	859	–	95,744
Eliminated on disposals	–	(94)	(1,449)	(362)	(662)	–	(2,567)
Reclassification	–	–	373	–	(373)	–	–
At 31st December, 2009	81,528	72,966	476,939	52,477	7,063	–	690,973
CARRYING VALUES							
At 31st December, 2009	185,128	29,667	136,159	17,321	2,525	152,769	523,569
At 31st December, 2008	196,840	15,581	188,458	21,990	2,898	143,171	568,938
At 1st January, 2008	170,608	12,448	182,534	17,395	2,902	115,787	501,674

16. Property, Plant and Equipment (continued)

The above items of property, plant and equipment other than buildings under construction are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the estimated useful lives of 25 years or the term of the leases, if shorter
Leasehold improvements	Over the estimated useful lives of 3 years or the term of the lease, if shorter
Plant and machinery and motor vehicles	Over 5 years
Furniture, fixtures and office equipment	Over 3 to 5 years

The Group's property interests shown above comprise:

	Buildings			Buildings under construction		
	31.12.2009	31.12.2008	1.1.2008	**31.12.2009**	31.12.2008	1.1.2008
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*
Properties situated on land in the PRC held under medium-term leases	**184,197**	195,763	169,385	**152,769**	143,171	115,787
Properties situated on land in Hong Kong held under medium-term leases	**931**	1,077	1,223	**-**	–	–
	185,128	196,840	170,608	**152,769**	143,171	115,787

17. Prepaid Lease Payments

	31.12.2009	31.12.2008	1.1.2008
	HK$'000	*HK$'000*	*HK$'000*
The Group's prepaid lease payments comprise:			
Leasehold land in Hong Kong:			
Medium-term lease	**5,321**	5,463	5,605
Leasehold land outside Hong Kong:			
Medium-term lease	**29,592**	30,292	28,794
	34,913	35,755	34,399
Analysed for reporting purposes as:			
Non-current asset	**34,027**	34,869	33,565
Current asset	**886**	886	834
	34,913	35,755	34,399

18. Intangible Assets and Impairment Testing on Intangible Assets

The trademark purchased from a third party in 2006 is considered by the management of the Group as having an indefinite useful life.

The recoverable amount of the trademark has been determined on the basis of value in use calculations. The recoverable amount is based on certain key assumptions. All value in use calculations use cash flow projections based on latest financial budgets approved by the Company's management covering a period of 5 years with zero growth rate, and at a discount rate of 4% (2008: 10%). The cash flow projections beyond the 5-year period are extrapolated using a zero growth rate. Cash flow projections during the budget period for the trademark 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.

During the year ended 31st December, 2009, the trademark has been tested for impairment by comparing its carrying amount with its recoverable amount. The management of the Group determined that there is no impairment loss for the current year.

19. Loan Receivable

	31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000
Carrying amount analysed for reporting purposes:			
Non-current assets (receivable after 12 months from the end of the reporting period)	**10,114**	12,361	14,137
Current assets (receivable within 12 months from the end of the reporting period)	**2,248**	2,248	2,262
	12,362	14,609	16,399

The loan receivable is granted to a corporate customer. The amount is secured by all assets held by the corporate customer and carries fixed interest rate at 5% per annum and is repayable through 22 (31st December, 2008: 26) quarterly instalments of approximately USD72,500 each from 2010 to 2015 (31st December, 2008: repayable from 2009 to 2015). The Group is not permitted to sell or repledge the collateral in the absence of default by the borrower. Repayments have been made by this corporate customer in accordance with the loan agreement.

20. Available-For-Sale Investments

	31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000
Equity securities, unlisted at cost	**13,358**	13,358	13,358
Less: Impairment loss recognised	**(7,500)**	(7,500)	(7,500)
	5,858	5,858	5,858

The above unlisted investments represent 13% and 19.9% equity interests in two private entities incorporated overseas engaged in distribution of eyewear products. They are measured at cost less impairment at each the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. The Group has no plan or intentions to dispose the available-for-sale investments.

