2012
Annual Report

Arts Group

Arts Optical International Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 1120

Contents

Corporate Information

BOARD OF DIRECTORS

Executive directors

NG Hoi Ying, Michael
NG Kim Ying
LEE Wai Chung

Independent non-executive directors

WONG Chi Wai
CHUNG Hil Lan Eric
LAM Yu Lung

COMPANY SECRETARY

LEE Wai Chung

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

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

HSBC Securities Services (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
Chong Hing Bank Limited
Dah Sing Bank, Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited

Group Structure

Arts Optical International Holdings Limited

Investment holding

Arts Optical Company Limited
Trading in optical frames and sunglasses to original design manufacturing customers
100%

Argent Optical Manufactory Limited
Manufacture of optical frames and sunglasses
100%

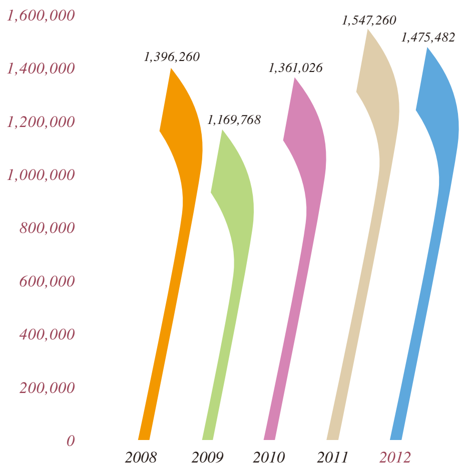
Stepper Eyewear Limited
Trading in optical frames and sunglasses under own and licensed brand names
82%

Eyeconcept Limited
Trading in optical frames and sunglasses under own and licensed brand names
88%

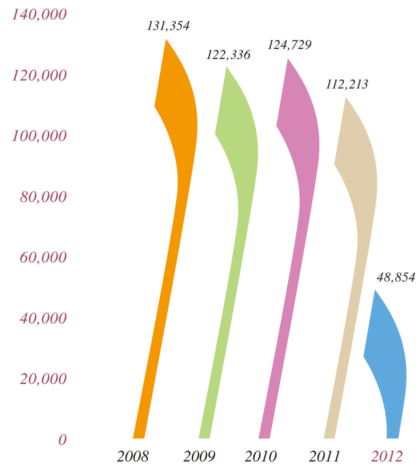
Apex City Industrial Limited
Trading in optical frames and sunglasses under own and licensed brand names
100%

Financial Highlights

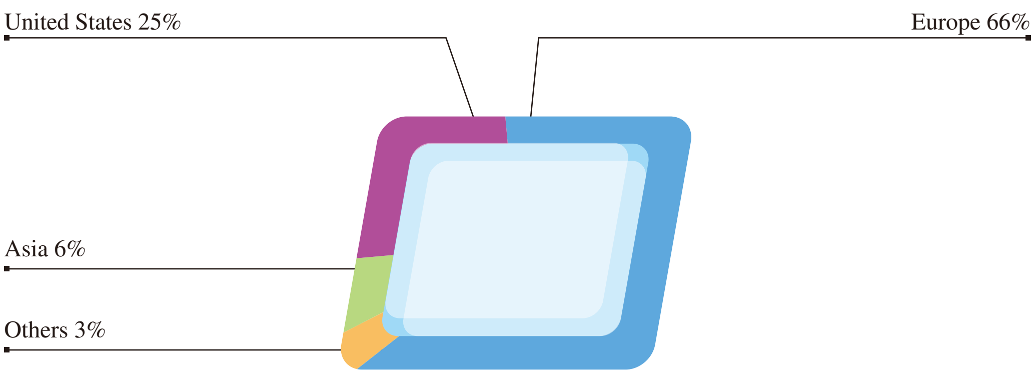
Consolidated revenue *(HK$'000)*



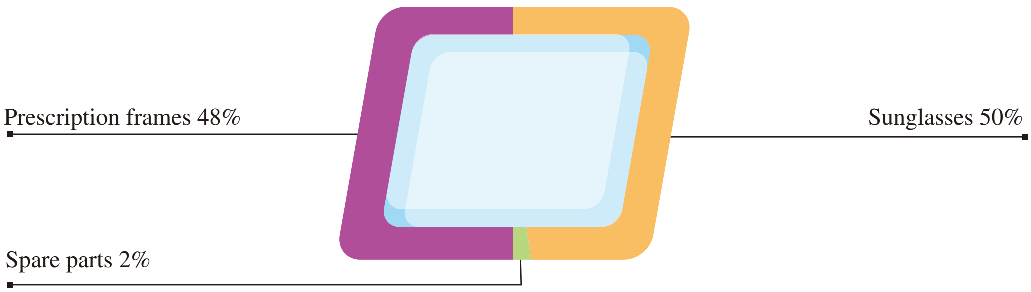
Profit attributable to owners of the Company *(HK$'000)*



Consolidated revenue by geographical locations in 2012



Revenue of ODM division by product range in 2012



Chairman's Statement

BUSINESS REVIEW

Profitability analysis

The Group's consolidated revenue decreased by 5% to HK$1,475.5 million (2011: HK$1,547.3 million) whereas the profit attributable to owners of the Company decreased by 56% to HK$48.9 million (2011: HK$112.2 million) in 2012. Basic earnings per share also decreased correspondingly by 56% to 12.7 HK cents (2011: 29.2 HK cents) in 2012.

As reported in the 2012 Interim Report, 2012 was the most challenging and difficult year the Group has faced since the listing of the Company in 1996. The Board issued two "Profit Warning" announcements on 30th May, 2012 and 20th December, 2012. The significant decrease in net profit of the Group was attributable to various factors, including (i) the increase in labour costs after the statutory minimum wage in Shenzhen, where the Group's main manufacturing facilities were located, increased by 14% in February 2012; and (ii) the appreciation of Renminbi against both United States ("US") dollar and Hong Kong dollar throughout 2012. Accordingly, the gross profit ratio (being the ratio of gross profit to revenue) of the Group decreased by 3.3% from 21.8% in 2011 to 18.5% in 2012. The net profit ratio (being the ratio of profit attributable to owners of the Company to revenue) also decreased by 4.0% from 7.3% in 2011 to 3.3% in 2012.

Original design manufacturing (ODM) division

Revenue generated by the ODM division represented 90% of the consolidated revenue of the Group in 2012 (2011: 92%). The exports market remained soft in 2012 amid concerns over the spread of the European sovereign debt crisis and repercussions of the fiscal cliff in the US. Sales to ODM customers decreased by 6% from HK$1,418.8 million in 2011 to HK$1,331.1 million in 2012. Sales to Europe, the US, Asia and other regions accounted for 67%, 27%, 4% and 2% respectively (2011: 59%, 36%, 4% and 1% respectively) of the revenue of the ODM division in 2012. The increase in proportion of sales to Europe reflected the increased dominance of the market by the leading Italian eyewear companies that distributed their portfolio of branded products through their global distribution or retailing networks. The de-stocking exercise carried out by some major American customers also resulted in drop in sales to the US market. Sales of sunglasses, prescription frames and spare parts accounted for 50%, 48% and 2% respectively of the revenue of this division

Chairman's Statement

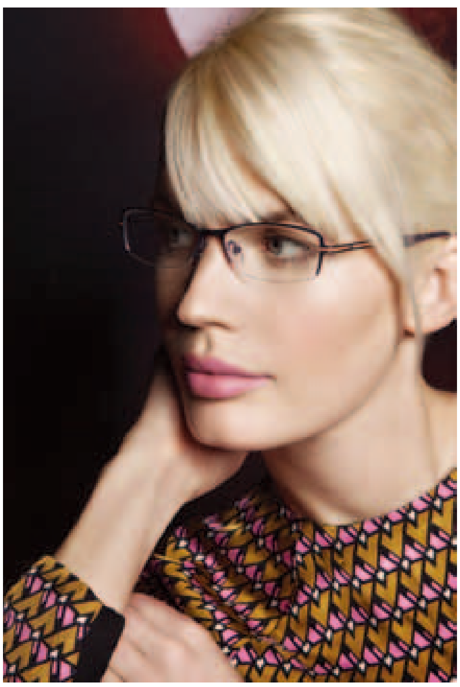
in 2012 (2011: 46%, 53% and 1% respectively). The change in sales mix also matched with the increased emphasis placed by the global leaders of the eyewear industry on sunglasses carrying fashion labels.

Distribution and retailing divisions

The distribution division accounted for 10% of the consolidated revenue of the Group in 2012 (2011: 8%). The Group replaced the two licensed brands (Fiorucci and Pantone) by its own brands CEO·V and BOXX in 2012. The response was encouraging and revenue generated by the distribution division recorded a satisfactory growth of 13% from HK$124.3 million in 2011 to HK$140.1 million in 2012. Sales to Europe, Asia, North America and other regions accounted for 54%, 24%, 8% and 14% respectively of the revenue of the distribution division in 2012 (2011: 55%, 26%, 4% and 15% respectively). All geographical segments reported growth in revenue in 2012.

The retailing division contributed less than 1% to the consolidated revenue of the Group in both 2012 and 2011. Revenue of this division remained relatively flat at HK$4.3 million in 2012 (2011: HK$4.2 million) although the Group closed 2 shops during the year.

Financial position and liquidity



Cash flows

The Group's operating activities continued to generate a healthy net cash inflow of HK$153.9 million (2011: HK$162.4 million) despite a significant decline in the profitability of the Group in 2012. Capital expenditure increased substantially from HK$142.7 million in 2011 to HK$206.5 million in 2012 as the Group completed the acquisition of its new office in Hong Kong with a total cost of HK$99.0 million which was financed by the Group's internal resources and a bank loan of HK$47.6 million. Total dividend payments of HK$40.9 million were made in 2012 (2011: HK$52.5 million). Accordingly, net cash position of the Group (being the total of short-term bank deposits as well as bank balances and cash less bank borrowings) decreased from HK$215.7 million as at 31st December, 2011 to HK$126.6 million as at 31st December, 2012.

