

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



ARTS OPTICAL INTERNATIONAL HOLDINGS LIMITED

雅視光學集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1120)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

INTERIM RESULTS

The board of directors (the “Board”) of Arts Optical International Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 June 2024 together with comparative figures for the corresponding period in 2023.

	Six months ended	
	30.6.2024	30.6.2023
Revenue	HK\$606,394,000	HK\$566,454,000
Profit attributable to owners of the Company	HK\$2,460,000	HK\$21,675,000
Earnings per share	0.64 HK cents	5.61 HK cents
Interim dividend per share	Nil	Nil

* For identification purpose only

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2024

		Unaudited	
		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	606,394	566,454
Cost of sales		<u>(434,355)</u>	<u>(395,227)</u>
Gross profit		172,039	171,227
Other income		12,865	14,993
Other gains and losses		(4,737)	(5,303)
Impairment loss		(73)	(460)
Distribution and selling expenses		(25,086)	(20,984)
Administrative expenses		(146,392)	(136,375)
Other expenses		(663)	(457)
Profit from operations		7,953	22,641
Finance costs	4	(989)	(329)
Share of profit of an associate		4,158	9,248
Share of loss of joint ventures		(31)	–
Profit before tax		11,091	31,560
Income tax expense	5	(5,557)	(7,063)
Profit for the period	6	5,534	24,497
Other comprehensive (expense)/income after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(6,223)	12,518
Exchange differences arising on translation of an associate		(2,332)	1,137
Exchange differences arising on translation of joint ventures		(20)	–
Realisation of exchange reserve upon deregistration of a subsidiary		–	(95)
Realisation of exchange reserve upon disposal of an equity investment at fair value through other comprehensive income (“FVTOCI”)		–	(14)
Other comprehensive (expense)/income for the period, net of tax		(8,575)	13,546
Total comprehensive (expense)/income for the period		(3,041)	38,043

		Unaudited	
		Six months ended 30 June	
		2024	2023
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period attributable to:			
	Owners of the Company	2,460	21,675
	Non-controlling interests	3,074	2,822
		<u>5,534</u>	<u>24,497</u>
Total comprehensive (expense)/income for the period attributable to:			
	Owners of the Company	(5,369)	34,329
	Non-controlling interests	2,328	3,714
		<u>(3,041)</u>	<u>38,043</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
	Basic and diluted	0.64	5.61

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		Unaudited 30 June 2024 <i>HK\$'000</i>	Audited 31 December 2023 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Investment properties		74,160	78,160
Property, plant and equipment		337,185	303,977
Deposits paid for acquisition of property, plant and equipment		15,809	16,295
Intangible assets		15,739	17,901
Goodwill		26,410	26,763
Investment in an associate		58,359	56,864
Investments in joint ventures		1,263	1,314
Equity investments at FVTOCI		7,694	7,694
Deferred tax assets		19,593	20,194
		<u>556,212</u>	<u>529,162</u>
Current assets			
Inventories		169,181	181,374
Debtors, deposits and prepayments	9	394,236	412,677
Tax recoverable		354	647
Short-term bank deposit		1,121	1,121
Bank balances and cash		123,530	151,563
		<u>688,422</u>	<u>747,382</u>
Current liabilities			
Creditors and accrued charges	10	525,405	569,300
Contract liabilities		13,477	13,249
Refund liabilities		3,016	3,016
Consideration payable		556	–
Lease liabilities		2,415	3,624
Bank borrowings	11	52,255	16,545
Tax liabilities		7,971	8,219
		<u>605,095</u>	<u>613,953</u>
Net current assets		<u>83,327</u>	<u>133,429</u>
Total assets less current liabilities		<u>639,539</u>	<u>662,591</u>

	Unaudited	Audited
	30 June	31 December
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Consideration payable	–	556
Lease liabilities	3,612	4,981
Deferred tax liabilities	26,829	25,246
	<u>30,441</u>	<u>30,783</u>
NET ASSETS	<u>609,098</u>	<u>631,808</u>
Capital and reserves		
Share capital	38,626	38,626
Reserves	478,177	503,297
	<u>516,803</u>	<u>541,923</u>
Equity attributable to owners of the Company	516,803	541,923
Non-controlling interests	92,295	89,885
	<u>609,098</u>	<u>631,808</u>
TOTAL EQUITY	<u>609,098</u>	<u>631,808</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. BASIS OF PREPARATION

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

The condensed consolidated financial statements should be read in conjunction with the 2023 annual financial statements. Except as described below, the accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2023.

2. NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

New and amended Hong Kong Financial Reporting Standards (“HKFRSs”) adopted by the Group

The Group has applied the following amendments for the first time from 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to HKAS 1;
- Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – HK Int 5 (Revised);
- Lease Liability in Sale and Leaseback – Amendments to HKFRS 16; and
- Supplier Finance Arrangements – Amendments to HKAS 7 and HKFRS 7.

As a result of the adoption of the amendments to HKAS 1, the Group changed its accounting policy for the classification of borrowings as below:

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

This new policy did not result in a change in the classification of the Group’s borrowings. The Group did not make retrospective adjustments as a result of adopting the amendments to HKAS 1.

Impact of new and amended HKFRSs issued but not yet adopted by the Group

In September 2023, HKICPA amended HKAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not. These new requirements will apply for annual reporting periods beginning on or after 1 January 2025. The management does not expect the amendment to have a material impact on the condensed consolidated financial statements.

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

or non-GAAP performance measures), and (iii) enhanced requirements for aggregation and disaggregation of information. The management is currently assessing the impact of applying HKFRS 18 on the presentation and the disclosures of the condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

Segment profit or loss represents the profit earned by or loss from each segment without allocation of central administration costs, directors’ emoluments, interest income, property rental income, net foreign exchange gains or losses, changes in fair values of investment properties, loss on disposal of equity investments at FVTOCI, finance costs and share of results of an associate and joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

Segment revenues and results

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

For the six months ended 30 June 2024 (unaudited)

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

For the six months ended 30 June 2023 (unaudited)

	Europe HK\$'000	United States HK\$'000	Asia HK\$'000	Other regions HK\$'000	Total HK\$'000
Revenue from contracts with customers					
<i>(Note)</i>					
Original design manufacturing division	244,830	92,137	58,434	2,714	398,115
Distribution division	88,756	11,689	13,283	16,002	129,730
Lens division	–	–	38,609	–	38,609
	<u>333,586</u>	<u>103,826</u>	<u>110,326</u>	<u>18,716</u>	<u>566,454</u>
Result					
Segment profit	<u>25,419</u>	<u>6,675</u>	<u>7,843</u>	<u>2,053</u>	41,990
Unallocated income and gains					2,001
Unallocated corporate expenses and losses					(22,014)
Interest income on bank deposits					664
Finance costs					(329)
Share of profit of an associate					<u>9,248</u>
Profit before tax					<u><u>31,560</u></u>

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

4. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interests on bank borrowings	760	99
Interests on lease liabilities	<u>229</u>	<u>230</u>
	<u><u>989</u></u>	<u><u>329</u></u>

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024 <i>HK\$'000</i> (unaudited)	2023 <i>HK\$'000</i> (unaudited)
Current period:		
Hong Kong Profits Tax	643	1,294
The People's Republic of China (excluding Hong Kong) (the "PRC") Enterprise Income Tax	197	43
United Kingdom Corporation Tax	2,073	1,585
France Corporation Tax	–	205
South Africa Corporation Tax	122	88
Italy Corporation Tax	322	219
Vietnam Corporation Tax	–	185
Deferred taxation	2,174	3,111
	<u>5,531</u>	<u>6,730</u>
Underprovision in respect of prior period:		
Hong Kong Profits Tax	–	192
PRC Enterprise Income Tax	20	141
South Africa Corporation Tax	6	–
	<u>26</u>	<u>333</u>
	<u><u>5,557</u></u>	<u><u>7,063</u></u>

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

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

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

United Kingdom Corporation Tax is calculated at the applicable rate of 25% for the entity with profits in excess of GBP250,000 (six months ended 30 June 2023: 19% before 1 April 2023 and increased to 25% from 1 April 2023 for the entity with profits in excess of GBP250,000) in accordance with the relevant law and regulations in the United Kingdom for the period.

