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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 30 JUNE 2023

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 2023 together with comparative figures for the corresponding period in 2022.

FINANCIAL HIGHLIGHTS

	Six months ended	
	30.6.2023	30.6.2022
Revenue	HK\$566,454,000	HK\$580,057,000
Profit attributable to owners of the Company	HK\$21,675,000	HK\$28,466,000
Profit per share	5.61 HK cents	7.37 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 2023

		Unaudited	
		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	566,454	580,057
Cost of sales		(395,227)	(419,446)
Gross profit		171,227	160,611
Other income		14,993	16,975
Other gains and losses		(5,303)	9,456
(Impairment loss)/reversal of impairment loss		(460)	451
Distribution and selling expenses		(20,984)	(21,771)
Administrative expenses		(136,375)	(132,345)
Other expenses		(457)	(673)
Profit from operations		22,641	32,704
Finance costs	4	(329)	(1,049)
Share of profit of an associate		9,248	2,362
Profit before tax		31,560	34,017
Income tax expense	5	(7,063)	(3,004)
Profit for the period	6	24,497	31,013
Other comprehensive income/(expense) after tax:			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation increase upon transfer from property, plant and equipment to investment properties		–	259
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		12,518	(21,662)
Exchange differences arising on translation of an associate		1,137	(3,145)
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)	–
		13,546	(24,807)
Other comprehensive income/(expense) for the period, net of tax		13,546	(24,548)
Total comprehensive income for the period		38,043	6,465

		Unaudited	
		Six months ended 30 June	
		2023	2022
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period attributable to:			
	Owners of the Company	21,675	28,466
	Non-controlling interests	2,822	2,547
		<u>24,497</u>	<u>31,013</u>
Total comprehensive income for the period attributable to:			
	Owners of the Company	34,329	6,401
	Non-controlling interests	3,714	64
		<u>38,043</u>	<u>6,465</u>
		<i>HK cents</i>	<i>HK cents</i>
Profit per share			
	Basic and diluted	5.61	7.37

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

		Unaudited 30 June 2023 <i>HK\$'000</i>	Audited 31 December 2022 <i>HK\$'000</i>
Non-current assets			
Investment properties		81,319	87,316
Property, plant and equipment		203,157	207,214
Deposits paid for acquisition of property, plant and equipment		61,487	38,726
Intangible assets		20,193	21,873
Goodwill		25,817	25,293
Investment in an associate		49,921	39,869
Investments in joint ventures		1,306	1,306
Equity investments at FVTOCI		7,356	7,666
Contingent consideration receivable		57	57
Deferred tax assets		6,761	6,411
		457,374	435,731
Current assets			
Inventories		136,616	129,898
Debtors, deposits and prepayments	9	355,451	334,370
Tax recoverable		540	292
Short-term bank deposit		1,161	1,156
Bank balances and cash		176,107	189,710
		669,875	655,426
Current liabilities			
Creditors and accrued charges	10	467,072	429,355
Contract liabilities		8,198	8,458
Refund liabilities		6,495	7,200
Lease liabilities		3,248	2,332
Bank borrowings	11	3,828	6,075
Tax liabilities		9,770	9,396
		498,611	462,816
Net current assets		171,264	192,610
Total assets less current liabilities		628,638	628,341

	Unaudited	Audited
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Consideration payable	556	556
Lease liabilities	2,620	3,550
Deferred tax liabilities	21,742	18,286
	<u>24,918</u>	<u>22,392</u>
NET ASSETS	<u>603,720</u>	<u>605,949</u>
Capital and reserves		
Share capital	38,626	38,626
Reserves	476,071	480,591
	<u>514,697</u>	<u>519,217</u>
Equity attributable to owners of the Company	514,697	519,217
Non-controlling interests	89,023	86,732
	<u>603,720</u>	<u>605,949</u>
TOTAL EQUITY	<u>603,720</u>	<u>605,949</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. BASIS OF PREPARATION

The condensed 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 financial statements should be read in conjunction with the 2022 annual financial statements. 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 financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2022.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

Deferred tax related to assets and liabilities arising from a single transaction

The Group has adopted Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. For leasing transactions, the Group is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur after the beginning of the earliest period presented.