21. Inventories

	31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000
Raw materials	**52,715**	70,392	83,162
Work in progress	**89,061**	107,535	117,589
Finished goods	**6,559**	10,390	10,229
	148,335	188,317	210,980

22. Debtors, Deposits and Prepayments

	31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000
Trade debtors	**337,386**	416,155	365,615
Less: Allowance for doubtful debts	**(24,732)**	(27,430)	(18,457)
	312,654	388,725	347,158
Receivable from disposal of partial interests in a subsidiary	**–**	990	–
Deposits and prepayments	**3,473**	4,742	6,083
Total debtors, deposits and prepayments	**316,127**	394,457	353,241

The Group's trade debtors that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	31.12.2009 HK$'000	31.12.2008 HK$'000
Renminbi	**5,028**	3,122
Euro	**(280)**	415
United States dollars	**16,922**	20,788

22. Debtors, Deposits and Prepayments (continued)

The following is an aged analysis of trade debtors net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	31.12.2009	31.12.2008	1.1.2008
	HK$'000	*HK$'000*	*HK$'000*
0 – 90 days	**254,164**	318,458	287,800
91 – 180 days	**54,697**	70,267	56,654
More than 180 days	**3,793**	–	2,704
	312,654	388,725	347,158

The Group has a policy of allowing an average credit period of 30 days to 120 days to its trade debtors. No interest is charged on the trade debtors. The Group has provided fully for all receivables past due beyond 360 days because historical experience is such that receivables that are past due beyond 360 days are generally not recoverable. Trade debtors between 60 days and 360 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Before accepting any new customer, the Group carries out research on the creditability of new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed at least once a year. Trade debtors that are neither past due nor impaired have good track records with the Group.

Included in the Group's trade debtor balance are debtors with aggregate carrying amount of HK$55,153,000 (31st December, 2008: HK$78,374,000) which are past due at the reporting date for which the Group has not provided for impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. The Group does not hold any collateral over these balances.

22. Debtors, Deposits and Prepayments (continued)

Aging of trade debtors which are past due but not impaired

	31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000
Overdue:			
1 – 90 days	55,153	78,374	72,526
More than 90 days	–	–	2,368
	55,153	78,374	74,894

Movement in the allowance for doubtful debts

	2009 HK$'000	2008 HK$'000
At 1st January	27,430	18,457
Impairment losses recognised on receivables	6,649	9,408
Amounts written off as uncollectible	(3,944)	(68)
Reversal of impairment loss on amounts recovered during the year	(5,403)	(464)
Exchange realignment	–	97
At 31st December	24,732	27,430

In determining the recoverability of a trade debtor, the Group considers any change in the credit quality of the trade debtor from the date credit was initially granted up to the end of each reporting period. The directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts were individually impaired trade receivables with an aggregate balance of HK$24,732,000 (31st December, 2008: HK$27,430,000) which are in severe financial difficulties and therefore the directors considered that they are irrecoverable.

At 31st December, 2008 and 2009, the Group did not have any discounted bills receivable with the banks.

23. Short-Term Bank Deposits and Bank Balances and Cash

At 31st December, 2009, short-term bank deposits comprised deposits held by the Group with an original maturity of three months or less.

Bank balances and cash carry market interest rates which range from 0.001% to 0.36% (2008: 0.01% to 2.25%) per annum and short-term bank deposits carried at market rates which range from 0.02% to 1.98% per annum in 2009.

The Group's short-term bank deposits and bank balances and cash that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2009 ***HK$'000***	2008 *HK$'000*
Hong Kong dollars	**45,327**	26,633
Renminbi	**74**	66
Euro	**3,773**	905
United States dollars	**927**	751
Japanese Yen	**250**	102

24. Assets Classified as Held for Sale

The Group entered into disposal agreements with independent third parties to dispose of its retail shops selling optical products in Beijing in 2007. The assets attributable to the retail shops in Beijing were classified as assets held for sale and presented separately in the consolidated statement of financial position as at 1st January, 2008. The disposal of retail shops were completed in January, 2008 with a consideration of HK$9,453,000, which resulted in a gain on disposal of HK$6,226,000.