Chairman's Statement

Working capital management

The Group had been scaling down its production volume amid the weak external market demand since mid-2011. Inventory balances declined slightly by 1% from about HK$197.6 million as at 31st December, 2011 to HK$196.5 million as at 31st December, 2012. Inventory turnover period (being the ratio of inventory balances to cost of sales) remained stable at 60 days in both 2011 and 2012. Debtors turnover period (being the ratio of the total of trade debtors and bills receivable to revenue) improved from 102 days in 2011 to 101 days in 2012. The current ratio (being the ratio of total current assets to total current liabilities) of the Group decreased from 2.6 to 1.0 as at 31st December, 2011 to 2.2 to 1.0 as at 31st December, 2012 mainly as a result of the reduction in its net cash position.

Gearing position

The gearing position of the Group remained low throughout 2012. The debt to equity ratio (expressed as a percentage of non-current liabilities over equity attributable to owners of the Company) remained stable at 0.7% as at 31st December, 2011 and 31st December, 2012. The non-current liabilities of the Group comprised only deferred taxation which amounted to HK$8.4 million as at 31st December, 2012 (31st December, 2011: HK$8.9 million).

Net book value

The Group had 383,650,000 shares in issue as at both 31st December, 2012 and 31st December, 2011 with an equity attributable to owners of the Company amounting to HK$1,273.3 million and HK$1,259.3 million as at 31st December, 2012 and 31st December, 2011 respectively. Net asset value per share (being the equity attributable to owners of the Company divided by the total number of shares in issue) as at 31st December, 2012 was HK$3.32 (31st December, 2011: HK$3.28).

Foreign currency exposure

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

STEPPER
EYEWEAR

FUSION
STEPPER

CEO·V
VISION

BOXX
EYEWEAR

Dakota Smith
Los Angeles

Chairman's Statement

Contingent liabilities

Details of contingent liabilities are set out in note 34 to the consolidated financial statements.

PROSPECTS

Major markets of the Group's ODM division are still mired in many macroeconomic uncertainties and challenges in 2013. Worry over the effects of high unemployment rates in Europe and automatic spending cut on US federal spending heavily affect our customers' confidence in procurement. The management continues to adopt measures to maintain the flexibility and enhance the productivity of its labour force to cope with the increased volatility of the order book. Currently, the Group's ODM and distribution divisions have three months' sales order on hand.

The Group is determined to increase the proportion of revenue contribution by its distribution division. The Group has gained considerable experience from the success of its German house brand STEPPER. Its extensive global distributor network provides an excellent platform for selling other house brand products of the Group. More new brands will be launched in the coming years after recent launching of two house brands, CEO·V and BOXX in 2011 and 2012 respectively.

Our operating margin will continue to be adversely affected by the cost pressure arising from the appreciation of Renminbi and the rise in labour costs in China. The minimum wages in Shenzhen was raised by 7% in March 2013 after a 14% increment in February 2012 whereas the minimum wages in other areas of Guangdong province will also be raised by an average of 19% in May 2013. Given the current external market environment, price adjustments on the Group's products can only be modest and the Group strives to absorb part of the impact by operational efficiency improvement and the sale of higher margin house brand products.

Chairman's Statement

The factory relocations from the exiting factory in Long Gang Area, Shenzhen City to the two new factories in Pingdi Town, Shenzhen City and Heyuan City are underway and implemented in phases in order to ensure that service to our customers will not be jeopardized. The Group is also negotiating with the local government on the future use of the land occupied by the existing factory in Long Gang Area.

The eyewear industry is still full of opportunities. Aging population, increased awareness of eyecare and vision correction, improved affluence of the emerging markets and the ultimate rebound of the economy of the developed countries are all long term drivers to growth. Although the outlook for 2013 remains uncertain, the management believes that given the strong and solid fundamentals, business strategy and model of the Group, it is well-positioned to weather the short term challenges and capture long term opportunities.

DIVIDENDS

The Board has resolved to recommend a final dividend of 2.5 HK cents per share for the year ended 31st December, 2012 (2011: 6.5 HK cents per share). Subject to the approval of shareholders at the forthcoming annual general meeting of the Company to be held on 23rd May, 2013 (the "AGM"), the final dividend will be payable on or about 13th June, 2013 to shareholders whose names appear on the register of members of the Company on 30th May, 2013.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the AGM, and entitlement to the final dividend, the register of members of the Company will be closed. Details of such closures are set out below:

(i) For determining eligibility to attend and vote at the AGM:

Latest time to lodge transfer documents for registration	4:30 pm on 16th May, 2013
Closure of register of members	20th May, 2013 to 23rd May, 2013 (both dates inclusive)
Record date	23rd May, 2013

(ii) For determining entitlement to the final dividend:

Latest time to lodge transfer documents for registration	4:30 pm on 28th May, 2013
Closure of register of members	29th May, 2013 to 30th May, 2013 (both dates inclusive)
Record date	30th May, 2013

Chairman's Statement

During the above closure periods, no transfer of shares will be effected. To be eligible to attend and vote at the AGM, and to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than the aforementioned latest time.

ANNUAL GENERAL MEETING

The notice of AGM will be despatched to the shareholders of the Company and will also be available on the Company's website at www.artsgroup.com and Hong Kong Exchanges and Clearing Limited's HKExnews website at www.hkexnews.hk on or about 17th April, 2013.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2012, the Group employed approximately 10,200 (31st December, 2011: 10,500) full time staff in mainland China, Hong Kong and Europe. The Group remunerates its employees based on their performance, experience, qualifications and prevailing market salaries while performance bonuses are granted on a discretionary basis after considering individual performance and the operating results of the Group. Other employee benefits include insurance and medical coverage, subsidised educational and training programmes, 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, 27th March, 2013

Biographical Details of Directors and Management

EXECUTIVE DIRECTORS

NG Hoi Ying, Michael ("Mr. Ng"), aged 58, 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 45 years of experience in the optical products industry. Mr. Ng won the Young Industrialist Award of Hong Kong organised by the Federation of Hong Kong Industries in 1995. He was admitted as an Honorary Fellow of The Professional Validation Council of Hong Kong Industries in 2004. Mr. Ng was the President of the Hong Kong Optical Manufacturers Association Ltd. (the "HKOMA") during 2002 and 2006 and 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 57, 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 28 years of experience in the optical products industry and is the brother of Mr. Ng.

LEE Wai Chung, aged 46, 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 an overseas 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 and a fellow member of the Association of Chartered Certified Accountants. Mr. Lee has 25 years of experience in accounting and auditing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

WONG Chi Wai, aged 46, 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 25 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 Bonjour Holdings Limited, Kin Yat Holdings Limited and South West Eco Development Limited. He joined the Group in 2004.

CHUNG Hil Lan Eric, aged 47, 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 25 years of experience in the accountancy profession and is the owner of a certified public accountants firm. Mr. Chung joined the Group in 2004.

LAM Yu Lung, aged 48, 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. Lam holds a Bachelor degree in Social Sciences from the University of Hong Kong. He has 25 years of experience in the accountancy profession and is a owner of a certified public accountants firm. Mr. Lam joined the Group in 2011.

Biographical Details of Directors and Management

SENIOR MANAGEMENT

LI Chi Hung, aged 52, is the general manager of the Group's production plants in Shenzhen, Heyuan and Zhongshan. Mr. Li joined the Group in 1976 and assisted Mr. Ng in the establishment and expansion of the production plants mentioned above. He is also responsible for the overall management and development of these plants and has 37 years of experience in the optical products industry.

HUNG Chao Chia, aged 60, is the deputy general manager of the Group's production plants in Shenzhen, Heyuan and Zhongshan. Mr. Hung joined the Group in 1988 and is responsible for the financial management and administration of the production plants mentioned above. Mr. Hung has 35 years of experience in the optical products industry. He is a member of the Committee of the Chinese People's Political Consultative Conference of Zijin County, Heyuan City of Guangdong Province and the chairman of Shenzhen Optics & Optoelectronic Manufacturers Association.

WONG Kwok Leung Alan, aged 55, 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 33 years of experience in production management and product development, including 29 years in the optical products industry. He holds a Master degree in Engineering Management from the University of Technology, Sydney.

Directors' Report

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31st December, 2012.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2012 are set out in the consolidated statement of comprehensive income on page 31.

An interim dividend of 4.0 HK cents per share amounting to HK$15,346,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 2.5 HK cents per share amounting to HK$9,591,000 to the shareholders on the register of members on 30th May, 2013 and the retention of the remaining profit for the year.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately HK$249,098,000.

Details of this and other movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2012 were as follows:

	2012 ***HK$'000***	2011 *HK$'000*
Contributed surplus	**105,369**	105,369
Retained earnings	**22,697**	32,813
	128,066	138,182

Directors' Report

SHARE OPTIONS

Particulars of the share option scheme (the "Share Option Scheme") of the Company adopted at the annual general meeting held on 28th May, 2003 are set out in note 27 to the consolidated financial statements. Under the Share Option Scheme, the maximum number of shares available for issue is 37,441,000 shares. No share options have been granted under the 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:

Wong Chi Wai
Chung Hil Lan Eric
Lam Yu Lung

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

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

Each of the independent non-executive directors was appointed for a term of not more than three years and is subject to 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' Report

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

As at 31st December, 2012, 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 (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Shares in the Company (Long Positions)

	Number of issued ordinary shares held				
Name of director	**Personal interests**	**Family interests**	**Other interests**	**Total**	**Approximate percentage of issued share capital of the Company**
Ng Hoi Ying, Michael	2,856,000	5,656,000	151,000,000 *(Note a)*	159,512,000	41.58%
Ng Kim Ying	1,150,000	5,000,000	15,500,000 *(Note b)*	21,650,000	5.64%
Lee Wai Chung	2,750,000	–	–	2,750,000	0.72%

Notes:

(a) These shares were held by Ratagan International Company Limited ("Ratagan"). The entire issued share capital of Ratagan was held by Maritime Overseas Assets Limited which was wholly-owned by HSBC International Trustee Limited as trustee of The Arts 2007 Trust, a discretionary trust, the beneficiaries of which included Mr. Ng Hoi Ying, Michael.

