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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 30TH JUNE, 2015

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 30th June, 2015 together with comparative figures for the corresponding period in 2014.

FINANCIAL HIGHLIGHTS	Six months ended 30th June,	
	2015	2014
Revenue	HK\$726,484,000	HK\$772,154,000
Profit attributable to the owners of the Company	HK\$1,264,000	HK\$5,350,000
Earnings per share	0.33 HK cents	1.39 HK cents
Interim dividend per share	Nil	0.7 HK cents
Special dividend per share	3.8 HK cents	3.1 HK cents

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2015

		Six months ended 30.6.2015 HK\$'000 (unaudited)	30.6.2014 HK\$'000 (unaudited)
	Notes		
Revenue	3	726,484	772,154
Cost of sales		(588,762)	(646,234)
Gross profit		137,722	125,920
Other income		17,425	7,106
Other gains and losses		17,725	5,879
Distribution and selling expenses		(14,629)	(13,067)
Administrative expenses		(149,068)	(116,574)
Other expenses		(458)	(392)
Finance costs	4	(1,048)	(551)
Share of profit of an associate		413	-
Share of (loss) profit of a joint venture		(116)	162
Profit before tax		7,966	8,483
Income tax expense	5	(3,334)	(2,754)
Profit for the period	6	4,632	5,729
Other comprehensive income (expense):			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		670	(19,291)
Item that will not be reclassified to profit or loss:			
Revaluation increase upon transfer from property, plant and equipment to investment properties		-	17,678
Total comprehensive income for the period		5,302	4,116
Profit for the period attributable to:			
Owners of the Company		1,264	5,350
Non-controlling interests		3,368	379
		4,632	5,729
Total comprehensive income for the period attributable to:			
Owners of the Company		1,447	3,714
Non-controlling interests		3,855	402
		5,302	4,116
Earnings per share	8		
- Basic		0.33 HK cents	1.39 HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2015

	Notes	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
Non-current Assets			
Investment properties		140,720	130,250
Property, plant and equipment		904,766	751,766
Prepaid lease payments		78,572	61,224
Deposits paid for acquisition of property, plant and equipment		12,687	7,739
Intangible assets		18,075	19,088
Goodwill		9,526	9,432
Interest in an associate		20,820	23,297
Interest in a joint venture		4,930	5,103
Loan receivable		11,940	13,071
Deferred tax assets		1,833	934
Other receivables		7,960	—
		<u>1,211,829</u>	<u>1,021,904</u>
Current Assets			
Inventories		180,825	216,199
Debtors, deposits and prepayments	9	438,396	491,199
Loan to a joint venture		127	225
Loan receivable		1,686	562
Other receivables		1,263	—
Prepaid lease payments		1,484	1,483
Tax recoverable		2,938	3,656
Short-term bank deposits		187,290	436,625
Bank balances and cash		202,298	158,036
		<u>1,016,307</u>	<u>1,307,985</u>
Current Liabilities			
Creditors, deposit received and accrued charges	10	955,615	1,013,107
Bank borrowings		48,411	94,243
Tax liabilities		6,112	3,475
		<u>1,010,138</u>	<u>1,110,825</u>
Net Current Assets		<u>6,169</u>	<u>197,160</u>
Total Assets less Current Liabilities		<u><u>1,217,998</u></u>	<u><u>1,219,064</u></u>

	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
Capital and Reserves		
Share capital	38,365	38,365
Reserves	1,152,182	1,162,180
Equity attributable to owners of the Company	1,190,547	1,200,545
Non-controlling interests	16,779	8,562
Total Equity	1,207,326	1,209,107
Non-current Liabilities		
Deferred tax liabilities	10,672	9,957
	1,217,998	1,219,064

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2015

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 (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The directors of the Company (the “Directors”) anticipate that the application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. 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 period under review:

For the six months ended 30th June, 2015

	Europe HK\$'000	United States HK\$'000	Asia HK\$'000	Other regions HK\$'000	Consolidated HK\$'000
<i>Revenue</i>					
External sales	<u>451,398</u>	<u>183,770</u>	<u>76,720</u>	<u>14,596</u>	<u>726,484</u>
<i>Result</i>					
Segment profit (loss)	<u>21,330</u>	<u>2,885</u>	<u>(628)</u>	<u>800</u>	24,387
Unallocated income					12,474
Unallocated corporate expenses					(35,651)
Interest income on bank deposits					7,507
Finance costs					(1,048)
Share of profit of an associate					413
Share of loss of a joint venture					(116)
Profit before tax					<u>7,966</u>

For the six months ended 30th June, 2014

	Europe HK\$'000	United States HK\$'000	Asia HK\$'000	Other regions HK\$'000	Consolidated HK\$'000
<i>Revenue</i>					
External sales	<u>478,255</u>	<u>207,242</u>	<u>72,120</u>	<u>14,537</u>	<u>772,154</u>
<i>Result</i>					
Segment profit	<u>21,306</u>	<u>7,913</u>	<u>3,812</u>	<u>672</u>	33,703
Unallocated income					743
Unallocated corporate expenses					(25,784)
Interest income on bank deposits					210
Finance costs					(551)
Share of profit of a joint venture					<u>162</u>
Profit before tax					<u>8,483</u>

Segment profit (loss) represents the profit earned/loss incurred by each segment without allocation of central administration costs, directors' emoluments, investment income, property rental income, increase in fair values of investment properties, finance costs, share of profit of an associate and share of profit or loss of a joint venture. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

4. FINANCE COSTS

	Six months ended	
	30.6.2015	30.6.2014
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	426	6
Interest on bank borrowings wholly repayable after five years	622	545
	<u>1,048</u>	<u>551</u>

5. INCOME TAX EXPENSE

	Six months ended	
	30.6.2015	30.6.2014
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
– Current year	<u>1,087</u>	<u>4,982</u>
The People's Republic of China (the "PRC")		
Enterprise Income Tax		
– Current year	<u>19</u>	<u>32</u>
– (Over)underprovision in respect of prior year	<u>(6)</u>	<u>29</u>
	<u>13</u>	<u>61</u>
United Kingdom Corporation Tax		
– Current year	<u>1,749</u>	<u>–</u>
France Corporation Tax		
– Current year	<u>667</u>	<u>–</u>
Deferred taxation		
– Current year	<u>(182)</u>	<u>(2,289)</u>
	<u>3,334</u>	<u>2,754</u>

Hong Kong Profits Tax is recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate is 16.5% for both periods under review.

PRC Enterprise Income Tax is calculated at the applicable rate of 25% in accordance with the relevant law and regulations in the PRC.

United Kingdom Corporation Tax is calculated at the applicable rate of 20% in accordance with the relevant law and regulations in the United Kingdom.

France Corporation Tax is calculated at the applicable rate of 33.33% in accordance with the relevant law and regulations in France.

In relation to 50:50 apportionment 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 operates for both periods.

6. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2015	30.6.2014
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Amortisation of intangible assets	1,023	–
Allowance for doubtful debts, net (included in distribution and selling expenses)	1,165	1,640
Cost of inventories recognised as an expense (included allowance for inventories of HK\$3,386,000 (2014: write back of inventories of HK\$2,967,000))	588,762	646,234
Depreciation of property, plant and equipment	58,366	48,248
Dividend income from available-for-sale investment	–	(550)
(Gain) loss on disposal of property, plant and equipment	(389)	3
Increase in fair values of investment properties	(10,470)	–
Net foreign exchange gains (included in other gains and losses)	(6,866)	(5,882)
Release of prepaid lease payments	712	688
Gross rental income from investment properties (included in other income)	(1,620)	(193)
Less: Outgoings	428	191
	<u>(1,192)</u>	<u>(2)</u>

7. DIVIDENDS

	Six months ended	
	30.6.2015	30.6.2014
	HK\$'000	HK\$'000
No final dividend paid in respect of 2014 (2014: 2.5 HK cents in respect of 2013 per share)	–	9,591
Second special dividend paid of 3.8 HK cents in respect of 2014 (2014: nil) per share	14,579	–
	<u>14,579</u>	<u>9,591</u>

The Board has resolved not to declare any interim dividend, but has resolved to declare a special dividend of 3.8 HK cents per share for the six months ended 30th June, 2015 on 31st August, 2015.