25. Creditors and Accrued Charges

	31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000
Trade creditors	136,485	147,455	179,403
Other creditors and accrued charges	124,094	116,845	106,945
	260,579	264,300	286,348

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

	2009 HK$'000	2008 HK$'000
Hong Kong dollars	63,266	70,786
Renminbi	12,351	10,447
Euro	13,496	16,483
United States dollars	3,432	1,726
Japanese Yen	5,550	8,675

The following is an aged analysis of trade creditors presented based on the invoice date at the end of the reporting period.

	31.12.2009 HK$'000	31.12.2008 HK$'000	1.1.2008 HK$'000
0 – 60 days	96,641	82,119	104,106
61 – 120 days	36,917	59,817	62,817
More than 120 days	2,927	5,519	12,480
	136,485	147,455	179,403

The average credit period on purchase of goods is 60 days to 120 days. No interest is charged by the trade creditors. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

26. Bank Borrowings

	31.12.2009	31.12.2008	1.1.2008
	HK$'000	*HK$'000*	*HK$'000*
The unsecured bank borrowings comprise:			
Bank loans	**35,833**	84,657	23,223
Discounted bills receivable with full recourse	**–**	–	1,199
Trust receipt loan	**–**	–	12,413
	35,833	84,657	36,835
The maturity of the above bank borrowings is as follows:			
On demand or within one year	**10,000**	48,824	36,835
More than one year, but not exceeding two years	**10,000**	10,000	–
More than two years, but not exceeding five years	**15,833**	25,833	–
	35,833	84,657	36,835
Less: Amount due within one year shown under current liabilities	**(10,000)**	(48,824)	(36,835)
Amount due after one year	**25,833**	35,833	–

All of the Group's bank borrowings are variable-rate borrowings which carry interest at LIBOR or HIBOR plus certain basis points and subject to cash flow interest rate risk.

The effective interest rates at the end of the reporting period on the borrowings of the Group were as follows:

	HK$	***US$***
2009		
Bank loans	**1.24%**	**–**
2008		
Bank loans	2.20%	2.67%

26. Bank Borrowings (continued)

The Group's borrowings that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2009	2008
	HK$'000	*HK$'000*
Hong Kong dollars	**35,833**	61,316

As at the end of the reporting period, the Group has the following undrawn borrowing facilities:

	2009	2008
	HK$'000	*HK$'000*
Floating rate – expiring within one year	**242,897**	173,673

The facilities expiring within one year are annual facilities subject to review at various dates during 2010.

27. Share Capital

The share capital of the Company was as follows:

	Number of shares 31.12.2009 & 31.12.2008	**Nominal value 31.12.2009 & 31.12.2008**
		HK$'000
Ordinary shares of HK$0.1 each:		
Authorised:		
At beginning and end of year	**1,000,000,000**	**100,000**
Issued and fully paid:		
At beginning and end of year	**383,650,000**	**38,365**

28. Share Options

At the annual general meeting of the Company held on 28th May, 2003, the Company's share option scheme adopted on 24th October, 1996 was terminated and a new share option scheme (the "New Share Option Scheme") was adopted in order to comply with the amendments to Chapter 17 of the Listing Rules in relation to share option scheme.

New Share Option Scheme

Under the New Share Option Scheme, the board of directors of the Company shall be entitled to, in its absolute discretion, grant options to eligible employees, including executive directors or chief executive of the Company or any of its subsidiaries, to subscribe for shares in the Company at a price which shall be the highest of (i) the closing price of the Company's shares quoted on the Stock Exchange on the date of offer of the share options; (ii) the average of the closing prices of the Company's shares quoted on the Stock Exchange on the five trading days immediately preceding the date of offer of the share options; and (iii) the nominal value of the shares. The purpose of the New Share Option Scheme is to attract and retain high calibre employees, and to motivate them towards higher levels of performance. The New Share Option Scheme will expire on 27th May, 2013.