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

Save as disclosed above, as at 31st December, 2012, none of the directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the 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, 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Shares in the Company (Long Positions)

Name of shareholder	Capacity	Number of issued ordinary shares held		Approximate percentage of issued share capital of the Company
HSBC International Trustee Limited	Trustee	169,862,000	*(Note a)*	44.28%
Maritime Overseas Assets Limited	Held by controlled corporation	151,000,000	*(Note a)*	39.36%
Ratagan International Company Limited	Beneficial owner	151,000,000	*(Note a)*	39.36%
FMR LLC	Investment manager	38,365,000	*(Note b)*	10.00%
David Michael Webb	Beneficial owner	6,889,000		1.80%
	Held by controlled corporation	23,877,000	*(Note c)*	6.22%
Preferable Situation Assets Limited	Beneficial owner	23,877,000	*(Note c)*	6.22%

Directors' Report

SUBSTANTIAL SHAREHOLDERS (continued)

Notes:

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

(b) FMR LLC was deemed to be interested in 38,365,000 shares of the Company through its controlled corporations, Fidelity Management & Research Company which was interested in 33,970,640 shares of the Company, and Fidelity Management Trust Company and Pyramis Global Advisors LLC, which were interested in 4,394,360 shares of the Company.

(c) These shares were directly held by Preferable Situation Assets Limited ("PSAL"). Mr. David Michael Webb was deemed to be interested in the 23,877,000 shares of the Company held by PSAL under Part XV of the SFO.

Save as disclosed above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO disclosed no other person as having notifiable interests or short positions in the issued share capital of the Company as at 31st December, 2012.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2012, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 54% of the Group's total turnover and the amount of turnover attributable to the Group's largest customer was approximately 15% of the Group's total turnover. The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 31% of the Group's total purchases and the amount of purchases attributable to the Group's largest supplier was approximately 17% 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) have 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 Share Option Scheme disclosed under the heading "Share Options" above and in note 27 to the consolidated financial statements, the Company had no outstanding convertible securities, options, warrants or similar rights as at 31st December, 2012 and there has been no exercise of any other convertible securities, options, warrants or similar rights during the year.

Directors' Report

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on 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.

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 (the "Board") 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 27 to the consolidated financial statements.

Details of the retirement benefit schemes for all qualifying employees of the Group are set out in note 31 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 21 to 28 of this Annual Report.

Directors' Report

CONNECTED TRANSACTIONS

On 2nd July, 2010, Allied Power Inc. ("Allied Power"), a wholly-owned subsidiary of the Company, entered into an agreement (the "Share Purchase Agreement") with Mr. Ng Hoi Ying, Michael ("Mr. Ng"), a connected person of the Company, pursuant to which Mr. Ng agreed to sell and Allied Power agreed to purchase the entire issued share capital of Art Talent Industrial Limited ("Art Talent") and take an assignment of the benefit of the shareholder loans owed to Mr. Ng by Art Talent and its wholly-owned subsidiary Hongmao Metal Products (Shenzhen) Co. Ltd ("Hongmao") respectively, for a total consideration of HK$55 million. Art Talent, through Hongmao, owned or had rights to the four parcels of land with a total site area of approximately 64,852.4 square metres including a piece of land with a site area of approximately 34,493.6 square metres (the "Land A") and four buildings with a total gross floor area of approximately 16,919.0 square metres (the "Buildings") that had been constructed on Land A (collectively, the "Properties"). The Share Purchase Agreement was completed on 5th July, 2010.

Under the Share Purchase Agreement, Mr. Ng undertook to use all reasonable endeavours to assist Allied Power, Art Talent, and/or Hongmao to obtain, by no later than 31st December, 2012, necessary certificate(s) and permit(s) from, and complete requisite filing and/or registration procedures with the relevant government authorities in respect of the land use right certificate and the real estate title certificates to the Properties to the extent not already obtained and agreed to indemnify Allied Power in respect of all losses, damages, costs, claims, liabilities, charges and expenses which Allied Power, Art Talent, and/or Hongmao might suffer up to an amount of HK$55 million, in the event that by 31st December, 2012: (i) Hongmao had not obtained the land use right certificate in respect of Land A; and (ii) Hongmao had not obtained real estate title certificates in respect of the Buildings. Mr. Ng further agreed to indemnify Allied Power in respect of any increase in the land premium to be payable if the authorised construction area was exceeded in respect of Land A.

The Company announced on 20th December, 2012 that the abovementioned land use right certificate and the real estate title certificates had not been obtained. In response to an enquiry made by the Company, the Longgang Management Bureau of the Urban Planning Land and Resources Commission of Shenzhen Municipality (the "Bureau") had indicated on 6th December, 2012 that Land A was currently still zoned for industrial use but the ultimate zoning would depend on the final plans to be released by the Bureau. The Board believed that the Bureau would accept and handle the application for the land use right certificate and the real estate title certificates after the release of the final plans.

In order to assist in obtaining the necessary land use right certificate and real estate title certificates, Mr. Ng had agreed to extend the duration of the undertaking and indemnity described above to 31st December, 2015, and a supplemental deed between Allied Power and Mr. Ng dated 20th December, 2012 was executed to this effect.

Mr. Ng was a connected person of the Company by virtue of his being a director and controlling shareholder of the Company. As the provision of the indemnity constituted financial assistance provided by a connected person for the benefit of the Company on normal commercial terms (or better) where no security is granted, this transaction was exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Rules Governing the Listing of Securities on the Stock Exchange.

Directors' 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, 27th March, 2013

Corporate Governance Report

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 "Old Code") which was subsequently amended and renamed as the Corporate Governance Code (the "CG Code") with effect from 1st April, 2012 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 set out in the Old Code during the period from 1st January, 2012 to 31st March, 2012 and the CG Code during the period from 1st April, 2012 to 31st December, 2012, except for deviation from code provision A.2.1 of both the Old Code and 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, 2012.

BOARD OF DIRECTORS

The Board comprises six Directors, three of whom 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. Wong Chi Wai, Mr. Chung Hil Lan Eric and Mr. Lam Yu Lung.

During the year ended 31st December, 2012, four Board meetings and one general meeting were held. The attendance of each Director is set out as follows:

	Attendance Record	
Directors	**Board meetings**	**General meeting**
Ng Hoi Ying, Michael	4/4	1/1
Ng Kim Ying	4/4	1/1
Lee Wai Chung	4/4	1/1
Wong Chi Wai	4/4	1/1
Chung Hil Lan Eric	4/4	1/1
Lam Yu Lung	4/4	1/1

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

Corporate Governance Report

BOARD OF DIRECTORS (continued)

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

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skill. The company secretary of the Company (the "Company Secretary") also updates the Directors on the latest development of the Listing Rules and other applicable regulatory requirements. During the year ended 31st December, 2012, all Directors attended an in-house seminar regarding corporate governance and ethics.

The Directors also participated in the following trainings during the year ended 31 December 2012:

Directors	Types of training
Ng Hoi Ying, Michael	A,C
Ng Kim Ying	A,C
Lee Wai Chung	A,C
Wong Chi Wai	A,B,C
Chung Hil Lan Eric	A,C
Lam Yu Lung	A,C

A: attending seminars and/or conferences
B: giving talks at seminars
C: reading newspapers and journals relating to directors' duties and responsibilities as well as update on the Listing Rules and other applicable regulatory requirements

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the Old Code and 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.

Corporate Governance Report

APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to Bye-law 87(1) of the Bye-laws of the Company (the "Bye-laws"), at each annual general meeting of the Company, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. Bye-law 87(2) of the Bye-laws further provides that the Director(s) to retire by rotation shall be those who have been 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. According to Bye-law 86(2), any Director appointed by the Board to fill a causal vacancy shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

Mr. Chung Hil Lan Eric and Mr. Ng Kim Ying who were re-elected as Directors in the annual general meeting of the Company held on 28th May, 2010 and 23rd May, 2011 respectively 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.

Mr. Ng Hoi Ying, Michael was re-elected as a Director in the annual general meeting of the Company held on 23rd May, 2011 for a term of no more than three years and is subject to retirement by rotation in accordance with the Bye-laws. Mr. Lam Yu Lung, Mr. Lee Wai Chung and Mr. Wong Chi Wai were re-elected as Directors in the annual general meeting of the Company held on 23rd May, 2012 for a term of no more than three years and are subject to retirement by rotation in accordance with the Bye-laws.

BOARD COMMITTEES

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

AUDIT COMMITTEE

An Audit Committee has been established by the Company since 1998 and currently comprises Mr. Wong Chi Wai (chairman of the Audit Committee), Mr. Chung Hil Lan Eric and Mr. Lam Yu Lung, all of whom are independent non-executive Directors. The duties of the Audit Committee include (but are not limited to) review of the interim and annual reports of the Group as well as various auditing, financial reporting and internal control matters with the management and/or external auditor of the Company. The Audit Committee has performed the above duties during the year ended 31st December, 2012. Three Audit Committee meetings were held during the year ended 31st December, 2012 and the attendance of each committee member is set out as follows:

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

Corporate Governance Report

REMUNERATION COMMITTEE

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

One Remuneration Committee meeting was held during the year ended 31st December, 2012 and the attendance of each committee member is set out as follows:

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

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

1. To determine the remuneration of the executive Directors and senior management.

2. To review the remuneration policy of the Group.

During the year ended 31st December, 2012, the Remuneration Committee has, among other things, reviewed and determined the remuneration of the executive Directors and senior management with reference to their performance and the overall remuneration policy of the Group and approved the terms of executive Directors' service contracts. 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.

NOMINATION COMMITTEE

Before the establishment of a Nomination Committee on 8th February, 2012, the duties and functions of the Nomination Committee recommended in the CG Code were 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 took into account criteria such as expertise, experience, integrity and commitment in the appointment of new Directors.

Corporate Governance Report

NOMINATION COMMITTEE (continued)

A Nomination Committee has been established by the Company since 8th February, 2012 and currently comprises Mr. Lam Yu Lung (chairman of the Nomination Committee), Mr. Wong Chi Wai and Mr. Chung Hil Lan Eric, all of whom are independent non-executive Directors. The duties of the Nomination Committee include (but are not limited to) review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors, make recommendations to the Board on the appointment or re-appointment of Directors and determine the policy, nomination procedures and process and criteria for the nomination of Directors. The Nomination Committee has performed the above duties during the year ended 31st December, 2012. One Nomination Committee meeting was held during the year ended 31st December, 2012 and the attendance of each committee member is set out as follow:

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

CORPORATE GOVERNANCE FUNCTIONS

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

1. To develop and review the Group's policies and practices on corporate governance and make recommendations;

2. To review and monitor the training and continuous professional development of Directors and senior management;

3. To review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);

4. To develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and directors of the Group; and

5. To review the Group's compliance with the code of corporate governance and disclosure requirements in the Corporate Governance Report.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. In preparing the accounts for the year ended 31st December, 2012, 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 29 to 30.