France Corporation Tax is calculated at the applicable rate of 25% in accordance with the relevant law and regulations in France for both periods.

South Africa Corporation Tax is calculated at the applicable rate of 27% (six months ended 30 June 2023: 28% and reduced to 27% for the year ended on or after 31 March 2023) in accordance with the relevant law and regulations in South Africa for the period.

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

Vietnam Corporation Tax is calculated at the applicable rate of 20% in accordance with the relevant law and regulations in Vietnam for both periods.

6. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Amortisation of intangible assets (included in distribution and selling expenses)	2,231	2,280
Impairment loss recognised on debtors, net	73	460
Cost of inventories recognised as an expense	438,376	394,611
Depreciation of property, plant and equipment	16,138	14,760
Decrease in fair values of investment properties	4,000	700
Gross rental income from investment properties (included in other income)	(620)	(2,001)
Less: Direct operating expenses of investment properties that generated rental income during the period	143	140
	<u>(477)</u>	<u>(1,861)</u>
Net (gain)/loss on disposal of property, plant and equipment (included in other gains and losses)	(265)	266
Loss on disposal of equity investment at FVTOCI (included in other gains and losses)	–	125
(Write back of allowance for)/allowance for inventories, net (included in cost of sales) (<i>Note</i>)	(4,021)	616
Net foreign exchange losses (included in other gains and losses)	<u>1,002</u>	<u>4,212</u>

Note:

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

7. DIVIDENDS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Final dividend paid of 5.0 HK cents per share in respect of 2023 (2023: 5.0 HK cents per share in respect of 2022)	19,313	19,313
Special dividend paid of nil per share in respect of 2023 (2023: 5.0 HK cents per share in respect of 2022)	–	19,313
	<u>19,313</u>	<u>38,626</u>

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024 and 30 June 2023.

During the six months ended 30 June 2024, the Board resolved to recommend the payment of a final dividend of 5.0 HK cents per share in respect of 2023, amounting to HK\$19,313,000 for the year ended 31 December 2023. During the six months ended 30 June 2023, the Board resolved to recommend the payment of a final dividend of 5.0 HK cents per share in respect of 2022 and a special dividend of 5.0 HK cents per share in respect of 2022, total amounting to HK\$38,626,000 for the year ended 31 December 2022.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the purpose of basic earnings per share		
– Profit for the period attributable to owners of the Company	<u>2,460</u>	<u>21,675</u>
	2024	2023
	Number of	Number of
	shares	shares
Weighted average number of shares for the purpose of basic earnings per share	<u>386,263,374</u>	<u>386,263,374</u>

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

9. DEBTORS, DEPOSITS AND PREPAYMENTS

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

Included in the Group's debtors, deposits and prepayments are trade debtors of HK\$303,639,000 (31 December 2023: HK\$353,610,000). The following is the ageing analysis of trade debtors net of allowance for credit losses presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
0 – 90 days	226,305	235,296
91 – 180 days	64,108	104,895
More than 180 days	13,226	13,419
	<u>303,639</u>	<u>353,610</u>

As at 30 June 2024, total bills receivables amounting to HK\$50,000 (31 December 2023: HK\$244,000) are held by the Group for settlement of debtors. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills receivables by the Group are with a maturity period of less than one year.

