Arts Group

ARTS OPTICAL INTERNATIONAL HOLDINGS LIMITED
雅視光學集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1120)

FINAL RESULTS
FOR THE YEAR ENDED 31ST DECEMBER, 2008

FINAL RESULTS

The board of directors (the “Board”) of Arts Optical International Holdings Limited (the “Company”) is pleased to announce that the audited consolidated results of the Company and its subsidiaries (together, the “Group”) for the year ended 31st December, 2008 together with last year’s comparative figures are as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31st December, 2008

	Notes	**2008** ***HK$’000***	2007 *HK$’000*
Revenue	2	**1,410,202**	1,294,215
Cost of sales		**(1,085,157)**	(925,514)
Gross profit		**325,045**	368,701
Other income and gains	3	**38,261**	25,203
Distribution and selling expenses		**(50,646)**	(48,803)
Administrative expenses		**(159,838)**	(140,710)
Other expenses		**(6,114)**	(2,161)
Finance costs	4	**(1,592)**	(399)
Profit before taxation		**145,116**	201,831
Taxation	5	**(13,441)**	(16,539)
Profit for the year	6	**131,675**	185,292
Attributable to:			
Equity holders of the parent		**131,354**	184,057
Minority interests		**321**	1,235
		131,675	185,292
Dividends	7	**57,548**	57,548
Earnings per share	8		
– Basic		**34.2 HK cents**	48.0 HK cents

CONSOLIDATED BALANCE SHEET

At 31st December, 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current Assets			
Investment property		**7,300**	7,400
Property, plant and equipment		**568,938**	501,674
Prepaid lease payments		**34,869**	33,565
Deposits paid for acquisition of property, plant and equipment		**6,338**	4,783
Intangible assets		**4,680**	4,680
Loan receivable		**12,361**	14,137
Available-for-sale investments		**5,858**	5,858
Deferred tax assets		**–**	53
		640,344	572,150
Current Assets			
Inventories		**188,317**	210,980
Debtors, deposits and prepayments	9	**394,457**	353,241
Loan receivable		**2,248**	2,262
Prepaid lease payments		**886**	834
Tax recoverable		**188**	108
Short-term bank deposit		**–**	7,506
Bank balances and cash		**141,239**	100,934
		727,335	675,865
Assets classified as held for sale		**–**	3,227
		727,335	679,092
Current Liabilities			
Creditors and accrued charges	10	**264,300**	286,348
Bank borrowings		**48,824**	36,835
Tax liabilities		**725**	1,967
		313,849	325,150
Net Current Assets		**413,486**	353,942
Total Assets less Current Liabilities		**1,053,830**	926,092

	2008	2007
	HK$'000	*HK$'000*
Capital and Reserves		
Share capital	**38,365**	38,365
Reserves	**958,694**	869,551
Equity attributable to equity holders of the parent	**997,059**	907,916
Minority interests	**3,447**	1,552
Total Equity	**1,000,506**	909,468
Non-current Liabilities		
Deferred tax liabilities	**17,491**	15,566
Bank borrowings	**35,833**	–
Loan from a minority shareholder of a subsidiary	**–**	1,058
	53,324	16,624
	1,053,830	926,092

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

In the current year, the Group has applied the following amendments to Hong Kong Accounting Standard ("HKAS"), Hong Kong Financial Reporting Standard ("HKFRS") and new Hong Kong (IFRIC) Interpretations ("HK(IFRIC) – Int") (collectively the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial lnstruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[7]

[1] Effective for annual periods beginning on or after 1st January, 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009
[2] Effective for annual periods beginning on or after 1st January, 2009
[3] Effective for annual periods beginning on or after 1st July, 2009
[4] Effective for annual periods ending on or after 30th June, 2009
[5] Effective for annual periods beginning on or after 1st July, 2008
[6] Effective for annual periods beginning on or after 1st October, 2008
[7] Effective for transfers on or after 1st July, 2009

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

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. SEGMENT INFORMATION

Revenue

Revenue represents the net amounts received and receivable for goods sold to outside customers during the year.