During the six months period ended 30th June, 2015, the Board did not recommend the payment of a final dividend and resolved to recommend a second special dividend of 3.8 HK cents per share, amounting to HK\$14,579,000, for the year ended 31st December, 2014.

During the six months period ended 30th June, 2014, the Board resolved to recommend a final dividend of 2.5 HK cents per share, amounting to HK\$9,591,000, for the year ended 31st December, 2013. The Board also resolved to declare an interim dividend of 0.7 HK cents per share, amounting to HK\$2,686,000, and a first special dividend of 3.1 HK cents per share, amounting to HK\$11,893,000, for the six months ended 30th June, 2014 on 28th August, 2014.

8. 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:

	Six months ended	
	30.6.2015	30.6.2014
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share		
– Profit for the period attributable to owners of the Company	1,264	5,350
	=====	=====
	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 for both periods.

9. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing a credit period of 30 days to 120 days to its trade debtors.

Included in the Group's debtors, deposits and prepayments are trade debtors and bills receivable of HK\$353,326,000 and HK\$1,209,000 respectively (31st December, 2014: HK\$403,966,000 and HK\$1,318,000 respectively). 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:

	30.6.2015	31.12.2014
	HK\$'000	HK\$'000
0 – 90 days	279,958	321,114
91 – 180 days	70,255	80,012
More than 180 days	3,113	2,840
	=====	=====
	353,326	403,966
	=====	=====

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:

	30.6.2015 HK\$'000	31.12.2014 HK\$'000
0 – 90 days	953	1,191
91 – 180 days	256	127
	1,209	1,318

10. CREDITORS, DEPOSIT RECEIVED AND ACCRUED CHARGES

Included in the Group's creditors, deposit received and accrued charges are trade creditors of HK\$117,205,000 (31st December, 2014: HK\$138,627,000). The following is an aged analysis of trade creditors based on the invoice date at the end of the reporting period:

	30.6.2015 HK\$'000	31.12.2014 HK\$'000
0 – 60 days	95,542	110,826
61 – 120 days	18,215	24,068
More than 120 days	3,448	3,733
	117,205	138,627

DIVIDEND

The Board has resolved not to declare any interim dividend, but has resolved to declare a special dividend of 3.8 HK cents per share (2014: interim dividend of 0.7 HK cents per share and special dividend of 3.1 HK cents per share) for the six months ended 30th June, 2015. The special dividend will be payable on or about 15th October, 2015 to shareholders whose names appear on the register of members of the Company on 5th October, 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 2nd October, 2015 to 5th October, 2015, both days inclusive, during which period no transfer of shares will be effected. 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 30th September, 2015 in order to qualify for the special dividend mentioned above.

BUSINESS REVIEW

Profitability analysis

The Group's consolidated revenue decreased by 6% to HK\$726.5 million in the six months ended 30th June, 2015 (2014: HK\$772.2 million). Both the profit attributable to owners of the Company and basic earnings per share decreased by 76% to HK\$1.3 million and 0.33 HK cents respectively in the period under review (2014: HK\$5.4 million and 1.39 HK cents respectively).

The manufacturing facilities of the Group are located in Shenzhen City, Heyuan City and Zhongshan City, where the statutory minimum wage increased by 12%, 20% and 15% respectively, since March 2015 for Shenzhen City and since May 2015 for both Heyuan City and Zhongshan City. Such significant increase in labour costs continued to put severe pressure on the gross margin of the Group. Despite the above, the Group managed to improve its gross margin ratio (being the ratio of gross profit to revenue) by 2.7% from 16.3% in the first six months of 2014 to 19.0% in the corresponding period of 2015 because of:

- (a) the consolidation of higher margin wholesale operations of its distribution division following its acquisitions in the United Kingdom (the "UK") and France in July 2014;
- (b) improvement of operational efficiency; and
- (c) modest price adjustments of its products.