The Group previously accounted for deferred tax on leases applying the “integrally linked” approach, resulting in a similar outcome to the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the condensed consolidated statement of financial position because the balances qualify for offset under paragraph 74 of HKAS 12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised. This disclosure will be provided in the annual financial statements.

The change in accounting policy will also be reflected in the Group’s consolidated financial statements as at and for the year ending 31 December 2023.

In addition to the adoption of the above amendments to standards, in the current period, the Group has adopted all other new and revised Hong Kong Financial Reporting Standards issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. They do not have a material effect on the Group’s condensed consolidated interim financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim 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, increase or decrease in fair values of investment properties, losses on disposal of equity investments at fair value through profit or loss and FVTOCI, finance costs and share of profit of an associate. 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 2023 (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	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>
Revenue from external customers	<u>333,586</u>	<u>103,826</u>	<u>110,326</u>	<u>18,716</u>	<u>566,454</u>
<i>Result</i>					
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>

For the six months ended 30 June 2022 (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	254,644	104,128	50,686	8,790	418,248
Distribution division	81,542	11,802	14,733	18,951	127,028
Lens division	–	–	34,781	–	34,781
	<u>336,186</u>	<u>115,930</u>	<u>100,200</u>	<u>27,741</u>	<u>580,057</u>
Result					
Segment profit	<u>19,074</u>	<u>9,864</u>	<u>4,882</u>	<u>2,260</u>	36,080
Unallocated income and gains					12,186
Unallocated corporate expenses and losses					(15,772)
Interest income on bank deposits					210
Finance costs					(1,049)
Share of profit of an associate					<u>2,362</u>
Profit before tax					<u><u>34,017</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	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interests on bank borrowings	99	703
Interests on lease liabilities	<u>230</u>	<u>346</u>
	<u><u>329</u></u>	<u><u>1,049</u></u>

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)
Current period:		
Hong Kong Profits Tax	1,294	729
The People's Republic of China (excluding Hong Kong) (the "PRC") Enterprise Income Tax	43	–
United Kingdom Corporation Tax	1,585	1,197
France Corporation Tax	205	137
South Africa Corporation Tax	88	109
Italy Corporation Tax	219	26
Vietnam Corporation Tax	185	70
Deferred taxation	3,111	724
	<hr/>	<hr/>
	6,730	2,992
	<hr/>	<hr/>
Underprovision in respect of prior period:		
Hong Kong Profits Tax	192	–
PRC Enterprise Income Tax	141	12
	<hr/>	<hr/>
	333	12
	<hr/>	<hr/>
	7,063	3,004
	<hr/> <hr/>	<hr/> <hr/>

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 19% before 1 April 2023 and increased to 25% from 1 April 2023 (six months ended 30 June 2022: 19%) 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 28% and reduced to 27% after 31 March 2023 (six months ended 30 June 2022: 28%) 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	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Amortisation of intangible assets (included in distribution and selling expenses)	2,280	2,391
Impairment loss/(reversal of impairment loss) recognised on debtors	460	(451)
Cost of inventories recognised as an expense	395,227	419,446
Depreciation of property, plant and equipment	14,760	13,626
Decrease/(increase) in fair values of investment properties	700	(1,772)
Gross rental income from investment properties (included in other income)	(2,001)	(1,912)
Less: Direct operating expenses of investment properties that generated rental income during the period	140	345
	(1,861)	(1,567)
Net loss/(gain) on disposal of property, plant and equipment (included in other gains and losses)	266	(1,389)
Loss on disposal of equity investment at FVTOCI (included in other gains and losses)	125	–
Allowance for inventories, net (included in cost of sales)	616	10,340
Net foreign exchange losses/(gains) (included in other gains and losses)	4,212	(7,073)

7. DIVIDENDS

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Final dividend paid of 5.0 HK cents per share in respect of 2022 (2022: nil per share in respect of 2021)	19,313	–
Special dividend paid of 5.0 HK cents per share in respect of 2022 (2022: nil per share in respect of 2021)	19,313	–
	<u>38,626</u>	<u>–</u>

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023 and 30 June 2022.