Corporate Governance Report

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	1,580
Non-audit services:	
Review on 2012 interim results	320
Tax compliance services	182
Review on 2012 preliminary annual results	13

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 Royal Assets Advisory 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, 2012. No major issue had been raised but certain areas for improvement had been identified and appropriate measures had been taken.

COMPANY SECRETARY

Mr. Lee Wai Chung was appointed as the Company Secretary since 1996. There was no non-compliance with requirements of professional qualifications and professional training under the Listing Rules during the year ended 31st December, 2012.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting by Shareholders

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

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

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

Making Enquiry to the Board

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

Arts Optical International Holdings Limited
Unit 308, 3/F, Sunbeam Centre
27 Shing Yip Street, Kwun Tong
Kowloon, Hong Kong

Facsimile number: (852) 2195 8928
Email: desmond@artsgroup.com
Attention: Company Secretary

All enquiries shall be collected by the Company Secretary who shall report to the executive Directors periodically on the enquiries collected. The executive Directors shall review the enquiries and assign different kinds of enquiries to appropriate division head/manager for answering. After receiving the answers of all enquiries from the relevant division head/manager, the Company Secretary will collect the answers for the executive Directors' review and approval. The Company Secretary shall then be authorized by the executive Directors to reply all enquiries in writing.

Putting Forward Proposals at General Meetings

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

Corporate Governance Report

INVESTOR RELATIONS

Constitutional Documents

There was no change to the Company's Memorandum of Association and Bye-laws during the year ended 31st December, 2012. A copy of the latest consolidated version of the Memorandum of Association and Bye-laws is posted on the websites of the Company and Hong Kong Exchanges and Clearing Limited.

Shareholders Communication Policy

The Company adopted a Shareholders Communication Policy on 8th February, 2012 with the objective of ensuring that the Company shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company in order to enable the shareholders to exercise their rights in an informed manner, and to allow the shareholders and the investment community to engage actively with the Company.

Independent Auditor's Report

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 31 to 95, which comprise the consolidated statement of financial position as at 31st December, 2012, 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 information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

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 of the consolidated financial statements that give a true and fair view 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, 2012 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

27th March, 2013

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	5	**1,475,482**	1,547,260
Cost of sales		**(1,202,087)**	(1,210,077)
Gross profit		**273,395**	337,183
Other income	6	**23,788**	19,045
Other gains and losses	7	**2,403**	6,117
Distribution and selling expenses		**(28,707)**	(32,527)
Administrative expenses		**(213,170)**	(207,131)
Other expenses		**(1,142)**	(983)
Finance costs	8	**(1,070)**	(260)
Share of profit of a jointly controlled entity		**171**	–
Profit before tax		**55,668**	121,444
Income tax expense	9	**(5,316)**	(8,709)
Profit for the year	10	**50,352**	112,735
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		**3,943**	25,875
Total comprehensive income for the year		**54,295**	138,610
Profit for the year attributable to:			
Owners of the Company		**48,854**	112,213
Non-controlling interests		**1,498**	522
		50,352	112,735
Total comprehensive income attributable to:			
Owners of the Company		**52,808**	138,084
Non-controlling interests		**1,487**	526
		54,295	138,610
Earnings per share	14		
– Basic		**12.7 HK cents**	29.2 HK cents

Consolidated Statement of Financial Position

At 31st December, 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current Assets			
Property, plant and equipment	15	**762,197**	605,370
Prepaid lease payments	16	**65,423**	53,927
Deposits paid for acquisition of property, plant and equipment		**537**	55,940
Intangible assets	17	**4,680**	4,680
Interest in a jointly controlled entity	18	**4,797**	–
Loan receivable	19	**3,388**	5,631
Available-for-sale investments	20	**5,858**	5,858
Deferred tax assets	28	**188**	200
		847,068	731,606
Current Assets			
Inventories	21	**196,537**	197,555
Debtors, deposits and prepayments	22	**413,475**	437,435
Loan receivable	19	**2,248**	2,253
Prepaid lease payments	16	**1,578**	1,384
Tax recoverable		**1,953**	2,226
Short-term bank deposits	23	**34,703**	93,055
Bank balances and cash	23	**143,082**	138,501
		793,576	872,409
Current Liabilities			
Creditors and accrued charges	24	**301,406**	315,467
Bank borrowings	25	**51,195**	15,833
Tax liabilities		**535**	38
		353,136	331,338
Net Current Assets		**440,440**	541,071
Total Assets less Current Liabilities		**1,287,508**	1,272,677

Consolidated Statement of Financial Position

At 31st December, 2012

	Notes	2012 HK$'000	2011 HK$'000
Capital and Reserves			
Share capital	26	**38,365**	38,365
Reserves		**1,234,947**	1,220,900
Equity attributable to owners of the Company		**1,273,312**	1,259,265
Non-controlling interests		**5,829**	4,484
Total Equity		**1,279,141**	1,263,749
Non-current Liabilities			
Deferred tax liabilities	28	**8,367**	8,928
		1,287,508	1,272,677

The consolidated financial statements on pages 31 to 95 were approved and authorised for issue by the Board of Directors on 27th March, 2013 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, 2012

	Attributable to owners of the Company							Non–	
	Share capital	**Share premium**	**Special reserve**	**Other reserve**	**Exchange reserve**	**Retained profits**	**Total**	**controlling interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000 (Note a)*	*HK$'000 (Note b)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2011	38,365	113,950	(3,269)	–	90,761	932,487	1,172,294	4,407	1,176,701
Profit for the year	–	–	–	–	–	112,213	112,213	522	112,735
Exchange differences arising on translation of foreign operations	–	–	–	–	25,871	–	25,871	4	25,875
Total comprehensive income for the year	–	–	–	–	25,871	112,213	138,084	526	138,610
Dividends paid *(note 13)*	–	–	–	–	–	(51,793)	(51,793)	–	(51,793)
Dividends paid to non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	(750)	(750)
Acquisition of additional interest in a subsidiary	–	–	–	(7)	–	–	(7)	7	–
Disposal of partial interest in a subsidiary	–	–	–	687	–	–	687	294	981
At 31st December, 2011	38,365	113,950	(3,269)	680	116,632	992,907	1,259,265	4,484	1,263,749
Profit for the year	–	–	–	–	–	48,854	48,854	1,498	50,352
Exchange differences arising on translation of foreign operations	–	–	–	–	3,954	–	3,954	(11)	3,943
Total comprehensive income for the year	–	–	–	–	3,954	48,854	52,808	1,487	54,295
Dividends paid *(note 13)*	–	–	–	–	–	(40,283)	(40,283)	–	(40,283)
Dividends paid to non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	(608)	(608)
Disposal of partial interests in subsidiaries	–	–	–	1,522	–	–	1,522	466	1,988
At 31st December, 2012	38,365	113,950	(3,269)	2,202	120,586	1,001,478	1,273,312	5,829	1,279,141

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2012

Notes:

(a) Special reserve represents the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital and the surplus account of Allied Power Inc. pursuant to the group reorganisation in 1996.

(b) Other reserve arose from the acquisition of additional interest in a subsidiary from non-controlling interests and the disposal of partial interests in subsidiaries to non-controlling interests and a third party without losing control.

During the year ended 31st December, 2011, the Group acquired an additional 3% equity interest in a non-wholly owned subsidiary, Eyeconcept Limited, from non-controlling interests at a cash consideration of HK$3. The difference of HK$6,435 between the cash consideration paid and the net liabilities attributable to the 3% of equity interest in Eyeconcept Limited acquired amounting to HK$6,432 at the date of acquisition has been recognised directly in other reserve.

During the year ended 31st December, 2011, the Group disposed of 1% equity interest in a non-wholly owned subsidiary, Stepper Eyewear Limited, to non-controlling interests at a cash consideration of HK$980,892. The difference of HK$686,764 between the cash consideration received and the net assets attributable to the 1% equity interest in Stepper Eyewear Limited disposed of amounting to HK$294,128 at the date of disposal has been recognised directly in other reserve.

During the year ended 31st December, 2012, the Group disposed of 2% equity interest in a non-wholly owned subsidiary, Stepper Eyewear Limited, to non-controlling interests at a cash consideration of HK$1,961,784. The difference of HK$1,273,391 between the cash consideration received and the net assets attributable to the 2% equity interest in Stepper Eyewear Limited disposed of amounting to HK$688,393 at the date of disposal has been recognised directly in other reserve.

During the year ended 31st December, 2012, the Group disposed of 25% equity interest in a non-wholly owned subsidiary, 深圳北方光學實業有限公司(Shenzhen North Optical Industrial Company Limited), to a third party at a cash consideration of HK$26,345. The difference of HK$248,217 between the cash consideration received and the net liabilities attributable to the 25% equity interest in Shenzhen North Optical Industrial Company Limited disposed of amounting to HK$221,872 at the date of disposal has been recognised directly in other reserve. After disposal, the Group retains 26% equity interest in Shenzhen North Optical Industrial Company Limited. The Group has the power to appoint the majority of the members of the board of directors which governs the financial and operating policies of this entity and therefore continues to account this entity as its subsidiary.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2012