Notwithstanding the improvement in gross margin ratio, the Group reported a significant reduction in its net profit as a result of:

- (a) a 6% decrease in the Group's consolidated revenue;
- (b) additional costs and expenses incurred in the first six months of 2015 as the Group accelerated the pace of its factory relocation project from October 2014 onwards, with new buildings being constructed on the factory sites in Pingdi Town of Shenzhen City, Heyuan City and Zhongshan City, which resulted in higher depreciation charges of the buildings and leasehold improvement; and
- (c) a significant increase in administrative expenses due to an increase in staff costs in its factories in China and the consolidation of the wholesale operations of its distribution division following its acquisitions in the UK and France in July 2014.

Original design manufacturing (ODM) division

Depreciation of the Euro against the United States dollar in the period under review and concerns over possible interest rate hikes in the United States (the "US") in the second half of the 2015 had adversely affected the procurement confidence of our ODM customers. Sales to ODM customers decreased by 12% from HK\$702.8 million in the first six months of 2014 to HK\$618.7 million in the first six months of 2015. Geographically, sales to Europe, the US, Asia and other regions accounted for 61%, 29%, 9% and 1% respectively (2014: 63%, 29%, 7% and 1% respectively) of the revenue of the ODM division in the period under review. A double digit decline was recorded in the two major markets of this division, namely Europe (which recorded a 15% decrease) and the US (which recorded a 12% decrease), although sales to Asia recorded a satisfactory growth of 15%. 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 55%, 44% and 1% respectively of the revenue of this division during the period under review (2014: 50%, 48% and 2% respectively). Revenue generated by the ODM division contributed 85% of the consolidated revenue of the Group in the period under review (2014: 91%).

Distribution and retailing divisions

The business model of the distribution division had transformed from one with purely export operations to one with both export and wholesale operations after the Group started its wholesale business in both the UK and France in July 2014. Revenue generated by the sale of house brand and licensed brand products through its network of self-operating wholesale companies and independent distributors accounted for 15% of the consolidated revenue of the Group in the first six months of 2015 (2014: 9%). Revenue of the distribution division increased significantly by 56% from HK\$68.2 million in the first six months of 2014 to HK\$106.5 million in the first six months of 2015. Sales to Europe, Asia, the US and other regions accounted for 68%, 17%, 4% and 11% respectively of the revenue of the distribution division in the first six months of 2015 (2014: 46%, 31%, 6% and 17% respectively).

The retailing division continued to contribute less than 1% to the consolidated revenue of the Group. Revenue of this division increased slightly to HK\$1.3 million in the first six months of 2015 (2014: HK\$1.2 million).

Financial position and liquidity

Cash flows

As a result of a reduction in its working capital requirements, the Group generated a higher net cash inflow from operating activities of HK\$88.8 million (2014: HK\$63.0 million) despite a substantial decline in profitability of the core business of the Group during the period under review. Capital expenditure increased significantly from HK\$94.9 million in the first six months of 2014 to HK\$234.8 million in the period under review, because of the construction of buildings on the factory sites in Pingdi Town of Shenzhen City, Heyuan City and Zhongshan City. Total dividend payments of HK\$14.6 million were made (2014: HK\$9.6 million). The 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\$500.4 million as at 31st December, 2014 to HK\$341.2 million as at 30th June, 2015.

Working capital management

Inventory turnover period (being the ratio of inventory balances to cost of sales) remained stable at 56 days in the first six months of 2015 (2014: 54 days). Inventory balance decreased by 16% from HK\$216.2 million as at 31st December, 2014 to HK\$180.8 million as at 30th June, 2015, as exports volume was particularly low in the second half of December 2014 due to the holidays in all major export markets. Debtors turnover period (being the ratio of the total of trade debtors and bills receivable to revenue) decreased from 101 days in the first six months of 2014 to 89 days in the first six months of 2015 as a lower proportion of sales was made in the second quarter of 2015 as compared to that of 2014. Total trade debtors and bills receivable balance decreased by 13% from HK\$405.3 million as at 31st December, 2014 to HK\$354.5 million as at 30th June, 2015 as most customers delayed the payment of invoices due at the end of December 2014 to early January 2015. The current ratio (being the ratio of total current assets to total current liabilities) of the Group decreased from 1.2 to 1.0 as at 31st December, 2014 to 1.0 to 1.0 as at 30th June, 2015, as a result of the decrease in net cash position of the Group.