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. During the six months ended 30 June 2022, the Board did not recommend the payment of a final dividend for the year ended 31 December 2021.

8. PROFIT PER SHARE

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

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit for the purpose of basic profit per share		
– Profit for the period attributable to owners of the Company	<u>21,675</u>	<u>28,466</u>
	2023	2022
	<i>Number of</i>	<i>Number of</i>
	<i>shares</i>	<i>shares</i>
Weighted average number of shares for the purpose of basic profit per share	<u>386,263,374</u>	<u>386,263,374</u>

No diluted profit 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\$327,028,000 (31 December 2022: HK\$310,226,000). 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 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
0 – 90 days	241,987	213,375
91 – 180 days	80,129	89,505
More than 180 days	4,912	7,346
	<u>327,028</u>	<u>310,226</u>

As at 30 June 2023, total bills receivable amounting to HK\$146,000 (31 December 2022: HK\$254,000) 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 receivable by the Group are with a maturity period of less than one year.

10. CREDITORS AND ACCRUED CHARGES

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Trade creditors	128,696	116,857
Other creditors and accrued charges	338,376	312,498
	<u>467,072</u>	<u>429,355</u>

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

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
0 – 60 days	111,402	102,920
61 – 120 days	14,378	8,438
More than 120 days	2,916	5,499
	<u>128,696</u>	<u>116,857</u>

11. BANK BORROWINGS

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Secured bank borrowings	<u>3,828</u>	<u>6,075</u>

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

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Within one year	3,828	4,531
More than one year, but not exceeding two years	<u>–</u>	<u>1,544</u>
	3,828	6,075
Portion of bank borrowings that contain a repayment on demand clause (shown under current liabilities)	<u>(3,828)</u>	<u>(6,075)</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.

All of the Group's bank borrowings are variable-rate borrowings and subject to cash flow interest rate risk. A bank borrowing of HK\$3,828,000 (31 December 2022: HK\$6,075,000) carries interest at Hong Kong Prime Rate less 2.6%. The borrowing is secured by the Group's investment properties and leasehold land and buildings with carrying amount of HK\$140,057,000 (31 December 2022: HK\$142,737,000).

DIVIDENDS

The Board has resolved not to declare any interim dividend (2022: nil) for the six months ended 30 June 2023.

BUSINESS REVIEW

Profitability analysis

The Group's consolidated revenue decreased slightly by 2% to HK\$566.4 million (2022: HK\$580.1 million) for the six months ended 30 June 2023. During the period under review, the Group recorded a net profit attributable to owners of the Company of HK\$21.7 million and a profit per share of 5.61 HK cents respectively (2022: HK\$28.5 million and 7.37 HK cents respectively).

The major reason for the decrease in net profit attributable to owners of the Company was mainly due to the strengthening of the Renminbi exchange rate during the six months ended 30 June 2023. Since the majority of the Group's revenue was denominated in United States dollars and the majority of the Group's liabilities were denominated in Renminbi, the Group recorded a significant loss on exchange rate differences of HK\$4.2 million during the six months ended 30 June 2023.