	2012 *HK$'000*	2011 *HK$'000*
OPERATING ACTIVITIES		
Profit before tax	**55,668**	121,444
Adjustments for:		
Finance costs	**1,070**	260
Release of prepaid lease payments	**1,489**	1,292
Depreciation of property, plant and equipment	**95,958**	96,460
Allowance for inventories	**5,284**	1,320
Allowance for doubtful debts	**7,659**	9,409
Interest income	**(1,347)**	(1,464)
Dividend income from available-for-sale investments	**(1,030)**	(1,438)
Net (gain) loss on disposal of property, plant and equipment	**(1,351)**	22
Share of profit of a jointly controlled entity	**(171)**	–
Operating cash flows before movements in working capital	**163,229**	227,305
Increase in inventories	**(5,609)**	(2,567)
Decrease (increase) in debtors, deposits and prepayments	**15,481**	(70,148)
(Decrease) increase in creditors and accrued charges	**(14,061)**	22,183
Cash generated from operations	**159,040**	176,773
Income taxes paid	**(5,095)**	(14,385)
NET CASH FROM OPERATING ACTIVITIES	**153,945**	162,388
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(193,158)**	(86,718)
Addition to prepaid lease payments	**(12,815)**	–
Investment in a jointly controlled entity	**(1,017)**	–
Amount advanced to a jointly controlled entity	**(3,537)**	–
Proceeds from disposal of property, plant and equipment	**1,369**	114
Interest received	**1,347**	1,464
Repayment of loan receivable	**2,248**	2,273
Dividend received from available-for-sale investments	**1,030**	1,438
Deposits paid for acquisition of property, plant and equipment	**(537)**	(55,940)
NET CASH USED IN INVESTING ACTIVITIES	**(205,070)**	(137,369)

Consolidated Statement of Cash Flows

For the year ended 31st December, 2012

	2012 HK$'000	2011 HK$'000
FINANCING ACTIVITIES		
Proceeds from disposal of partial interests in subsidiaries without losing control	**1,988**	981
Dividends paid to owners of the Company	**(40,283)**	(51,793)
Dividends paid to non-controlling shareholders of a subsidiary	**(608)**	(750)
Interest paid	**(1,070)**	(260)
New bank borrowings raised	**70,818**	–
Repayments of bank borrowings	**(35,456)**	(10,000)
NET CASH USED IN FINANCING ACTIVITIES	**(4,611)**	(61,822)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(55,736)**	(36,803)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**231,556**	265,450
Effect of foreign exchange rate changes	**1,965**	2,909
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**177,785**	231,556
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Short-term bank deposits	**34,703**	93,055
Bank balances and cash	**143,082**	138,501
	177,785	231,556

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

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 36.

The consolidated financial statements are presented in Hong Kong dollars which is different from the functional currency of the Company, which is United States dollars, as directors of the Company (the "Directors") 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 has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Asset

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[4]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
HKAS 19 (revised 2011)	Employee Benefits[1]
HKAS 27 (revised 2011)	Separate Financial Statements[1]
HKAS 28 (revised 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[4]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1st January, 2013
[2] Effective for annual periods beginning on or after 1st January, 2015
[3] Effective for annual periods beginning on or after 1st July, 2012
[4] Effective for annual periods beginning on or after 1st January, 2014

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 "Financial Instruments" (continued)

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The Directors anticipate that the adoption of HKFRS 9 in the future may have impact on amounts reported in respect of the Group's classification and measurement of available-for-sale investments which are currently stated at cost less impairment and will be measured at fair value upon application. Regarding the Group's available-for-sale investment, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures" and HK(SIC)-Int 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards together with the amendments relating to the transitional guidance are effective for the annual periods beginning on or after 1st January, 2013. The Directors reviewed and assessed the legal form and terms of the contractual arrangement in relation to the Group's investment in a jointly controlled entity and anticipate that the adoption of HKFRS 11 will have no significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 will be adopted in the Group's consolidated financial statements for annual period beginning on 1st January, 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The Directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

The consolidated financial statements have been prepared on the historical cost basis and in accordance with in the accounting policies set out below.

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.

Income and expenses 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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 in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

Jointly controlled entities are accounted for using the equity method

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly controlled entities (continued)

Jointly controlled entities are accounted for using the equity method (continued)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

The financial statements of jointly controlled entities used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

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 the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective 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 in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than buildings under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. 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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are tested for impairment at least 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 immediately in profit or loss.

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.

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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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, loan to a jointly controlled entity, short-term bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. 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, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy in respect of impairment of financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be 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.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and 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, in addition, 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 credit period of 30 days to 120 days, and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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 (including all fees and points 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 liability, or, where appropriate, a shorter periods, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including creditors and accrued charges, and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised 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 of obligation under the contract, as 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 the revenue recognition policy.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognised financial liability when the Group's obligations are discharged, cancelled or expired. 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 before tax 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

Deferred tax liabilities are recognised for taxable temporary difference associated with investments in subsidiaries and interest in a joint venture, 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 each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax 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.

Current and 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 current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

Payments to the defined contribution retirement benefit schemes are recognised 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).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, 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.

When 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 SOURCES OF ESTIMATION UNCERTAINTY

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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, the Group estimated impairment loss taking 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, 2012, the carrying amount of trade debtors is HK$402,893,000 net of allowance for doubtful debts of HK$30,227,000 (31st December, 2011: HK$427,384,000 net of allowance for doubtful debts of HK$26,984,000).

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. Also, the cost of inventories may not 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, 2012, the carrying amount of inventories is HK$196,537,000 net of allowance for inventories of HK$78,860,000 (31st December, 2011: HK$197,555,000 net of allowance for inventories of HK$73,576,000).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

5. SEGMENT INFORMATION

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

Segment revenues and results

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

For the year ended 31st December, 2012

	Europe *HK$'000*	United States *HK$'000*	Asia *HK$'000*	Other regions *HK$'000*	Consolidated *HK$'000*
Revenue					
External sales	**971,735**	**363,804**	**95,153**	**44,790**	**1,475,482**
Result					
Segment profit	**64,772**	**22,518**	**12,040**	**2,845**	**102,175**
Unallocated income					**2,380**
Unallocated corporate expenses					**(49,335)**
Interest income on bank deposits					**1,347**
Finance costs					**(1,070)**
Share of profit of a jointly controlled entity					**171**
Profit before tax					**55,668**

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

5. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

For the year ended 31st December, 2011

	Europe	United States	Asia	Other regions	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	905,100	513,183	89,157	39,820	1,547,260
Result					
Segment profit	88,913	50,381	15,020	3,876	158,190
Unallocated income					1,826
Unallocated corporate expenses					(39,776)
Interest income on bank deposits					1,464
Finance costs					(260)
Profit before tax					121,444

The accounting policies of the reportable and operating 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' emoluments, investment income, royalty income and finance costs. This is the measure reported to the chief operating decision maker for the purposes 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

5. SEGMENT INFORMATION (continued)

Other segment information

2012

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	36,755	14,705	2,254	817	41,427	95,958
Allowance for doubtful debts	3,984	3,185	415	75	–	7,659
Allowance for (write back) inventories	3,715	1,975	(90)	(316)	–	5,284

2011

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	34,392	20,961	2,130	803	38,174	96,460
Allowance for doubtful debts	340	8,843	142	84	–	9,409
Allowance for (write back) inventories	123	(25)	1,467	(245)	–	1,320

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 net gain/loss on disposal of property, plant and equipment and release of prepaid lease payments, which are set out in notes 7 and 10 respectively.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

5. SEGMENT INFORMATION (continued)

Geographical information

Information about the Group's revenue is presented based on the location of the external customers and information about the Group's non-current assets other than interest in a jointly controlled entity, loan receivable, available-for-sale investments and deferred tax assets is presented based on the geographical location of the assets.

	Revenue from external customers *Year ended*		Non-current assets	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**–**	–	**102,846**	25,478
People's Republic of China (excluding Hong Kong) ("PRC")	**–**	–	**724,987**	689,332
United States	**363,804**	513,183	**4,680**	4,680
Italy	**726,807**	628,356	**–**	–
Other countries	**384,871**	405,721	**324**	427
	1,475,482	1,547,260	**832,837**	719,917

Information about major customers

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

	2012	2011
	HK$'000	*HK$'000*
Customer A[1]	**226,983**	175,454
Customer B[1]	**206,138**	185,478
Customer C[2]	**150,523**	266,595

[1] Revenue from the Europe

[2] Revenue from the United States

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

6. OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Included in other income are:		
Sales of scrap materials	**7,606**	7,732
Compensation from customers	**11,569**	6,602
Interest income on bank deposits	**1,347**	1,464
Dividend income from available-for-sale investments	**1,030**	1,438
Royalty income on intangible assets	**465**	388

7. OTHER GAINS AND LOSSES

	2012	2011
	HK$'000	*HK$'000*
Net foreign exchange gains	**1,052**	6,139
Net gain (loss) on disposal of property, plant and equipment	**1,351**	(22)
	2,403	6,117

8. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**246**	260
Interest on bank borrowings wholly repayable after five years	**824**	–
	1,070	260

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

9. INCOME TAX EXPENSE

	2012 ***HK$'000***	2011 *HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
– Current year	**5,801**	12,970
– Overprovision in respect of prior year	**(55)**	–
	5,746	12,970
PRC Enterprise Income Tax		
– Current year	**92**	112
– Underprovision in respect of prior year	**27**	160
	119	272
Deferred taxation *(note 28)*		
– Current year	**(549)**	(4,533)
	5,316	8,709

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate was 25% (2011: 24%) in respect of those PRC subsidiaries established in the Shenzhen Special Economic Zone. The tax rate for those PRC subsidiaries established outside the Shenzhen Special Economic Zone was 25% in both years. PRC Enterprise Income Tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

9. INCOME TAX EXPENSE (continued)

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

	2012 *HK$'000*	2011 *HK$'000*
Profit before tax	**55,668**	121,444
Tax at the applicable rate of 16.5%	**9,185**	20,038
Tax effect of share of profit of a jointly controlled entity	**(28)**	–
Tax effect of expenses not deductible for tax purpose	**1,978**	3,255
Tax effect of income not taxable for tax purpose	**(1,238)**	(4,193)
Tax effect of Hong Kong Profits Tax on 50:50 apportionment basis	**(2,512)**	(8,440)
(Over)underprovision in respect of prior year	**(28)**	160
Tax effect of tax losses for current year not recognised	**768**	581
Tax effect of other deductible temporary differences for current year not recognised	**499**	766
Utilisation of tax losses for prior years previously not recognised	**–**	(287)
Effect of different tax rates of subsidiaries operating in the PRC	**27**	7
Others	**(3,335)**	(3,178)
Income tax expense for the year	**5,316**	8,709