Business segments

The Group is principally engaged in the design, manufacture and sales of optical products. No business segment analysis is presented as management considers this as one single business segment.

Geographical segments

The Group's operations and assets are located in Hong Kong and elsewhere in the People's Republic of China (the "PRC").

Segment information of the Group by location of customers is presented as below:

For the year ended 31st December, 2008

	Europe	United States	Asia	Other regions	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	**912,616**	**399,833**	**64,072**	**33,681**	**1,410,202**
Result					
Segment result	**107,381**	**44,731**	**11,347**	**2,594**	**166,053**
Unallocated income					**14,879**
Unallocated corporate expenses					**(34,700)**
Interest income on bank deposits					**476**
Finance costs					**(1,592)**
Profit before taxation					**145,116**
Taxation					**(13,441)**
Profit for the year					**131,675**

For the year ended 31st December, 2007

	Europe	United States	Asia	Other regions	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	821,741	369,387	67,744	35,343	1,294,215
Result					
Segment result	142,135	63,700	12,566	4,505	222,906
Unallocated income					5,445
Unallocated corporate expenses					(27,558)
Interest income on bank deposits					1,437
Finance costs					(399)
Profit before taxation					201,831
Taxation					(16,539)
Profit for the year					185,292

3. OTHER INCOME AND GAINS

	2008	2007
	HK$'000	*HK$'000*
Included in other income and gains are:		
Sales of scrap materials	**7,568**	6,888
Compensation from customers	**13,248**	9,361
Increase in fair value of investment property	**–**	2,600
Interest income on bank deposits	**476**	1,437
Property rental income less negligible outgoings	**445**	372
Dividend income from available-for-sale investments	**1,434**	2,375
Royalty income on intangible assets	**468**	467
Gain on disposal of assets classified as held for sale	**6,226**	–
Gain on disposal of interests in a subsidiary	**1,864**	–
Gain on disposal of partial interests in a subsidiary	**4,442**	–

4. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**1,504**	302
Imputed interest on loan from a minority shareholder of a subsidiary	**88**	97
	1,592	399

5. TAXATION

	2008	2007
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
– Current year	**11,481**	16,833
– Overprovision in respect of prior years	**(1,510)**	(2,806)
	9,971	14,027
PRC Enterprise Income Tax – current year	**1,492**	–
	11,463	14,027
Deferred taxation		
– Current year	**1,195**	3,239
– Under(over)provision in respect of prior years	**1,669**	(727)
– Attributable to change in tax rate	**(886)**	–
	1,978	2,512
	13,441	16,539

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

PRC income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

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

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

6. PROFIT FOR THE YEAR

	2008	2007
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,480**	1,510
Cost of inventories recognised as an expense	**1,067,859**	917,439
Depreciation of property, plant and equipment	**81,882**	68,968
Loss on disposal of property, plant and equipment	**350**	383
Net foreign exchange loss	**4,597**	392
Operating lease rentals in respect of rented premises	**4,299**	6,356
Release of prepaid lease payments	**835**	710
Decrease in fair value of investment property	**100**	–
Staff costs:		
Directors' emoluments	**2,387**	3,110
Other staff		
– Salaries and other allowances	**365,394**	271,676
– Contributions to retirement benefit schemes	**3,662**	17,100
Total staff costs	**371,443**	291,886
Allowance for inventories	**17,298**	8,075
Allowance (write back) for doubtful debts	**8,944**	(127)

7. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
Final dividend paid in respect of 2007 of 8 HK cents (2006: 7 HK cents) per share	**30,692**	26,856
Interim dividend paid in respect of 2008 of 7 HK cents (2007: 8 HK cents) per share	**26,856**	30,692
	57,548	57,548

The final dividend in respect of 2008 of 6.5 HK cents (2007: 8 HK cents) per share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

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:

	2008	2007
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share	**131,354**	184,057
	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 dilutive potential ordinary shares in issue in both 2008 and 2007.