An option may be exercised at any time during the period to be determined and notified by the board of directors to the grantee. Such period may commence on the date after the date of acceptance of such option to ten years from the date of acceptance of that option. A consideration of HK$1 is payable upon acceptance of the offer.

The maximum number of shares in respect of which options may be granted under the New Share Option Scheme and any other share option scheme established by the Company, if any, is 37,441,000, representing 10% of the issued share capital of the Company at the date of approval of the New Share Option Scheme. The total maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option scheme, if any, shall not exceed 30% of the issued share capital of the Company from time to time.

No share options have been granted, exercised, cancelled or lapsed under the New Share Option Scheme since its adoption.

29. Deferred Tax (Liabilities) Assets

The following are the major deferred tax (liabilities) assets recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK$'000	Revaluation of investment property HK$'000	Other temporary difference HK$'000	Total HK$'000
At 1st January, 2008	(13,964)	(788)	(761)	(15,513)
(Charge) credit to profit or loss	(425)	13	(2,452)	(2,864)
Effect of change in tax rate	798	45	43	886
At 31st December, 2008	(13,591)	(730)	(3,170)	(17,491)
Credit to profit or loss	4,078	730	154	4,962
At 31st December, 2009	(9,513)	–	(3,016)	(12,529)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31.12.2009 ***HK$'000***	31.12.2008 *HK$'000*	1.1.2008 *HK$'000*
Deferred tax assets	**181**	–	53
Deferred tax liabilities	**(12,710)**	(17,491)	(15,566)
	(12,529)	(17,491)	(15,513)

At 31st December, 2009, the Group has unused tax losses of HK$8,844,000 (31st December, 2008: HK$7,008,000) available to offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$6,044,000 (31st December, 2008: HK$4,467,000) that will expire from 2010 to 2014 (31st December, 2008: expire from 2009 to 2013). Other losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK$16,645,000 (31st December, 2008: HK$15,938,000). 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.

30. Loan from a Minority Shareholder of a Subsidiary

The amount as at 1st January, 2008 was unsecured, interest-free and granted by a minority shareholder of a subsidiary which was disposed of in 2008. The detail of the disposal of a subsidiary is shown in note 34.

31. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 26, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits as disclosed in consolidated statement of changes in equity.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt, if necessary.

32. Financial Instruments

(a) Categories of financial instruments

	31.12.2009 ***HK$'000***	31.12.2008 *HK$'000*	1.1.2008 *HK$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	**667,749**	547,246	473,938
Available-for-sale financial assets	**5,858**	5,858	5,858
Financial liabilities			
Amortised cost	**265,026**	324,736	299,358

32. Financial Instruments (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include debtors, loan receivable, available-for-sale investments, short-term bank deposits and bank balances, creditors and accrued charges, bank borrowings and loan from a minority shareholder of a subsidiary. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group does not enter into or trade derivative financial instruments either for hedging or speculative purposes.

Market risk

Market risk exposures are measured using value-at-risk (VaR) and are supplemented by sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(i) Foreign currency risk management

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 2% (2008: 2%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 23% (2008: 24%) of costs are denominated in the group entity's functional currency. The Group also has short-term bank deposits, bank balances and borrowings denominated in foreign currency balances. Details of foreign currency balances are detailed in notes 22, 23, 25 and 26.

32. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Foreign currency risk management (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	31.12.2009	31.12.2008	**31.12.2009**	31.12.2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**45,332**	27,629	**99,099**	132,102
Renminbi	**5,103**	3,200	**12,351**	10,447
Euro	**3,520**	1,320	**13,496**	16,483
United States dollars	**17,849**	21,539	**3,432**	1,726
Japanese Yen	**250**	102	**5,550**	8,675

Foreign currency sensitivity

The Group is mainly exposed to the effects of fluctuation in currency of Renminbi, Euro and Japanese Yen. The Hong Kong dollars ("HKD") and United States dollars ("USD") denominated monetary items arose from group entities with functional currency of USD and HKD respectively. As HKD is pegged to USD, the directors of the Company consider that the foreign currency exposure is limited.