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

10. PROFIT FOR THE YEAR

	2012	2011
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**1,580**	1,580
Cost of inventories recognised as an expense (included allowance for inventories of HK$5,284,000 (2011: HK$1,320,000))	**1,202,087**	1,210,077
Depreciation of property, plant and equipment	**95,958**	96,460
Operating lease rentals in respect of rented premises	**4,526**	4,300
Release of prepaid lease payments	**1,489**	1,292
Staff costs:		
Directors' emoluments *(note 11)*	**3,706**	3,934
Other staff		
– Salaries and other allowances	**534,865**	502,493
– Contributions to retirement benefit schemes	**19,768**	14,672
Total staff costs	**558,339**	521,099
Allowance for doubtful debts, net	**7,659**	9,409

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the six (2011: seven) directors were as follows:

2012

		Other emoluments			
	Fee	Salaries and other benefits	Performance related incentive bonus	Contributions to retirement benefits scheme	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note a)*	*HK$'000*	*HK$'000*
Executive directors:					
Ng Hoi Ying, Michael	–	1,300	83	60	1,443
Ng Kim Ying	–	195	–	9	204
Lee Wai Chung	–	1,447	113	67	1,627
	–	2,942	196	136	3,274
Independent non-executive directors:					
Wong Chi Wai	144	–	–	–	144
Chung Hil Lan Eric	144	–	–	–	144
Lam Yu Lung	144	–	–	–	144
	432	–	–	–	432
Total emoluments	432	2,942	196	136	3,706

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

11. DIRECTORS' EMOLUMENTS (continued)

2011

		Other emoluments			
	Fee	Salaries and other benefits	Performance related incentive bonus	Contributions to retirement benefits scheme	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note a)*	*HK$'000*	*HK$'000*
Executive directors:					
Ng Hoi Ying, Michael	–	1,300	235	60	1,595
Ng Kim Ying	–	195	–	9	204
Lee Wai Chung	–	1,372	268	63	1,703
	–	2,867	503	132	3,502
Independent non-executive directors:					
Wong Chi Wai	144	–	–	–	144
Chung Hil Lan Eric	144	–	–	–	144
Lam Yu Lung *(Note b)*	36	–	–	–	36
Francis George Martin *(Note c)*	108	–	–	–	108
	432	–	–	–	432
Total emoluments	432	2,867	503	132	3,934

Notes:

(a) 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 executive director for each of the year ended 31st December, 2012 and 31st December, 2011.

(b) Mr. Lam Yu Lung was appointed as an independent non-executive director of the Company with effect from 30th September, 2011.

(c) Mr. Francis George Martin resigned as an independent non-executive director of the Company with effect from 30th September, 2011.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2011: two) were executive directors of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining three (2011: three) individuals were as follows:

	2012 *HK$'000*	2011 *HK$'000*
Salaries and other benefits	**3,394**	3,226
Contributions to retirement benefits scheme	**152**	144
Performance related incentive bonus	**211**	581
	3,757	3,951

The emoluments for each of these individuals were all within HK$1,000,001 to HK$1,500,000.

13. DIVIDENDS

	2012 *HK$'000*	2011 *HK$'000*
Dividend recognised as distribution during the year:		
Final dividend paid of 6.5 HK cents in respect of 2011 (2011: 7.0 HK cents in respect of 2010) per share	**24,937**	26,855
Interim dividend paid of 4.0 HK cents in respect of 2012 (2011: 6.5 HK cents in respect of 2011) per share	**15,346**	24,938
	40,283	51,793

A final dividend of 2.5 HK cents in respect of 2012 (2011: 6.5 HK cents) per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

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:

	2012	2011
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share	**48,854**	112,213
	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 during 2012 and 2011.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Buildings under construction	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST								
At 1st January, 2011	7,841	319,286	114,864	677,377	76,626	11,558	201,390	1,408,942
Exchange adjustments	–	12,412	6,401	28,502	2,705	407	8,057	58,484
Additions	–	6,879	7,358	50,297	3,343	612	21,577	90,066
Disposals	–	–	–	(3,358)	(383)	(187)	–	(3,928)
Reclassification	–	17,318	–	–	–	–	(17,318)	–
At 31st December, 2011	7,841	355,895	128,623	752,818	82,291	12,390	213,706	1,553,564
Exchange adjustments	–	(1,101)	2,260	2,728	347	69	3,867	8,170
Additions	66,061	47,565	17,812	77,581	6,211	277	33,591	249,098
Disposals	–	–	(285)	(13,973)	(660)	(1,210)	–	(16,128)
Reclassification	–	241,608	4,423	–	–	–	(246,031)	–
At 31st December, 2012	73,902	643,967	152,833	819,154	88,189	11,526	5,133	1,794,704
DEPRECIATION AND AMORTISATION								
At 1st January, 2011	2,662	100,593	89,269	558,363	61,556	8,312	–	820,755
Exchange adjustments	–	4,224	4,488	23,599	2,163	297	–	34,771
Provided for the year	142	13,751	16,121	58,428	6,884	1,134	–	96,460
Eliminated on disposals	–	–	–	(3,317)	(380)	(95)	–	(3,792)
At 31st December, 2011	2,804	118,568	109,878	637,073	70,223	9,648	–	948,194
Exchange adjustments	–	767	1,386	1,991	264	57	–	4,465
Provided for the year	1,394	16,553	16,544	54,555	5,897	1,015	–	95,958
Eliminated on disposals	–	–	(285)	(13,960)	(655)	(1,210)	–	(16,110)
Reclassification	–	–	(2)	2	–	–	–	–
At 31st December, 2012	4,198	135,888	127,521	679,661	75,729	9,510	–	1,032,507
CARRYING VALUES								
At 31st December, 2012	69,704	508,079	25,312	139,493	12,460	2,016	5,133	762,197
At 31st December, 2011	5,037	237,327	18,745	115,745	12,068	2,742	213,706	605,370

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

15. 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:

Leasehold land	Over the remaining term of the leases
Buildings	Over the estimated useful lives of 25 years or the lease term of the land on which the buildings are located, 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

At 31st December, 2012, leasehold land with carrying value of HK$69,704,000 (31st December, 2011: HK$5,037,000) is situated in Hong Kong under medium-term lease and held under a finance lease.

The Group is in the process of obtaining the property ownership certificates in respect of certain buildings located in the PRC with carrying value of HK$243,270,000 at 31st December, 2012 (31st December, 2011: HK$17,949,000).

The Group's property interests shown above comprise:

	Buildings		**Buildings under construction**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Properties situated on land in the PRC held under medium-term operating leases	**475,566**	236,688	**5,133**	213,706
Properties situated on land in Hong Kong held under medium-term finance leases	**32,513**	639	**–**	–
	508,079	237,327	**5,133**	213,706

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

16. PREPAID LEASE PAYMENTS

	2012 **HK$'000**	2011 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong:		
Long lease	**12,806**	–
Medium-term lease	**54,195**	55,311
	67,001	55,311
Analysed for reporting purposes as:		
Non-current asset	**65,423**	53,927
Current asset	**1,578**	1,384
	67,001	55,311

The Group is in the process of obtaining the land use right certificates in respect of certain leasehold land located in the PRC with carrying value of HK$24,681,000 at 31st December, 2012 (31st December, 2011: HK$24,798,000).

17. 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 5% (2011: 6%). 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.

The trademark was tested for impairment at 31st December, 2012 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

18. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2012 *HK$'000*	2011 *HK$'000*
Cost of unlisted investment in a jointly controlled entity *(Note)*	**1,017**	–
Share of post-acquisition profit and other comprehensive income – exchange reserve	**243**	–
	1,260	–
Loan to a jointly controlled entity	**3,537**	–
	4,797	–

Note: During the year ended 31st December, 2012, the Group acquired 25% interest in a jointly controlled entity at a cash consideration of approximately HK$1,017,000. Goodwill of HK$708,000 is included in the cost of investment in a jointly controlled entity.

In terms of a contractual agreement drawn up and signed between all five shareholders of Guangzhou Jiashimei Optical Company Limited, all decisions on financial policies must be agreed by unanimous consent between all five shareholders of the entity. Accordingly, there is a contractual sharing of control over Guangzhou Jiashimei Optical Company Limited and the investment in that entity is accounted for by the Group as an interest in a jointly controlled entity.

The loan to the jointly controlled entity is unsecured, carries interest at 0.01% per annum and not repayable within one year from the end of the reporting period. In the opinion of the Directors, the loan is considered as a quasi-equity investment in the jointly controlled entity.

The Group's trade receivable balance due from the jointly controlled entity is disclosed in note 22.

At 31st December, 2012, the Group had interest in the following jointly controlled entity:

Name of jointly controlled entity	Form of business structure	Place of incorporation/ registration and operation	Class of shares held	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activity
				2012	2011	**2012**	2011	
廣州佳視美光學眼鏡有限公司 (known as "Guangzhou Jiashimei Optical Company Limited")	Incorporated	PRC	Ordinary	**25%**	–	**25%**	–	Trading in optical frames and sunglasses

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

18. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

The above investment in a jointly controlled entity is held through a wholly-owned subsidiary of the Company.

The summarised financial information in respect of the Group's interest in the jointly controlled entity which is accounted for using the equity method is set out below:

	2012 *HK$'000*	2011 *HK$'000*
Current assets	**4,944**	–
Non-current assets	**20**	–
Current liabilities	**(875)**	–
Non-current liabilities	**(3,537)**	–
Net assets	**552**	–

	2012 *HK$'000*	2011 *HK$'000*
Income recognised in profit or loss	**1,573**	–
Expenses recognised in profit or loss	**1,402**	–
Other comprehensive income – exchange reserve	**72**	–

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

19. LOAN RECEIVABLE

	2012 *HK$'000*	2011 *HK$'000*
Carrying amount analysed for reporting purposes:		
Non-current assets (receivable after 12 months from the end of the reporting period)	**3,388**	5,631
Current assets (receivable within 12 months from the end of the reporting period)	**2,248**	2,253
	5,636	7,884

The loan receivable is granted to an independent corporate customer and is denominated in United States dollars. The amount carries fixed interest rate at 5% per annum and is repayable through 10 (31st December, 2011: 14) quarterly instalments of approximately USD72,500 each from 2013 to 2015 (31st December, 2011: repayable from 2012 to 2015). The management considers that the exposure to credit risk is insignificant as the amount is secured by all assets held by the corporate customer. The Group is not permitted to sell or repledge the collateral in the absence of default by the borrower. Repayments have been made by this corporate customer in accordance with the loan agreement.