9. DEBTORS, DEPOSITS AND PREPAYMENTS

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

Included in the Group's debtors, deposits and prepayments are trade debtors of HK$388,725,000 (31st December, 2007: HK$347,158,000), an aging analysis of which at the balance sheet date is as follows:

	2008	2007
	HK$'000	*HK$'000*
Current	**310,351**	272,264
1 to 90 days overdue	**78,374**	72,526
More than 90 days overdue	**–**	2,368
	388,725	347,158

10. CREDITORS AND ACCRUED CHARGES

Included in the Group's creditors and accrued charges are trade creditors of HK$147,455,000 (31st December, 2007: HK$179,403,000), an aging analysis of which at the balance sheet date is as follows:

	2008	2007
	HK$'000	*HK$'000*
Current	**92,920**	118,146
1 to 90 days overdue	**52,010**	52,120
More than 90 days overdue	**2,525**	9,137
	147,455	179,403

DIVIDENDS

The Board has resolved to recommend a final dividend of 6.5 HK cents per share for the year ended 31st December, 2008. Subject to the approval of shareholders at the forthcoming annual general meeting to be held on 29th May, 2009, the final dividend will be payable on 22nd June, 2009 to shareholders whose names appear on the register of members of the Company on 29th May, 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26th May, 2009 to 29th May, 2009, both days inclusive, during which period no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 25th May, 2009 in order to qualify for the proposed final dividend mentioned above.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 29th May, 2009. The notice of annual general meeting will be published on the Company's website at www.artsgroup.com and Hong Kong Exchanges and Clearing Limited's HKExnews website at www.hkexnews.hk and will be despatched to the shareholders on or about 28th April, 2009.

BUSINESS REVIEW

Profitability analysis

As reported in our 2008 interim report, the business environment was exceptionally challenging in 2008 underpinned by the acute cost pressure experienced in the first 3 quarters of the year followed by the drastic contraction in the market in the last quarter of the year. Although the Group still managed to grow its consolidated revenue by 9% to HK$1,410.2 million (2007: HK$1,294.2 million) during the year, the profit attributable to the equity holders of the Company decreased by 29% to HK$131.4 million (2007: HK$184.1 million). Basic earnings per share also decreased by 29% to 34.2 HK cents (2007: 48.0 HK cents) in 2008.

The modest price adjustments and the positive effects of the economies of scale could not fully offset the adverse cost impact caused by higher raw material costs, labour wages, record energy prices and appreciation of Renminbi. The implementation of the Labour Contract Law in the PRC on 1st January, 2008 and the 20% increase in minimum wages in Long Gang Area, Shenzhen in July 2008 further pushed up the labour costs of the Group. Gross profit margin (ratio of gross profit to revenue) declined by 5.5% from 28.5% in 2007 to 23.0% in 2008. The net profit margin (ratio of profit attributable to the equity holders of the Company to revenue) decreased accordingly by 4.9% from 14.2% to 9.3%.

Original design manufacturing (ODM) division

Amid the softening of the American and European export markets during the year, revenue generated by our core ODM division still registered a modest growth of 10% from HK$1,179.6 million in 2007 to HK$1,296.3 million in 2008. Sales to Europe and the United States (the "US") grew by 13% and 9% to HK$858.5 million and HK$393.4 million respectively in 2008 (2007: HK$762.9 million and HK$361.8 million respectively). Geographically, sales to Europe, the US, Asia and other regions accounted for 66%, 30%, 2% and 2% respectively of the sales of this division in 2008 (2007: 65%, 30%, 3% and 2% respectively). The trend of faster growth in sales of sunglasses over prescription frames was reversed during the year as the consumption of sunglasses was generally more sensitive to economic performance whereas sales of prescription frames was relatively more resilient. Sales of prescription frames and sunglasses grew by 14% and 7% to HK$681.1 million and HK$597.6 million respectively in 2008 (2007: HK$595.4 million and HK$559.5 million respectively). Sales of plastic frames, metal frames and spare parts accounted for 52%, 47% and 1% respectively of the sales of the ODM division in the year under review (2007: 53%, 45% and 2% respectively).