Gearing position

The Group's gearing position remained low throughout the first six months of 2015. The debt-to-equity ratio (expressed as a percentage of non-current liabilities over equity attributable to owners of the Company) remained stable at less than 1% as at both 30th June, 2015 and 31st December, 2014. The non-current liabilities of the Group comprised only deferred taxation which amounted to HK\$10.7 million as at 30th June, 2015 (31st December, 2014: HK\$10.0 million).

Net asset value

The Company had 383,650,000 shares in issue as at both 30th June, 2015 and 31st December, 2014 with an equity attributable to owners of the Company amounting to HK\$1,190.5 million and HK\$1,200.5 million as at 30th June, 2015 and 31st December, 2014 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 30th June, 2015 was HK\$3.10 (31st December, 2014: HK\$3.13).

Foreign currency exposure

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

PROSPECTS

Factory relocation

The Group's factory relocation project has entered its final critical stage. Construction of all main buildings in the factory sites in Pingdi Town of Shenzhen City, Heyuan City and Zhongshan City has been completed and internal renovation is underway. Relocation of production lines will be executed in the fourth quarter of 2015. Relevant capital expenditure has been financed by the first instalment of proceeds of the disposal of the Group's interest in the Argent Urban Renewal Project. The Group anticipates that there will be no material disruption to its manufacturing operations throughout the relocation exercise and believes that this represents a good opportunity for the Group to upgrade and modernize its production facilities in its newly established factories.

ODM division

The strength of the US dollar and possible interest rate hikes in the US will continue to affect the performance of the ODM division in the second half of 2015. Despite the poor business visibility, the Group maintains an order book of around three months' sales order on hand as its customers continue to consolidate their sourcing portfolios. The integration with Trenti Industria Occhiali S.r.l., a 50% owned associate in Italy acquired in mid-2014, is progressing well and the Group is well-equipped to capture the demand for "Made in Italy" solutions by customers of both ODM and distribution divisions.

Distribution division

Further strengthening of the Group's brands portfolio and improvement in downstream operations will be the theme of this division in the second half of 2015. The Group's house brand and licensed brand products are directly sold to retail shops in the UK, France, Belgium and Luxembourg, whereas they are distributed through independent distributors in the rest of the world. There are still many untapped opportunities which could further increase the contribution of this higher margin business, for example, by

expansion of both the Group's distribution network (through direct distribution and alliances with strategic distribution partner(s)) and brands portfolio (by acquisition and licensing of brands).

Margin pressure

Increase in labour and operating costs in mainland China will continue to put pressure on our gross margin. Price adjustments by the ODM division can only provide a certain degree of short-term relief to such problems. Improvement of operational efficiency after our factory relocation and an increase in the proportion of sales of higher margin products of our distribution division will be pivotal in addressing this challenge in the long term.

EMPLOYEE AND REMUNERATION POLICIES

As at 30th June, 2015, the Group employed approximately 8,800 (31st December, 2014: 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 as well as provident fund schemes.

CORPORATE GOVERNANCE

The Company had complied with all applicable code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30th June, 2015, except for deviation from code provision A.2.1 of the CG Code. Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ng Hoi Ying, Michael ("Mr. Ng") is the founder and chairman of the Group. The Company does not at present have any officer with the title "chief executive officer" and Mr. Ng has been carrying out the duties of both the chairman and chief executive officer since the establishment of the Group and the Company. The Board intends to maintain this structure in 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 management of the Company.

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.

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. The major roles and functions of the Remuneration Committee include the determination of remuneration of executive directors and senior management and review of the remuneration policy of the Group.

A Nomination Committee has been established by the Company since 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) 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 policy, nomination procedures and process and criteria for the nomination of directors.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the six months ended 30th June, 2015.

REVIEW OF INTERIM RESULTS

The unaudited interim results and the interim report of the Group for the six months ended 30th June, 2015 have been reviewed by the Audit Committee and the Company's auditor, Messrs. Deloitte Touche Tohmatsu.

PUBLICATION OF INTERIM REPORT

The 2015 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 2015.

DIRECTORS

As at the date of this announcement, 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.

By Order of the Board
Ng Hoi Ying, Michael
Chairman

Hong Kong, 31st August, 2015