20. AVAILABLE-FOR-SALE INVESTMENTS

	2012 *HK$'000*	2011 *HK$'000*
Equity securities, unlisted at cost	**5,858**	13,358
Less: Impairment loss recognised	**–**	(7,500)
	5,858	5,858

At 31st December, 2011, the Group held two unlisted investments of 13% and 19.9% equity interests in two private entities incorporated overseas engaged in distribution of eyewear products. During the year ended 31st December, 2012, the Group wrote off the 19.9% equity interest in a private entity as it had ceased its operation. The carrying value of the investment was zero at the date of write off as it was fully impaired previously.

Unlisted investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. The Group has no plan or intentions to dispose the remaining available-for-sale investment.

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For the year ended 31st December, 2012

21. INVENTORIES

	2012	2011
	HK$'000	*HK$'000*
Raw materials	**65,753**	70,769
Work in progress	**116,631**	119,183
Finished goods	**14,153**	7,603
	196,537	197,555

22. DEBTORS, DEPOSITS AND PREPAYMENTS

	2012	2011
	HK$'000	*HK$'000*
Trade debtors	**433,120**	454,368
Less: Allowance for doubtful debts	**(30,227)**	(26,984)
	402,893	427,384
Bills receivable	**3,455**	5,288
Deposits and prepayments	**7,127**	4,763
Total debtors, deposits and prepayments	**413,475**	437,435

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

	2012	2011
	HK$'000	*HK$'000*
Hong Kong dollars	**76**	24
Renminbi	**1,732**	2,236
Euro	**1,279**	1,256
United States dollars	**25,919**	15,153

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

22. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

The following is an aged analysis of trade debtors net of allowance for doubtful debts based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

	2012	2011
	HK$'000	*HK$'000*
0 – 90 days	**311,185**	328,348
91 – 180 days	**91,107**	97,912
More than 180 days	**601**	1,124
	402,893	427,384

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

	2012	2011
	HK$'000	*HK$'000*
0 – 90 days	**2,691**	5,263
91 – 180 days	**764**	25
	3,455	5,288

The Group has a policy of allowing a 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 and subsequent settlement.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

22. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

Included in the Group's trade debtor balance are debtors with aggregate carrying amount of HK$73,821,000 (31st December, 2011: HK$92,978,000) 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.

Aging of trade debtors which are past due but not impaired

	2012	2011
	HK$'000	*HK$'000*
Overdue:		
1 – 90 days	**73,821**	92,978

Aging of bills receivable which are past due but not impaired

	2012	2011
	HK$'000	*HK$'000*
Overdue:		
1 – 90 days	**772**	250

Movement in the allowance for doubtful debts

	2012	2011
	HK$'000	*HK$'000*
At 1st January	**26,984**	18,092
Impairment losses recognised on receivables	**7,659**	9,409
Amounts written off as uncollectible	**(4,461)**	(546)
Exchange realignment	**45**	29
At 31st December	**30,227**	26,984

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

22. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

Movement in the allowance for doubtful debts (continued)

Included in the allowance for doubtful debts were individually impaired trade receivables with an aggregate balance of HK$30,227,000 (31st December, 2011: HK$26,984,000) which are in severe financial difficulties and therefore the Directors considered that they are irrecoverable.

Trade receivable due from the jointly controlled entity

Included in the Group's trade receivable is an amount due from the Group's jointly controlled entity of HK$383,000 (31st December, 2011: Nil), which is repayable on similar credit terms with reference to those offered to the customers of the Group who are similar in size and stature. The amounts outstanding are unsecured and not past due at the end of the reporting period. No expense has been recognised in the period for doubtful debts in respect of the amounts outstanding from the jointly controlled entity.

23. SHORT-TERM BANK DEPOSITS AND BANK BALANCES AND CASH

At 31st December, 2012, short-term bank deposits comprised deposits held by the Group with an original maturity of three months or less.

Bank balances carry market interest rates which range from 0.001% to 0.35% (2011: 0.001% to 0.5%) per annum and short-term bank deposits carried at market rates which range from 0.85% to 3.05% in 2012 (2011: 1.05% to 3.3%) per annum.

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:

	2012	2011
	HK$'000	*HK$'000*
Hong Kong dollars	**15,170**	4,371
Renminbi	**11,168**	55,103
Euro	**20,448**	26,280
United States dollars	**1,201**	15,220
Japanese Yen	**1,266**	114

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For the year ended 31st December, 2012

24. CREDITORS AND ACCRUED CHARGES

	2012	2011
	HK$'000	*HK$'000*
Trade creditors	**149,608**	157,092
Other creditors and accrued charges	**151,798**	158,375
	301,406	315,467

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:

	2012	2011
	HK$'000	*HK$'000*
Hong Kong dollars	**76,405**	85,731
Renminbi	**15,603**	15,887
Euro	**9,309**	12,074
United States dollars	**2,965**	2,336
Japanese Yen	**2,825**	3,426

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

	2012	2011
	HK$'000	*HK$'000*
0 – 60 days	**101,166**	102,830
61 – 120 days	**44,357**	52,540
More than 120 days	**4,085**	1,722
	149,608	157,092

The 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.

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For the year ended 31st December, 2012

25. BANK BORROWINGS

	2012	2011
	HK$'000	*HK$'000*
Bank borrowings:		
– Secured	**45,362**	–
– Unsecured	**5,833**	15,833
	51,195	15,833
Carrying amount of the bank borrowings repayable based on repayment schedules:		
– within one year	**9,311**	10,000
– more than one year, but not exceeding two years	**3,571**	5,833
– more than two years, but not exceeding five years	**11,299**	–
– more than five years	**27,014**	–
	51,195	15,833
Less: Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities)	**(51,195)**	(15,833)
Amounts due after one year shown under non-current liabilities	**–**	–

All of the Group's bank borrowings are variable-rate borrowings and subject to cash flow interest rate risk. A bank borrowing of HK$45,362,000 (31st December, 2011: Nil) is secured by the Group's leasehold land and buildings with carrying amount of HK$96,827,000 (31st December, 2011: Nil) and carries interest at Hong Kong Prime Rate less 2.6%. An unsecured bank borrowing of HK$5,833,000 (31st December, 2011: HK$15,833,000) carries interest at Hong Kong Interbank Offered Rate ("HIBOR") plus certain basis points.

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

	2012	2011
Variable-rate borrowings	**2.51%**	1.29%

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

25. 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:

	2012	2011
	HK$'000	*HK$'000*
Hong Kong dollars	**5,833**	15,833

26. SHARE CAPITAL

The share capital of the Company was as follows:

	Number of shares 31.12.2012 & 31.12.2011	**Nominal value 31.12.2012 & 31.12.2011**
		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**

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

27. 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 "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.

Under the Share Option Scheme, the board of Directors 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 Share Option Scheme is to attract and retain high calibre employees, and to motivate them towards higher levels of performance.

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 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 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 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 Share Option Scheme since its adoption. The Share Option Scheme will expire on 27th May, 2013. The Company does not intend to adopt a new share option scheme upon the expiration of the Share Option Scheme.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

28. 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$'000	Other temporary difference HK$'000 (Note)	Total HK$'000
At 1st January, 2011	(9,506)	(3,755)	(13,261)
Credit (charge) to profit or loss	5,083	(550)	4,533
At 31st December, 2011	(4,423)	(4,305)	(8,728)
Credit (charge) to profit or loss	788	(239)	549
At 31st December, 2012	(3,635)	(4,544)	(8,179)

Note: The amount represents the net temporary differences arising from capitalisation of production cost of inventories at Group level and unrealised profits on the inventories arising from intra-group sales.

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:

	2012 HK$'000	2011 HK$'000
Deferred tax assets	**188**	200
Deferred tax liabilities	**(8,367)**	(8,928)
	(8,179)	(8,728)

At 31st December, 2012, the Group has unused tax losses of HK$16,608,000 (31st December, 2011: HK$11,954,000) 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$8,510,000 (31st December, 2011: HK$7,269,000) that will expire from 2013 to 2017 (31st December, 2011: expire from 2012 to 2016). Other losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

28. DEFERRED TAX (LIABILITIES) ASSETS (continued)

At the end of the reporting period, the Group has deductible temporary differences of HK$31,251,000 (31st December, 2011: HK$28,225,000). 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.

29. 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 equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits, as disclosed in the consolidated statement of changes in equity.

The Directors review the capital structure periodically. As part of this review, the Directors 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.

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 ***HK$'000***	2011 *HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**596,129**	672,709
Available-for-sale financial assets	**5,858**	5,858
Financial liabilities		
Amortised cost	**314,448**	283,759

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

30. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include debtors, loan receivable, loan to a jointly controlled entity, available-for-sale investments, short-term bank deposits, bank balances and cash, creditors and accrued charges, and bank borrowings. 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

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. The Group also has trade and other debtors, loan to a jointly controlled entity, short-term bank deposits, bank balances and cash, trade and other creditors and bank borrowings denominated in foreign currency balances. Details of foreign currency balances are detailed in notes 18, 22, 23, 24 and 25.

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

	Assets		**Liabilities**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**15,246**	4,395	**82,238**	101,564
Renminbi	**12,900**	57,339	**15,603**	15,887
Euro	**21,727**	27,536	**9,309**	12,074
United States dollars	**27,120**	30,373	**2,965**	2,336
Japanese Yen	**1,266**	114	**2,825**	3,426

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

30. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(i) Foreign currency risk management (continued)

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 consider that the foreign currency exposure is limited.

The following table details the Group's sensitivity to a 5% (2011: 5%) increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% (2011: 5%) 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% (2011: 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% (2011: 5%) weakening of the functional currencies of the relevant group entities, there would be an equal and opposite impact on the post-tax profit, and the balances below would be negative.

	Increase (decrease) in profit for the year (post-tax)	
	2012	2011
	HK$'000	*HK$'000*
Renminbi	**122**	(1,924)
Euro	**(562)**	(718)
Japanese Yen	**71**	154

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

30. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(ii) Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed rate loan to a jointly controlled entity (see note 18 for details of this loan) and 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 25 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 Hong Kong Prime Rate and HIBOR arising from the Group's borrowings.

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 the 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 (2011: 50 basis point) represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2011: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2012 would decrease/increase by HK$256,000 (2011: decrease/increase by HK$79,000). 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

30. FINANCIAL INSTRUMENTS (continued)

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

Credit risk management

As at 31st December, 2012, 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 34.