Distribution and retailing divisions

After the merger of the two distribution companies in March 2008, all the brands carried by the Group, including the two house brands of STEPPER and OOPZ as well as the licensed brands of FIORUCCI and PANTONE UNIVERSE, were distributed by the combined entity for efficiency optimization and cross-sales maximization. Sales generated by this division increased by 10% to HK$105.5 million in 2008 (2007: HK$95.7 million). Sales in emerging markets were particularly well during the year and had fully offset the slowdown in European and North American markets. Sales to Europe, Asia, North America and other regions accounted for 51%, 28%, 7% and 14% respectively of the Group's turnover of the distribution division in 2008 (2007: 61%, 15%, 11% and 13% respectively).

The Group continued to down-size its retailing operations in 2008. All the 3 shops in Beijing were sold and 2 shops were also closed in Shenzhen. Turnover of this division decreased by 56% to HK$8.4 million in 2008 (2007: HK$18.9 million). The Group operated a total of 3 shops in Shenzhen as at 31st December, 2008 (31st December, 2007: 5 shops in Shenzhen and 3 shops in Beijing).

Financial position and liquidity

The Group generated HK$160.4 million net cash inflow from its operating activities in 2008 (2007: HK$254.7 million). Capital expenditure was substantially reduced amid the economic slowdown from HK$190.6 million in 2007 to HK$130.2 million in 2008. Dividend payments remained flat at HK$57.5 million for both years of 2008 and 2007. A net cash position was maintained (bank and cash balance less bank borrowing) throughout the year of 2008 and the balance was HK$56.6 million as at 31st December, 2008 (31st December, 2007: HK$71.6 million).

Our balance sheet remained strong and solid. The current ratio of the Group as at 31st December, 2008 was 2.3 to 1 (31st December, 2007: 2.1 to 1). As a result of the streamlining of production procedures and installations of more advanced semi-automatic equipment, the inventory turnover period (ratio of inventory balance to cost of sales) decreased remarkably from 83 days in 2007 to 63 days in 2008. On the other hand, debtors turnover period (ratio of the trade debtor balance to sales) increased slightly from 98 days in 2007 to 101 days in 2008 as there was a general slow down in payment by customers in the last quarter of 2008 due to the effects of the global credit crunch.

The Group had 383,650,000 shares in issue as at both 31st December, 2008 and 31st December, 2007 with an equity attributable to equity holders of the Company amounting to HK$997.1 million and HK$907.9 million as at 31st December, 2008 and 31st December, 2007 respectively. Net asset value per share (equity attributable to equity holders of the Company divided by the total number of shares in issue) as at 31st December, 2008 was HK$2.60 (31st December, 2007: HK$2.37). Because of the HK$50 million five years bank loan raised during the year, total long term liabilities and debt to equity ratio (expressed as a percentage of total long term liabilities over equity attributable to equity holders of the Company) increased to HK$53.3 million (31st December, 2007: HK$16.6 million) and 5.3% (31st December, 2007: 1.8%) respectively.

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 and the exchange rates movements between these currencies were relatively stable during the year, except to the extent of the gradual continuous appreciation of Renminbi against United States dollars and Hong Kong dollars.

Contingent liabilities

	2008	2007
	HK$'000	*HK$'000*
Corporate guarantee to a financial institution in respect of banking facilities granted to a trade debtor	**9,688**	9,750

The directors of the Company consider that the fair values of this financial guarantee contract at its initial recognition and carrying amount at 31st December, 2007 and 2008 are insignificant on the basis of its short maturity periods and low applicable default risk. The Group has not recognised any deferred income in the consolidated financial statements in relation to the abovementioned guarantee as its fair value is considered not significant.

