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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

INTERIM RESULTS

The board of directors (the "Board") of Arts Optical International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together, the "Group") for the six months ended 30th June, 2009 together with comparative figures for the corresponding period in 2008.

FINANCIAL HIGHLIGHTS

	Six months ended 30th June,	
	2009	2008
Revenue	**HK$593,350,000**	HK$669,473,000
Profit attributable to the owners of the Company	**HK$66,264,000**	HK$74,765,000
Earnings per share	**17.3 HK cents**	19.5 HK cents
Interim dividend per share	**6.5 HK cents**	7.0 HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2009

		Six months ended	
		30.6.2009	30.6.2008
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	3	**593,350**	669,473
Cost of sales		**(429,743)**	(503,709)
Gross profit		**163,607**	165,764
Other income		**11,885**	11,229
Other gains and losses		**1,098**	6,170
Distribution and selling expenses		**(25,568)**	(22,743)
Administrative expenses		**(74,031)**	(75,540)
Other expenses		**(431)**	(469)
Finance costs	4	**(565)**	(479)
Profit before tax		**75,995**	83,932
Income tax expense	5	**(9,268)**	(8,580)
Profit for the period	6	**66,727**	75,352
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		**(3,486)**	25,510
Total comprehensive income for the period		**63,241**	100,862
Profit for the period attributable to:			
Owners of the Company		**66,264**	74,765
Minority interests		**463**	587
		66,727	75,352
Total comprehensive income attributable to:			
Owners of the Company		**62,778**	100,163
Minority interests		**463**	699
		63,241	100,862
Earnings per share	8		
– Basic		**17.3 HK cents**	19.5 HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2009

	Notes	30.6.2009 HK$'000 (unaudited)	31.12.2008 HK$'000 (audited)
Non-current Assets			
Investment property		**–**	7,300
Property, plant and equipment		**539,688**	568,938
Prepaid lease payments		**34,448**	34,869
Deposits paid for acquisition of property, plant and equipment		**13,162**	6,338
Intangible assets		**4,680**	4,680
Loan receivable		**11,238**	12,361
Available-for-sale investments		**5,858**	5,858
		609,074	640,344
Current Assets			
Inventories		**139,332**	188,317
Debtors, deposits and prepayments	9	**318,096**	394,457
Loan receivable		**2,248**	2,248
Prepaid lease payments		**886**	886
Tax recoverable		**146**	188
Short-term bank deposits		**87,928**	–
Bank balances and cash		**145,850**	141,239
		694,486	727,335
Asset classified as held for sale		**7,300**	–
		701,786	727,335
Current Liabilities			
Creditors and accrued charges	10	**207,395**	264,300
Bank borrowings		**10,000**	48,824
Tax liabilities		**5,967**	725
		223,362	313,849
Net Current Assets		**478,424**	413,486
Total Assets less Current Liabilities		**1,087,498**	1,053,830
Capital and Reserves			
Share capital		**38,365**	38,365
Reserves		**996,535**	958,694
Equity attributable to owners of the Company		**1,034,900**	997,059
Minority interests		**3,910**	3,447
Total Equity		**1,038,810**	1,000,506
Non-current Liabilities			
Deferred tax liabilities		**17,855**	17,491
Bank borrowings		**30,833**	35,833
		48,688	53,324
		1,087,498	1,053,830

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment property, which is measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2008.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning on 1st January, 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 "Segments Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments by location of customers. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3). The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised 2008)	Business Combinations[1]
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) - Int 18	Transfers of Assets from Customers[4]

[1] Effective for annual periods beginning on or after 1st July, 2009
[2] Amendments that are effective for annual periods beginning on or after 1st July, 2009 or 1st January, 2010, as appropriate
[3] Effective for annual periods beginning on or after 1st January, 2010
[4] Effective for transfers on or after 1st July, 2009

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st January, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was geographical segments by location of customers. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The information reported to the Group's chief operating decision maker (i.e. Executive Directors) for the purposes of resource allocation and assessment of performance is focused on the location of customers. Thus, the Group is currently organised into four segments which are sales from customers located in Europe, the United States, Asia and other regions.