The following table details the Group's sensitivity to a 5% (2008: 5%) increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% (2008: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items (other than those denominated in HKD and USD) and adjusts their translation at the period end for a 5% (2008: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where the functional currencies of the relevant group entities strengthen against the relevant foreign currencies. For a 5% (2008: 5%) weakening of the functional currencies of the relevant group entities, there would be an equal and opposite impact on the post-tax profit.

32. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Foreign currency risk management (continued)

Foreign currency sensitivity (continued)

	Profit for the year (post-tax)	
	31.12.2009	31.12.2008
	HK$'000	*HK$'000*
Renminbi	**339**	328
Euro	**460**	688
Japanese Yen	**245**	390

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed rate loan receivable (see note 19 for details of this loan receivable).

The Group's cash flow interest rate risk relates primarily to variable-rate short-term bank deposits, bank balances and borrowings (see note 26 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR or HIBOR arising from the Group's borrowings.

32. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk management (continued)

Interest rate risk sensitivity

Sensitivity analysis on short-term bank deposits and bank balances is not presented as the management considers that the Group's exposure to interest rate fluctuation is insignificant.

The sensitivity analysis below has been determined based on the exposure to interest rates for borrowings at the end of each reporting period. The analysis is prepared assuming the borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2008: 50 basis point) increase or decrease in interest rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2008: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2009 would decrease/increase by HK$179,000 (2008: decrease/increase by HK$405,000). This is mainly attributable to the Group's exposure to interest rates on its borrowings.

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

Credit risk management

As at 31st December, 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities in relation to the financial guarantees issued by the Group as disclosed in note 37.

32. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk management (continued)

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts, taking into account any change in the credit quality of the trade debtors from the date credit was initially granted up to the reporting date. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The loan receivable exposes the Group to concentration of credit risk on a single counterparty. The Group considers the concentration risk is low as the corporate customer has good reputation.

The credit risk for bank deposits is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on the loan receivable and liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse geographical areas.

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management also monitors the utilisation of bank borrowings.

As at 31st December, 2009, the Group has available unutilised overdrafts and short and medium term bank loan facilities of approximately HK$4,600,000 (31st December, 2008: HK$4,600,000) and HK$238,297,000 (31st December, 2008: HK$169,073,000) respectively.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amounts is derived form interest rate curve at the end of the reporting period.

32. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

	Weighted average effective interest rate %	Less than 3 months HK$'000	3 months to 1 year HK$'000	1 year to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2009 HK$'000
2009						
Non-derivative financial liabilities						
Creditors and accrued charges	–	136,521	92,672	–	229,193	229,193
Bank borrowings – variable rate	1.24	2,609	7,779	26,260	36,648	35,833
Financial guarantee contract	–	9,688	–	–	9,688	–
		148,818	100,451	26,260	275,529	265,026

	Weighted average effective interest rate %	Less than 3 months HK$'000	3 months to 1 year HK$'000	1 year to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2008 HK$'000
2008						
Non-derivative financial liabilities						
Creditors and accrued charges	–	147,489	92,590	–	240,079	240,079
Bank borrowings – variable rate	2.33	26,071	23,882	37,279	87,232	84,657
Financial guarantee contract	–	9,688	–	–	9,688	–
		183,248	116,472	37,279	336,999	324,736

32. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

The amount included above for financial guarantee contract is the maximum amount the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair values of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

33. Retirement Benefit Schemes

The Group has joined 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 rule 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.