10. CREDITORS AND ACCRUED CHARGES

	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Trade creditors	147,635	155,388
Consideration payable for investment properties	14,080	14,080
Provision of penalty	19,391	19,391
Other creditors and accrued charges	344,299	380,441
	<u>525,405</u>	<u>569,300</u>

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

	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
0 – 60 days	129,529	135,213
61 – 120 days	16,033	12,866
More than 120 days	2,073	7,309
	<u>147,635</u>	<u>155,388</u>

11. BANK BORROWINGS

	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Secured bank borrowings	<u>52,255</u>	<u>16,545</u>

The bank borrowings are repayable as follows (*Note*):

	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Within one year	<u>52,255</u>	<u>16,545</u>
Portion of bank borrowings that contain a repayment on demand clause (shown under current liabilities)	<u>(52,255)</u>	<u>(16,545)</u>
Amounts due after one year shown under non-current liabilities	<u>–</u>	<u>–</u>

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

Certain of the Group's bank borrowings are variable-rate borrowings and subject to cash flow interest rate risk. Bank borrowings of HK\$20,000,000 (31 December 2023: HK\$15,000,000) carry interests at one month Hong Kong Interbank Offered Rate plus certain basis points. The borrowings are secured by the Group's investment properties and leasehold land and buildings with carrying amount of HK\$130,197,000 (31 December 2023: HK\$136,177,000).

Bank borrowing of HK\$32,255,000 (31 December 2023: nil) is arranged at a fixed interest rate of 3.3% and exposes the Group to fair value interest rate risk. The Company and certain of its subsidiaries have provided joint liability corporate and cross guarantees for this borrowing.

At 31 December 2023, a bank borrowing of HK\$1,545,000 carried interest at Hong Kong Prime Rate less 2.6%. The borrowing was secured by the Group's investment properties and leasehold land and buildings with carrying amount of HK\$136,177,000.

DIVIDENDS

The Board has resolved not to declare any interim dividend (2023: nil) for the six months ended 30 June 2024.

BUSINESS REVIEW

Profitability analysis

The Group's consolidated revenue increased by 7% to HK\$606.4 million (2023: HK\$566.4 million) for the six months ended 30 June 2024 (the "Reporting Period"). During the Reporting Period, the Group recorded a net profit attributable to owners of the Company of HK\$2.5 million and earnings per share of 0.64 HK cents respectively (2023: HK\$21.7 million and 5.61 HK cents respectively).

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

- the Group's gross profit ratio decreased from 30.2% in the first six months of 2023 to 28.4% in the first six months of 2024, resulting from serious price reduction pressure from original design manufacturing ("ODM") customers;
- the Group recognised a substantial fair value loss of HK\$4.0 million on revaluation of investment properties for the Reporting Period, in view of current property market trend in Hong Kong. This is compared to the fair value loss on revaluation of investment properties recorded for the corresponding period in 2023, which was HK\$0.7 million;
- the Group's share of profit from the associate company decreased significantly from HK\$9.2 million for the corresponding period in 2023 to HK\$4.2 million for the Reporting Period due to selling price competition; and
- a significant increase in staff costs, promotion and exhibition expenses for the development of the lens business in China and Southeast Asia markets.

ODM division

Revenue generated by the ODM division contributed 69% to the consolidated revenue of the Group in the Reporting Period (2023: 70%). Sales to ODM customers increased by 5% from HK\$398.1 million in the first six months of 2023 to HK\$419.0 million in the first six months of 2024. The increase in revenue was mainly driven by significant growth in the Asian market by 80%, as a result of our successful marketing strategies during the Reporting Period. Geographically, sales to Europe, the United States (the "US"), Asia and other regions accounted for 49%, 25%, 25% and 1% respectively (2023: 61%, 23%, 15% and 1% respectively) of the revenue of the ODM division during the Reporting Period. The Group continued to maintain a fairly balanced sales mix between prescription frames and sunglasses. Sales of prescription frames, sunglasses and spare parts accounted for 44%, 50% and 6% of the revenue generated by the ODM division respectively during the Reporting Period (2023: 42%, 52% and 6% respectively).