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:

	Six months ended			
	30.6.2009	**30.6.2009**	30.6.2008	30.6.2008
	Revenue	**Results**	Revenue	Results
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Europe	**379,656**	**57,415**	440,426	59,965
United States	**166,849**	**24,651**	180,472	23,448
Asia	**28,878**	**6,587**	32,102	12,149
Other regions	**17,967**	**1,603**	16,473	1,402
	593,350	**90,256**	669,473	96,964
Unallocated income		**349**		5,366
Unallocated corporate expenses		**(15,066)**		(18,097)
Interest income on bank deposits		**1,021**		178
Finance costs		**(565)**		(479)
Profit before tax		**75,995**		83,932
Income tax expense		**(9,268)**		(8,580)
Profit for the period		**66,727**		75,352

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, interest income, property rental income, royalty income, gain on disposal of partial interests in a subsidiary and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

4. FINANCE COSTS

	Six months ended	
	30.6.2009	30.6.2008
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**565**	428
Imputed interest on loan from a minority shareholder of a subsidiary	**–**	51
	565	479

5. INCOME TAX EXPENSE

	Six months ended	
	30.6.2009	30.6.2008
	HK$'000	*HK$'000*
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	**8,904**	8,580
Deferred taxation		
Current year	**364**	–
	9,268	8,580

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 used is 16.5% for both periods under review.

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

In relation to 50:50 apportionment 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 the period.

6. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2009	30.6.2008
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	**429,743**	503,709
Depreciation of property, plant and equipment	**43,573**	38,893
Gain on disposal of assets classified as held for sale	**–**	(6,226)
Gain on disposal of partial interests in a subsidiary	**–**	(4,442)
Loss on disposal of property, plant and equipment	**116**	63
Net foreign exchange (gain) loss	**(1,214)**	4,435
Release of prepaid lease payments	**421**	412

7. DIVIDENDS

	Six months ended	
	30.6.2009	30.6.2008
	HK$'000	*HK$'000*
Final dividend paid in respect of 2008 of 6.5 HK cents (2008: 8.0 HK cents in respect of 2007) per share	**24,937**	30,692

The interim dividend in respect of 2009 of 6.5 HK cents (2008: 7.0 HK cents) per share amounting to a total of HK$24,937,000 (2008: HK$26,856,000) has been declared by the board of directors on 15th September, 2009.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2009	30.6.2008
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share (Profit for the period attributable to the owners of the Company)	**66,264**	74,765
	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 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$312,599,000 (31st December, 2008: HK$388,725,000), an aging analysis of which at the reporting date is as follows:

	30.6.2009	31.12.2008
	HK$'000	*HK$'000*
Current	**247,615**	310,351
1 to 90 days overdue	**64,984**	78,374
	312,599	388,725

10. CREDITORS AND ACCRUED CHARGES

Included in the Group's creditors and accrued charges are trade creditors of HK$97,501,000 (31st December, 2008: HK$147,455,000), an aging analysis of which at the reporting date is as follows:

	30.6.2009	31.12.2008
	HK$'000	*HK$'000*
Current	**86,754**	92,920
1 to 90 days overdue	**8,790**	52,010
More than 90 days overdue	**1,957**	2,525
	97,501	147,455

DIVIDEND

The Board has resolved to declare an interim dividend of 6.5 HK cents per share for the six months ended 30th June, 2009 (2008: 7.0 HK cents per share). The interim dividend will be payable on 8th October, 2009 to shareholders whose names appear on the register of members of the Company on 30th September, 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 28th September, 2009 to 30th September, 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 September, 2009 in order to qualify for the interim dividend mentioned above.

BUSINESS REVIEW

Profitability analysis

The Group's consolidated revenue decreased by 11% to HK$593.4 million (2008: HK$669.5 million) and the profit attributable to the owners of the Company also decreased by the same percentage to HK$66.3 million (2008: HK$74.8 million) in the six months ended 30th June, 2009. Basic earnings per share decreased correspondingly by 11% to 17.3 HK cents (2008: 19.5 HK cents) in the period under review.

The gross profit margin (ratio of gross profit to revenue) of the Group improved by 2.8% from 24.8% in the first half of 2008 to 27.6% in the corresponding period of 2009. This was attributable to the decline in raw material prices and the Group's efforts in streamlining operations so that the adverse effect of dis-economies of scale could be alleviated. Total expenses to revenue ratio increased by 2.2% from 14.8% to 17.0% despite a decline in total dollar amount of the expenses by HK$1.4 million. As some one-off gains reported last year were no longer recorded in the current year, the net profit margin (ratio of profit attributable to the owners of the Company to revenue) remained flat at 11.2%.