In addition to the MPF Scheme, the Group voluntarily set up a retirement benefit scheme in Hong Kong for selected employees in PRC in 2007. The Group made a lump sum contribution of HK$14,840,000 in 2007 to this scheme in respect of the past services of up to five years provided by the selected PRC employees. During the year ended 31st December, 2009, the cost charged to the consolidated statement of comprehensive income of HK$2,080,000 (2008: HK$2,189,000) represents contributions payable to this scheme by the Group in respect of services provided by the selected PRC employees in 2009. This retirement benefit scheme is registered with the Mandatory Provident Fund Schemes Authority under the Occupational Retirement Schemes Ordinance. The assets of the retirement benefit scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the retirement benefit scheme, only the employer is required to make contributions to the scheme at the amounts specified in the rules. The only obligation of the Group with respect to the retirement benefit 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 the consolidated statement of comprehensive income 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 comprehensive income of HK$3,665,000 (2008: HK$3,736,000) represents contributions payable to these schemes by the Group. At the end of reporting period, there was no forfeited contribution available to reduce future contributions in both years.

34. Disposal of a Subsidiary

During the year ended 31st December, 2008, the Group disposed of its entire 61% equity interest in a non-wholly owned subsidiary, Eyeworkz Limited, at a cash consideration of HK$3. Eyeworkz Limited was principally engaged in the distribution of eyewear products under its licensed brands and house brand. The net liabilities of Eyeworkz Limited at the date of disposal were as follows:

	2008
	HK$'000
Net liabilities disposed of:	
Bank balances	3
Loan from a minority shareholder of a subsidiary	(576)
	(573)
Non-controlling interests	(268)
Release from other reserve	(1,023)
	(1,864)
Gain on disposal	1,864
Total consideration	–
Net cash outflow arising on disposal:	
Cash consideration	–
Bank balances disposed of	(3)
	(3)

35. Operating Lease Arrangements

The Group as lessee:

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2009 ***HK$'000***	2008 *HK$'000*
Within one year	**3,181**	3,136
In the second to fifth year inclusive	**5,454**	7,008
Over five years	**–**	888
	8,635	11,032

Operating lease payments represent rentals payable by the Group for certain of its office, retail shops and other premises. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

The Group as lessor:

At the end of the reporting period, the Group had contracted with lessees for the following future minimum lease repayments:

	2009 ***HK$'000***	2008 *HK$'000*
Within one year	**–**	4

No property rental income was earned during the year ended 31st December, 2009 (2008: HK$445,000). The property held at 31st December, 2008 had a committed tenant for a term of less than one year with fixed rentals.

36. Capital Commitments

	2009 HK$'000	2008 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
– buildings under construction	**1,675**	11,554
– leasehold improvements	**13,825**	767
– plant and machinery	**3,404**	10,324
– furniture, fixtures and equipment	**306**	549
	19,210	23,194

37. Contingent Liabilities

	2009 HK$'000	2008 HK$'000
Corporate guarantee to a financial institution in respect of banking facilities granted to a trade debtor	**9,688**	9,688

The directors consider that the fair value of this financial guarantee contract at its initial recognition and carrying amount at 31st December, 2008 and 2009 are insignificant and of low applicable default risk. The Group has not recognised any deferred income in the consolidated financial statements in relation to the abovementioned guarantee as its fair value is considered not significant.

38. Related Party Transactions

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2009 HK$'000	2008 HK$'000
Short-term benefits	**7,466**	6,721
Post-employment benefits	**278**	242
	7,744	6,963

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

39. Principal Subsidiaries

Particulars of the principal subsidiaries at 31st December, 2009 and 2008 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued ordinary shares/ contributed capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2009 & 2008		Principal activities
			Directly	Indirectly	
Allied Power Inc.	British Virgin Islands	C$50,000	100%	—	Investment holding
Able Rich Enterprises Limited	British Virgin Islands	US$1	–	100%	Investment holding
Argent Optical Manufactory Limited	Hong Kong/ PRC	HK$100,000	–	100%	Manufacture of optical frames