Distribution division

The Group's house brand and licensed brand products were sold to retailers through the Group's wholesale arms in the United Kingdom, France, South Africa, Mainland China, Germany, Italy and Malaysia, and to independent distributors in other countries. Revenue for the distribution division increased moderately by 8% to HK\$140.3 million (2023: HK\$129.7 million) and accounted for 23% (2023: 23%) of the consolidated revenue during the Reporting Period. Sales to Europe, the US, Asia and other regions accounted for 64%, 11%, 13% and 12% respectively of the revenue of the distribution division during the Reporting Period (2023: 69%, 9%, 10% and 12% respectively). Sales to Asia increased significantly by 37% as compared to the same period last year, as a result of our marketing efforts in Asia, especially in Mainland China during the Reporting Period. The growth in sales was mainly generated from our own distributors in the United Kingdom and Mainland China during the Reporting Period. STEPPER, the German brand owned by the Group, continued to be the most popular brand in our distribution division.

Lens division

Revenue for the lens division was HK\$47.1 million (2023: HK\$38.6 million) and accounted for 8% (2023: 7%) of the consolidated revenue during the Reporting Period. Sales increased significantly by 22% as compared to the same period last year, mainly because the Group further invested in expanding the production facilities at our lens factory in the second half of 2023. At the moment, the revenue for the lens division is generated almost entirely from Asia and the Group plans to gradually expand its lens business to other regions.

Financial position and liquidity

Cash flows

The Group recorded a net cash inflow from operating activities of HK\$28.2 million during the Reporting Period (2023: HK\$59.1 million) and which was mainly resulted from cash flow derived from the net profit for the Reporting Period. The net cash position of the Group (being the short-term bank deposits, bank balances and cash less bank borrowings) decreased from HK\$136.1 million as at 31 December 2023 to HK\$72.4 million as at 30 June 2024. The decrease in net cash position was mainly due to the purchase of property, plant and equipment of HK\$73.2 million and the payment of dividends of HK\$19.3 million to shareholders of the Company.

Working capital management

In contrast to the increase in revenue during the Reporting Period, both of the inventory balance and total amount of trade debtors and bills receivable balances decreased by 7% and 14% respectively from HK\$181.4 million and HK\$353.9 million as at 31 December 2023 to HK\$169.2 million and HK\$303.7 million as at 30 June 2024. The reasons behind were that the Group had tightened control over inventory levels and collections from trade debtors. Debtors turnover period (being the ratio of the total of trade debtors and bills receivable to revenue) decreased from 105 days for the six months ended 30 June 2023 to 91 days for the Reporting Period. There was no sign of deterioration in collecting payments from trade debtors as compared to the corresponding period in last year. On the other hand, inventory turnover period (being the ratio of inventory balances to cost of sales) increased from 63 days for the six months ended 30 June 2023 to 71

days for the Reporting Period. The current ratio (being the ratio of total current assets to total current liabilities) of the Group remained stable at 1.1 as at 30 June 2024 compared to 1.2 as at 31 December 2023.

Gearing position

The Group's gearing position remained low throughout the Reporting Period. The debt-to-equity ratio (expressed as a percentage of non-current liabilities over equity attributable to owners of the Company) remained low at around 6% as at 30 June 2024 and 31 December 2023. The non-current liabilities of the Group comprised mainly deferred taxation which amounted to HK\$26.8 million as at 30 June 2024 (31 December 2023: HK\$25.2 million).

Net asset value

The Company had 386,263,374 shares in issue as at both 30 June 2024 and 31 December 2023 with equity attributable to owners of the Company of HK\$516.8 million and HK\$541.9 million as at 30 June 2024 and 31 December 2023 respectively. Net asset value per share (being the equity attributable to owners of the Company divided by the total number of shares in issue) as at 30 June 2024 was HK\$1.34 (31 December 2023: HK\$1.40).

Contingent liabilities

As at 30 June 2024, the Group did not have significant contingent liabilities (31 December 2023: nil).