Original design manufacturing (ODM) division

The de-stocking exercise implemented by retailers, which was triggered by the global financial meltdown in the second half of 2008, continued to affect the performance of the ODM division in 2009. Sales to ODM customers declined by 11% from HK$607.9 million in the first six months of 2008 to HK$539.6 million in the period under review. Sales to the Group's two biggest markets, Europe and the United States (the "US"), fell by 15% and 7% respectively. On the other hand, sales to emerging markets was less affected by the global recession, with sales to Asia and other regions jumping upwards by 16% and 47% respectively. Geographically, sales to Europe, the US, Asia and other regions accounted for 65%, 30%, 3% and 2% respectively of the sales of this division in the first six months of 2009 (2008: 68%, 29%, 2% and 1% respectively).

The Group's prescription frames business continued to exhibit its resilience amid the sluggish economic environment in the first half of 2009 with a modest growth of 5% in sales recorded in the first six months of 2009. Sales of sunglasses, which was more sensitive to the economic cycle, fell by 31% in the same period. Sales of prescription frames, sunglasses and spare parts accounted for 63%, 35% and 2% respectively of the sales of this division during the period under review (2008: 54%, 45% and 1% respectively). The decline in sales of sunglasses also affected the sales mix of the products sold. Sales of metal frames, plastic frames and spare parts accounted for 51%, 47% and 2% respectively of total sales (2008: 47%, 52% and 1% respectively).

Distribution and retailing divisions

Sales for the distribution division declined by 9% from HK$55.9 million to HK$51.1 million during the period under review as compared with the corresponding period last year. Sales to Europe increased marginally by 2% due to the solid sales performance of the Group's German brand "STEPPER" whereas sales to Asia, North America and other regions fell by 16%, 24% and 25% respectively. Sales to Europe, Asia, North America and other regions accounted for 58%, 23%, 6% and 13% respectively of the turnover of the distribution division in the first half of 2009 (2008: 52%, 25%, 7% and 16% respectively).

Revenue of the retailing division decreased by 53% to HK$2.7 million in the first half of 2009 (2008: HK$5.7 million) as the Group had disposed of all of its 3 shops in Beijing in the first half of 2008 and operated only 3 shops in Shenzhen as at 30th June, 2009 (30th June, 2008: 4 shops in Shenzhen).

Financial position and liquidity

Working capital management

We are pleased to report that our efforts in reducing inventory and receivables has started to bear fruit. Inventory turnover period (ratio of inventory balance to cost of sales) decreased from 79 days in the first six months of 2008 to 59 days in the corresponding period of 2009. Debtors turnover period (ratio of the trade debtors balance to sales) also decreased from 101 days to 96 days. The current ratio of the Group as at 30th June, 2009 was 3.1 to 1 (31st December, 2008: 2.3 to 1) with HK$701.8 million of current assets (31st December, 2008: HK$727.3 million) and HK$223.4 million of current liabilities (31st December, 2008: HK$313.8 million).

Cash flows

During the period under review, the Group's operating activities generated a strong net cash inflow of HK$185.1 million (2008: HK$70.2 million), principally as a result of the cutting down of working capital requirements during the period. Capital expenditure was closely monitored by the management and amounted to HK$25.8 million, significantly down from HK$64.8 million of the corresponding period of last year. A dividend payment of HK$24.9 million was made (2008: HK$30.7 million). The net cash position of the Group (bank and cash balance less bank borrowings) increased from HK$56.6 million as at 31st December, 2008 to HK$192.9 million as at 30th June, 2009.

Gearing position

As at 30th June, 2009, total non-current liabilities and debt to equity ratio (expressed as a percentage of total non-current liabilities over equity attributable to the owners of the Company) were HK$48.7 million (31st December, 2008: HK$53.3 million) and 4.7% (31st December, 2008: 5.3%) respectively. As at 30th June, 2009, the Group has repaid all bank borrowings except the outstanding principal of the five years term loan raised in 2008.