39. Principal Subsidiaries (continued)

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued ordinary shares/ contributed capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2009 & 2008		Principal activities
			Directly	Indirectly	
Artland Technology Limited	British Virgin Islands	US$1	–	100%	Investment holding
Arts Optical Company Limited	Hong Kong	HK$1,000,000	–	100%	Trading in optical frames
Eyeconcept Limited	Hong Kong	HK$100	–	85%	Trading in optical frames
Sin Dak Industrial Limited	Hong Kong	HK$40,000	–	100%	Property holding
深圳北方光學實業有限公司 (Shenzhen North Optical Industrial Company Limited)	PRC	HK$17,675,600	–	51% *(Note 1)*	Retailing of optical products
滙駿光學城(河源)有限公司 (known as "Huijun Optical (Heyuan) Limited")	PRC	HK$125,000,000	–	100% *(Note 2)*	Inactive
滙聯眼鏡製造廠(河源)有限公司 (known as "Huilian Optical Manufactory (Heyuan) Limited")	PRC	HK$10,000,000	–	100% *(Note 2)*	Inactive
滙龍眼鏡五金配件(河源)有限公司 (known as "Huilong Optical Manufactory (Heyuan) Limited")	PRC	HK$10,000,000	–	100% *(Note 2)*	Inactive

39. Principal Subsidiaries (continued)

Notes:

1. This subsidiary is registered as a sino-foreign equity joint venture company.

2. These subsidiaries are registered as wholly foreign owned companies.

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 subsisting at 31st December, 2009 or at any time during the year.

40. Comparative Figures

In order to conform with current year's presentation:

(a) sales rebate of HK$13,942,000 included in distribution and selling expenses has been reclassified to revenue;

(b) gain on disposal of assets classified as held for sale of HK$6,226,000, gain on disposal of interests in a subsidiary of HK$1,864,000 and gain on disposal of partial interests in a subsidiary of HK$4,442,000 included in other income have been reclassified to other gains and losses; and

(c) net loss on disposal of property, plant and equipment of HK$350,000, net foreign exchange losses of HK$4,597,000 and decrease in fair value of investment property of HK$100,000 included in other expenses have been reclassified to other gains and losses.

Financial Summary

Results

	Year ended 31st December,				
	2005 *HK$'000* (restated)	2006 *HK$'000* (restated)	2007 *HK$'000* (restated)	2008 *HK$'000* (restated)	**2009** ***HK$'000***
REVENUE	786,467	1,090,384	1,282,145	1,396,260	**1,169,768**
PROFIT BEFORE TAX	105,945	181,045	201,831	145,116	**132,468**
INCOME TAX EXPENSE	(10,217)	(17,676)	(16,539)	(13,441)	**(9,793)**
PROFIT FOR THE YEAR	95,728	163,369	185,292	131,675	**122,675**
PROFIT FOR THE YEAR ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	95,961	166,483	184,057	131,354	**122,336**
NON-CONTROLLING INTERESTS	(233)	(3,114)	1,235	321	**339**
	95,728	163,369	185,292	131,675	**122,675**

Assets and Liabilities

	At 31st December,				
	2005 *HK$'000*	2006 *HK$'000*	2007 *HK$'000*	2008 *HK$'000*	**2009** ***HK$'000***
TOTAL ASSETS	810,405	1,012,841	1,251,242	1,367,679	**1,389,133**
TOTAL LIABILITIES	(183,940)	(258,491)	(341,774)	(367,173)	**(313,963)**
	626,465	754,350	909,468	1,000,506	**1,075,170**
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	623,209	754,208	907,916	997,059	**1,071,459**
NON-CONTROLLING INTERESTS	3,256	142	1,552	3,447	**3,711**
	626,465	754,350	909,468	1,000,506	**1,075,170**

Note: In order to conform with current year's presentation, sales rebates of HK$5,157,000, HK$8,576,000, HK$12,070,000 and HK$13,942,000 included in distribution and selling expenses have been reclassified to revenue in the years ended 31st December, 2005, 31st December, 2006, 31st December, 2007 and 31st December, 2008 respectively.