Charges on the Group's assets

As at 30 June 2024, the Group's investment properties and leasehold land and buildings pledged as security for the Group's bank borrowings amounted to HK\$20.0 million (31 December 2023: HK\$16.5 million). Details of bank borrowings are set out in note 11.

Foreign currency exposure

The Group was exposed to the fluctuation of Renminbi against both United States dollar and Hong Kong dollar. Save for the above, the Group had limited exposure to foreign exchange rate fluctuations as most of its transactions were conducted in either United States dollars, Hong Kong dollars or Renminbi. The Group noted that there was potential exposure to the change in the value of the Renminbi yet the range of movement was relatively limited. The Group continues to manage foreign exchange risk by closely monitoring the movements of the foreign currency rates and enters into forward contracts whenever appropriate.

PROSPECTS

Market outlook

Same as the last year in the corresponding period under review, the global economy has been facing continued volatility and uncertainty due to military conflicts in both Europe and the Middle East, as well as the trade tensions between the US and Mainland China. Meanwhile, pricing pressure from ODM customers is expected to remain tough throughout 2024 because of the additional supply from production plants which have been built in various Southeast Asian countries since 2023 as requested by the customers from the US and Europe to the manufacturers. As a result, the management expects that the business environment for eyewear industry of the ODM division will be very tough and challenging in the next few years.

On the other hand, the higher profit margins of the distribution and lens divisions demonstrate their growing importance to the future development of the Group. The Group had observed that there will be a tremendous growth of business opportunities in the Asia region. Therefore, the Group will increase its resources either through establishing its own network or forming joint ventures with strategic distribution partner(s) in the Asia region.

IMPORTANT EVENTS AFTER THE END OF THE FINANCIAL PERIOD

Save as disclosed herein, there are no important events affecting the Group which have occurred after the end of financial period for the six months ended 30 June 2024 and up to the date of this announcement.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2024, the Group employed approximately 3,600 (31 December 2023: 3,700) full time staff in Mainland China, Hong Kong, Europe, Southeast Asia and South Africa. The Group remunerates its employees based on their performance, experience, qualifications and prevailing market salaries while performance bonuses are granted on a discretionary basis after considering individual performance and the operating results of the Group. Other employee benefits include insurance and medical coverage, subsidised educational and training programmes as well as provident fund schemes.

CORPORATE GOVERNANCE

The Company has complied with all applicable code provisions set out in the Corporate Governance Code contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2024.

An Audit Committee has been established by the Company since 1998 and currently comprises Mr. Wong Chi Wai (the chairman of the Audit Committee), Mr. Chung Hil Lan Eric and Mr. Lam Yu Lung, all of whom are independent non-executive directors. The duties of the Audit Committee include (but are not limited to) the review of the interim and annual reports of the Group as well as of various auditing, financial reporting, risk management and internal control matters with the management and/or external auditor of the Company.

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

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2024.

REVIEW OF INTERIM RESULTS

The unaudited interim results and the interim report of the Group for the six months ended 30 June 2024 have been reviewed by the Audit Committee, which was of the opinion that its preparation had complied with applicable accounting standards and requirements and that adequate disclosures were made.

PUBLICATION OF INTERIM REPORT

The 2024 interim report will be despatched to the shareholders of the Company and will also be available on the Company's website at www.artsgroup.com and Hong Kong Exchanges and Clearing Limited's HKExnews website at www.hkexnews.hk in mid-September 2024.

DIRECTORS

As at the date of this announcement, the Board comprises eight directors, four of whom are executive directors, namely Mr. Ng Hoi Ying, Michael, Ms. Ng Yat Shan, Mr. Ng Kim Ying and Ms. Wu Zhihong, and four are independent non-executive directors, namely Mr. Wong Chi Wai, Mr. Chung Hil Lan Eric, Mr. Lam Yu Lung and Dr. Fong Kin Kiu.

By Order of the Board
Arts Optical International Holdings Limited
Ng Hoi Ying, Michael
Chairman

Hong Kong, 29 August 2024