Original design manufacturing (“ODM”) division

Revenue generated by the ODM division contributed 70% to the consolidated revenue of the Group in the period under review (2022: 72%). Sales to ODM customers decreased by 5% from HK\$418.3 million in the first six months of 2022 to HK\$398.1 million in the first six months of 2023. The decrease in revenue was mainly due to the weakened consumer confidence in Europe and the United States (the “US”) as a result of the high inflation rate and the war between Russia and Ukraine. Geographically, sales to Europe, the US, Asia and other regions accounted for 61%, 23%, 15% and 1% respectively (2022: 61%, 25%, 12% and 2% respectively) of the revenue of the ODM division during the period under review. 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 42%, 52% and 6% of the revenue generated by the ODM division respectively during the period under review (2022: 46%, 49% and 5% 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 and Italy, and to independent distributors in other countries. Revenue for the distribution division increased slightly by 2% to HK\$129.7 million (2022: HK\$127.0 million) and accounted for 23% (2022: 22%) of the consolidated revenue during the six months ended 30 June 2023. Sales to Europe, the US, Asia and other regions accounted for 69%, 9%, 10% and 12% respectively of the revenue of the distribution division during the period under review (2022: 64%, 9%, 12% and 15% respectively). Sales to Europe increased significantly by 9% as compared to the same period last year. The growth in sales are mainly attributable to our own distributors in the United Kingdom and Italy during the period under review. 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\$38.6 million (2022: HK\$34.8 million) and accounted for 7% (2022: 6%) of the consolidated revenue during the six months ended 30 June 2023. Sales increased significantly by 11% as compared to the same period last year mainly because the Mainland China government had gradually ended the zero-COVID policy since the December of 2022. At the moment, the revenue for the lens division is generated solely 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\$59.1 million during the period under review (2022: HK\$51.4 million) and which was mainly resulted from cash flow derived from the net profit for the period under review. The net cash position of the Group (being the short-term bank deposits, bank balances and cash less bank borrowings) decreased from HK\$184.8 million as at 31 December 2022 to HK\$173.4 million as at 30 June 2023. The decrease in net cash position was mainly due to the payment of dividends of HK\$38.6 million to shareholders of the Company.

Working capital management

In contrast to the decrease in revenue during the period under review, both of the inventory balance and total amount of trade debtors and bills receivable balances increased by 5% from HK\$129.9 million and HK\$310.5 million as at 31 December 2022 to HK\$136.6 million and HK\$327.2 million as at 30 June 2023. The reason behind was that the production and shipment activities in Mainland China were interrupted by the widespread of COVID-19 during the first two months of 2023 and sales have been gradually caught up from March 2023 after the COVID-19 under control. Debtors turnover period (being the ratio of the total of trade debtors and bills receivable to revenue) increased from 95 days for the six months ended 30 June 2022 to 105 days for the period under review. 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) slightly decreased from 66 days for the six months ended 30 June 2022 to 63 days for the period under review because of the strong demand of goods delivery since the second quarter of 2023 after productions and shipments activities resumed normal. The current ratio (being the ratio of total current assets to total current liabilities) of the Group remained stable at 1.3 as at 30 June 2023 compared to 1.4 as at 31 December 2022.

Gearing position

The Group's gearing position remained low throughout the period under review. 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 5% as at 30 June 2023 and around 4% as at 31 December 2022. The non-current liabilities of the Group comprised mainly deferred taxation which amounted to HK\$21.7 million as at 30 June 2023 (31 December 2022: HK\$18.3 million).

Net asset value

The Company had 386,263,374 shares in issue as at both 30 June 2023 and 31 December 2022 with equity attributable to owners of the Company of HK\$514.7 million and HK\$519.2 million as at 30 June 2023 and 31 December 2022 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 2023 was HK\$1.33 (31 December 2022: HK\$1.34).

Contingent liabilities

As at 30 June 2023, the Group did not have significant contingent liabilities (31 December 2022: nil).

Charges on the Group's assets

As at 30 June 2023, the Group's investment properties and leasehold land and buildings pledged as security for the Group's bank borrowings amounted to HK\$3.8 million (31 December 2022: HK\$6.1 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 dollars and Hong Kong dollars. 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 manages 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 with inflationary pressures and geopolitical tensions in both Europe and Asia. The management expected that the business environment for eyewear industry is tough and challenging. Meanwhile, the pricing pressure from the ODM customers will limit the growth of the ODM business.

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 will continue to seek business opportunities with prudence so as to increase the contribution of these businesses either through establishment of our own network or forming joint ventures with strategic distribution partner(s).

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 2023 and up to the date of this announcement.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed approximately 3,600 (31 December 2022: 3,500) full-time staff in Mainland China, Hong Kong, Europe 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 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2023.

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 2023.

REVIEW OF INTERIM RESULTS

The unaudited interim results and the interim report of the Group for the six months ended 30 June 2023 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 2023 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 2023.

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 2023