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 consider that the Group's credit risk is significantly reduced.

The loan receivable and financial guarantee expose the Group to concentration of credit risk on a single counterparty. The Group considers that 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 has concentration of credit risks with exposure limited to certain customers. At the end of reporting period, five customers of the Group accounted for about 58% (2011: 55%) of the Group's trade debtors. These five customers are leading global players of the eyewear industry and distribute eyewear products under their portfolio of fashion brands through their global distribution and/or retailing networks. The Group considers that the concentration of risk is low as these five customers have good reputation and payment records. Apart from delegating a team for determining the credit limits, credit approval and other monitoring procedures on customers, the Group had also explored new markets and new customers in order to minimise the concentration of credit risk.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

30. FINANCIAL INSTRUMENTS (continued)

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

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, 2012, the Group has available unutilised overdrafts and short and medium term bank loan facilities of approximately HK$4,600,000 (31st December, 2011: HK$4,600,000) and HK$142,630,000 (31st December, 2011: HK$141,630,000) respectively. The facilities expiring within one year are annual facilities subject to review at various dates during 2013.

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 from interest rate curve at the end of the reporting period.

	Weighted average effective interest rate	On demand or less than 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount at 31.12.2012
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2012					
Non-derivative financial liabilities					
Creditors and accrued charges	–	151,254	111,999	263,253	263,253
Bank borrowings – variable rate	2.51	51,195	–	51,195	51,195
Financial guarantee contract	–	9,690	–	9,690	–
		212,139	111,999	324,138	314,448

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

30. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk management (continued)

	Weighted average effective interest rate	On demand or less than 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount at 31.12.2011
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2011					
Non-derivative financial liabilities					
Creditors and accrued charges	–	157,135	110,791	267,926	267,926
Bank borrowings – variable rate	1.29	15,833	–	15,833	15,833
Financial guarantee contract	–	9,709	–	9,709	–
		182,677	110,791	293,468	283,759

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.

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 3 months" time band in the above maturity analysis. As at 31st December, 2012 and 31st December, 2011, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$51,195,000 and HK$15,833,000 respectively. Taking into account the Group's financial position, the Directors do not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. The Directors believe that these outstanding bank borrowings at 31st December, 2012 will be fully repaid by April 2024 in accordance with the scheduled repayment dates set out in the loan agreement. On that basis, the aggregate principal and interest cash outflows will amount to HK$58,425,000 (31st December, 2011: HK$16,004,000) for financial liabilities of the Group as at 31st December, 2012.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

30. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk management (continued)

	Maturity Analysis – Term loans subject to repayment on demand clause based on scheduled repayment terms					
	0 – 3 months	4 – 12 months	> 1 – < 2 year	> 2 – < 5 years	> 5 years	Total undiscounted cash outflows
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31st December, 2012	3,677	6,822	4,638	13,914	29,374	58,425
31st December, 2011	2,548	7,597	5,859	–	–	16,004

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

31. 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 rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

In addition to the MPF Scheme, the Group voluntarily set up a retirement benefit scheme in Hong Kong for selected employees in the PRC since 2007 for the benefits of those selected PRC employees who have provided over five years of services to the Group. During the year ended 31st December, 2012, the cost charged to profit or loss of HK$4,081,000 (2011: HK$2,582,000) represents contributions payable to this scheme by the Group in respect of services provided by the selected PRC employees in 2012. 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 rules 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 profit or loss represent contributions payable to the funds by the Group at rates specified in the rules of the schemes.

The total cost charged to the consolidated statement of comprehensive income of HK$19,904,000 (2011: HK$14,804,000) represents contributions paid and 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

32. 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:

	2012	2011
	HK$'000	*HK$'000*
Within one year	**2,421**	3,260
In the second to fifth year inclusive	**1,407**	4,358
	3,828	7,618

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 term of two years.

33. CAPITAL COMMITMENTS

	2012	2011
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements:		
– buildings under construction	**10,101**	16,087
– leasehold land and buildings	**–**	76,216
– leasehold improvements	**2,564**	3,571
– plant and machinery	**6,260**	17,132
– furniture, fixtures and office equipment	**627**	1,422
	19,552	114,428

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For the year ended 31st December, 2012

34. CONTINGENT LIABILITIES

	2012 HK$'000	2011 HK$'000
Corporate guarantee to a financial institution in respect of banking facilities granted to an independent trade debtor	**9,690**	9,709

The Directors consider that the fair value of this financial guarantee contract at its initial recognition and carrying amount at 31st December, 2011 and 31st December, 2012 are insignificant and of low applicable default risk. Accordingly, the Group has not recognised any liability in the consolidated financial statements in relation to the abovementioned guarantee as its fair value is considered not significant.

35. RELATED PARTY TRANSACTIONS

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

	A jointly controlled entity	
	2012 HK$'000	2011 HK$'000
Trade sales	**609**	–

Sales of goods to the jointly controlled entity were made at the Group's usual list prices.

Other than the above, the details of loan to and trade receivable due from the jointly controlled entity are shown in notes 18 and 22 respectively. No guarantees have been given to or received from the jointly controlled entity.

Compensation of key management personnel

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

	2012 HK$'000	2011 HK$'000
Short-term benefits	**9,183**	9,734
Post-employment benefits	**375**	359
	9,558	10,093

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

36. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31st December, 2012 and 31st December, 2011 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				Principal activities
			2012		2011		
			Directly	**Indirectly**	Directly	Indirectly	
Allied Power Inc.	British Virgin Islands	C$50,000	**100%**	**–**	100%	–	Investment holding
Argent Optical Manufactory Limited	Hong Kong/ PRC	HK$100,000	**–**	**100%**	–	100%	Manufacture of optical frames and sunglasses
Artland Technology Limited	British Virgin Islands	US$1	**–**	**100%**	–	100%	Investment holding
Art Talent Industrial Limited	Hong Kong	HK$100	**–**	**100%**	–	100%	Investment holding
Arts Optical Company Limited	Hong Kong	HK$1,000,000	**–**	**100%**	–	100%	Trading in optical frames and sunglasses
Eyeconcept Limited	Hong Kong	HK$100	**–**	**88%**	–	88%	Trading in optical frames and sunglasses
Sin Dak Industrial Limited	Hong Kong	HK$40,000	**–**	**100%**	–	100%	Property holding
Stepper Eyewear Limited	Hong Kong	HK$100	**–**	**82%**	–	84%	Trading in optical frames and sunglasses
雅視光學發展（深圳）有限公司 Arts Optical Development (Shenzhen) Company Limited	PRC	HK$70,000,000	**–**	**100%** *(Note)*	–	100% *(Note)*	Manufacture of optical frames and sunglasses
宏懋金屬製品（深圳）有限公司 (known as "Hongmao Metal Products (Shenzhen) Company Limited")	PRC	HK$61,000,000	**–**	**100%** *(Note)*	–	100% *(Note)*	Property holding

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For the year ended 31st December, 2012

36. 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				Principal activities
			2012		2011		
			Directly	**Indirectly**	Directly	Indirectly	
滙駿光學城（河源）有限公司 (known as "Huijun Optical (Heyuan) Limited")	PRC	HK$150,000,000	**–**	**100%** *(Note)*	–	100% *(Note)*	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)*	–	100% *(Note)*	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)*	–	100% *(Note)*	Inactive
惠州市藝駿房地產開發有限公司 (known as "Huizhou Yijun Real Estate Development Company Limited")	PRC	RMB20,000,000	**–**	**100%**	–	100%	Property holding

Note: 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, 2012 or at any time during the year.

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37. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2012 *HK$'000*	2011 *HK$'000*
Unlisted investment in a subsidiary	**139,040**	139,040
Amount due from a subsidiary	**142,363**	152,796
Bank balances	**197**	126
Other current assets	**274**	227
Current liabilities	**(1,493)**	(1,692)
Total assets less current liabilities	**280,381**	290,497
Share capital *(note 26)*	**38,365**	38,365
Reserves	**242,016**	252,132
Total equity	**280,381**	290,497

Movement in reserves

	Share premium *HK$'000*	**Contributed surplus** *HK$'000* *(Note)*	**Retained profits** *HK$'000*	**Total** *HK$'000*
At 1st January, 2011	113,950	105,369	30,373	249,692
Profit for the year	–	–	54,233	54,233
Dividends paid *(note 13)*	–	–	(51,793)	(51,793)
At 31st December, 2011	113,950	105,369	32,813	252,132
Profit for the year	–	–	30,167	30,167
Dividends paid *(note 13)*	–	–	(40,283)	(40,283)
At 31st December, 2012	113,950	105,369	22,697	242,016

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

Financial Summary

RESULTS

	Year ended 31st December,				
	2008	2009	2010	2011	**2012**
	HK$'000 (restated)	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
REVENUE	1,396,260	1,169,768	1,361,026	1,547,260	**1,475,482**
PROFIT BEFORE TAX	145,116	132,468	141,493	121,444	**55,668**
INCOME TAX EXPENSE	(13,441)	(9,793)	(15,972)	(8,709)	**(5,316)**
PROFIT FOR THE YEAR	131,675	122,675	125,521	112,735	**50,352**
PROFIT FOR THE YEAR ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	131,354	122,336	124,729	112,213	**48,854**
NON-CONTROLLING INTERESTS	321	339	792	522	**1,498**
	131,675	122,675	125,521	112,735	**50,352**

ASSETS AND LIABILITIES

	At 31st December,				
	2008	2009	2010	2011	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
TOTAL ASSETS	1,367,679	1,389,133	1,511,221	1,604,015	**1,640,644**
TOTAL LIABILITIES	(367,173)	(313,963)	(334,520)	(340,266)	**(361,503)**
	1,000,506	1,075,170	1,176,701	1,263,749	**1,279,141**
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	997,059	1,071,459	1,172,294	1,259,265	**1,273,312**
NON-CONTROLLING INTERESTS	3,447	3,711	4,407	4,484	**5,829**
	1,000,506	1,075,170	1,176,701	1,263,749	**1,279,141**

Note: In order to conform with current year's presentation, sales rebate of HK$13,942,000 included in distribution and selling expenses has been reclassified to revenue in the year ended 31st December, 2008.