PROSPECTS

ODM division

The retail sales of optical products contracted in America first and then in Europe in the fourth quarter of 2008. Many leading optical chains reported double-digits decline in retail sales. This has triggered an inventory reduction exercise along the supply chain and affected the businesses of wholesalers, manufacturers and raw materials suppliers. The Group currently has an order book of two to three months sales order which is considered to be low as compared with its long term historical average of three to four months sales order.

To tackle this economic recession, the Group has taken the following action since the last quarter of 2008:

(a) to implement stringent cost control measures on various areas; and

(b) to critically review all capital expenditure projects and will commence commercial production in the new factory in Heyuan after there are signs of rebound of the export markets.

Distribution and retailing divisions

The Group sees tremendous growth potential in its distribution division as consumers are more inclined to look for value frames during the current economic environment. Our distribution division is well positioned to capture these new opportunities. The first global distributors conference to be held next week will provide an excellent platform for maximization of cross-selling opportunities. More resources will be devoted to grow this division as our long-term revenue and earnings driver.

The contribution of the Group's retailing division which comprises 3 shops in Shenzhen will continue to remain relatively limited and the management will evaluate its business value to the Group from time to time.

Liquidity and financial management

The management believes that maintaining a sound level of liquidity is the key to survival and success under this once-in-a-century financial crisis. The HK$50 million five years term loan raised in 2008 enhances the flexibility of our working capital management and efficiency of our balance sheet. We will continue to shorten and monitor the cash conversion circle for the optimal utilization of our financial resources.

Summary

Although we are currently facing the most challenging time since we went public in 1996, we are confident that we can successfully weather this economic recession by our operational and financial discipline. The professionalism, creativity, loyalty and diligence of our staff will continue to be our key momentum of growth when the market rebounds.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2008, the Group employed approximately 11,600 (31st December, 2007: 12,000) full time staff in mainland China, Hong Kong and Europe. The Group remunerates its employees based on their performances, experiences, qualifications and prevailing market salaries while performance bonuses are granted on a discretionary basis after considering individual performance and the operating results of the Group. Other employee benefits include insurance and medical cover, subsidised educational and training programmes, provident fund schemes as well as a share option scheme.

CORPORATE GOVERNANCE

The Company has complied with all applicable code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31st December, 2008 except for the deviations from code provision A.2.1 of the CG Code only. Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ng Hoi Ying, Michael ("Mr. Ng") is the founder and Chairman of the Group. The Company does not at present have any officer with the title "chief executive officer" and Mr. Ng has been carrying out the duties of both the chairman and chief executive officer since the establishment of the Group and the Company. The Board intends to maintain this structure in the future as it believes that this structure ensures efficient and effective formulation and implementation of business strategies without compromising the balance of power and authority between the Board and management of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31st December, 2008 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

The Group's consolidated financial statements for the year ended 31st December, 2008 have been reviewed by the audit committee of the Board and audited by Messrs. Deloitte Touche Tohmatsu.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31st December, 2008.

PUBLICATION OF ANNUAL REPORT

The 2008 annual report will be despatched to the shareholders of the Company and available on the Company's website at www.artsgroup.com and Hong Kong Exchanges and Clearing Limited's HKExnews website at www.hkexnews.hk on or about 28th April, 2009.

DIRECTORS

As at the date of this announcement, the Board comprises six directors, three of which are executive directors, namely Mr. Ng Hoi Ying, Michael, Mr. Ng Kim Ying and Mr. Lee Wai Chung, and three are independent non-executive directors, namely Mr. Francis George Martin, Mr. Wong Chi Wai and Mr. Chung Hil Lan Eric.

By Order of the Board
Ng Hoi Ying, Michael
Chairman

Hong Kong, 16th April, 2009

* *For identification purpose only*