Net asset value

The Group had 383,650,000 shares in issue as at both 30th June, 2009 and 31st December, 2008 with equity attributable to the owners of the Company amounting to HK$1,034.9 million and HK$997.1 million as at 30th June, 2009 and 31st December, 2008 respectively. Net asset value per share (equity attributable to the owners of the Company divided by the total number of shares in issue) as at 30th June, 2009 was HK$2.70 (31st December, 2008: HK$2.60).

Foreign currency exposure

The Group had limited exposure to foreign exchange rate fluctuations as most of its transactions were conducted in either US dollars, Hong Kong dollars or Renminbi and the exchange rate movements between these currencies were relatively stable during the period under review.

Contingent liabilities

	30.6.2009	31.12.2008
	HK$'000	*HK$'000*
Corporate guarantee to a financial institution in respect of banking facilities granted to a trade debtor	**9,688**	9,688

The directors of the Company consider that the fair value of this financial guarantee contract at its initial recognition and the carrying amount at 31st December, 2008 and 30th June, 2009 are insignificant on the basis of its short maturity period and low applicable default risk. The Group has not recognised any deferred income in the condensed consolidated financial statements in relation to the abovementioned guarantee as its fair value is considered not significant.

PROSPECTS

ODM division

The market was extremely challenging and volatile in the first quarter of 2009 and began to show signs of stabilization in the second quarter. The management has adjusted the operating scale of the Group and rescheduled its capital expenditure plan accordingly. This helps us to improve our service to our customers and maintain our pricing power. Although business visibility remains low and most market participants do not expect to see a solid recovery this year, this division currently has three months sales orders on hand. We believe that our strategy of improving operational efficiency and focusing on profitability will help us weather any further volatility of the market.

Distribution and retailing divisions

The Group expects that its distribution division will continue to render solid results in the second half of the year. The first global distributors' conference held in April provided an excellent platform for maximization of cross-selling opportunities. Encouraging sales figures were recorded in the months of July and August and the Group will explore further sales opportunities in various emerging markets.

The Group continues to adopt a defensive strategy in its retail division. Same-store sales growth and improvement of profitability will be the primary focus whereas the number of shops will remain at the current level.

Liquidity and financial management

Although certain positive results have been generated after the management's strenuous efforts in cutting down the working capital cycle of the Group in the first half of 2009, we cannot be complacent and must remain vigilant. We shall keep on closely monitoring the utilization of our inventory, the recoverability of our trade debts and the overall cash flow situation. Moreover, capital expenditure on the upgrading of equipment in the existing factories in Shenzhen and Zhongshan and installations of equipment in the newly constructed factory in Heyuan will continue to be put under close scrutiny of the management.

Summary

The Group will continue to adhere strictly to its well-established operational and financial disciplines amid the current economic environment. Our core competitiveness will be improved by continuous investments in key strategic areas. We are well prepared to capture any market opportunities once there is sustainable economic recovery.

EMPLOYEE AND REMUNERATION POLICIES

The Group employed approximately 9,900 full time staff in mainland China, Hong Kong and Europe as at 30th June, 2009 (31st December, 2008: 11,600). 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 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 six months ended 30th June, 2009, except for deviation 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.

An Audit Committee has been established by the Company since 1998 to act in an advisory capacity and make recommendations to the Board. The Audit Committee currently comprises Mr. Wong Chi Wai (chairman of the Audit Committee), Mr. Chung Hil Lan Eric and Mr. Francis George Martin, all of whom are independent non-executive directors of the Company. The duties of the Audit Committee include (but is not limited to) the review of interim and annual reports of the Group as well as various auditing, financial reporting and internal control matters with the management and/or external auditor of the Company. The Group's unaudited financial statements for the six months ended 30th June, 2009 have been reviewed by the Audit Committee and the Company's auditor, Messrs. Deloitte Touche Tohmatsu.

A Remuneration Committee has been established by the Company since 2003 and currently comprises Mr. Francis George Martin (chairman of the Remuneration Committee), Mr. Wong Chi Wai and Mr. Chung Hil Lan Eric, all of whom are independent non-executive directors of the Company. The major roles and functions of the Remuneration Committee include the determination of remuneration of executive directors of the Company and review of the remuneration policy of the Group.

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 six months ended 30th June, 2009.

PUBLICATION OF INTERIM REPORT

The 2009 interim 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 September, 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, 15th September, 2009

* *For identification purpose only*