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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 2025**

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 2025 together with comparative figures for the corresponding period in 2024.

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2025 has been reviewed by the audit committee of the Company (the “Audit Committee”), but was not reviewed by the Company’s auditor.

FINANCIAL HIGHLIGHTS		
	Six months ended	
	30.6.2025	30.6.2024
Revenue	HK\$594,939,000	HK\$606,394,000
(Loss)/profit attributable to owners of the Company	HK\$(15,035,000)	HK\$2,460,000
(Loss)/earnings per share	(3.89) HK cents	0.64 HK cents
Interim dividend per share	Nil	Nil

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2025

		Unaudited	
		Six months ended 30 June	
		2025	2024
	Notes	HK\$'000	HK\$'000
Revenue	3	594,939	606,394
Cost of sales		(419,799)	(434,355)
Gross profit		175,140	172,039
Other income		14,358	12,865
Other gains and losses		(2,853)	(4,737)
Reversal of impairment loss/(impairment loss)		761	(73)
Distribution and selling expenses		(30,294)	(25,086)
Administrative expenses		(160,797)	(146,392)
Other expenses		(562)	(663)
(Loss)/profit from operations		(4,247)	7,953
Finance costs	4	(5,085)	(989)
Share of profit of associates		7,820	4,158
Share of loss of joint ventures		(48)	(31)
(Loss)/profit before tax		(1,560)	11,091
Income tax expense	5	(8,390)	(5,557)
(Loss)/profit for the period	6	(9,950)	5,534
Other comprehensive income/(expense) after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		20,620	(6,223)
Exchange differences arising on translation of associates		10,117	(2,332)
Exchange differences arising on translation of joint ventures		14	(20)
Other comprehensive income/(expense) for the period, net of tax		30,751	(8,575)
Total comprehensive income/(expense) for the period		20,801	(3,041)

		Unaudited	
		Six months ended 30 June	
		2025	2024
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the period attributable to:			
	Owners of the Company	(15,035)	2,460
	Non-controlling interests	5,085	3,074
		<u>(9,950)</u>	<u>5,534</u>
Total comprehensive income/(expense)			
for the period attributable to:			
	Owners of the Company	13,968	(5,369)
	Non-controlling interests	6,833	2,328
		<u>20,801</u>	<u>(3,041)</u>
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/earnings per share			
	Basic and diluted	(3.89)	0.64

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2025

		Unaudited 30 June 2025 HK\$'000	Audited 31 December 2024 HK\$'000
	Notes		
Non-current assets			
Investment properties		49,600	50,700
Property, plant and equipment		446,839	410,311
Deposits paid for acquisition of property, plant and equipment		12,568	12,488
Intangible assets		13,322	14,427
Goodwill		27,333	26,336
Investments in associates		96,966	79,132
Investments in joint ventures		1,183	1,217
Equity investments at fair value through other comprehensive income ("FVTOCI")		7,355	7,355
Deferred tax assets		20,061	20,698
		<u>675,227</u>	<u>622,664</u>
Current assets			
Inventories		260,428	220,462
Debtors, deposits and prepayments	9	358,260	399,977
Tax recoverable		241	356
Bank balances and cash		154,840	152,354
		<u>773,769</u>	<u>773,149</u>
Current liabilities			
Creditors and accrued charges	10	509,513	544,780
Contract liabilities		30,086	18,045
Refund liabilities		3,692	3,692
Consideration payable		–	556
Lease liabilities		5,734	4,557
Bank borrowings	11	113,889	69,714
Tax liabilities		8,187	7,758
		<u>671,101</u>	<u>649,102</u>
Net current assets		<u>102,668</u>	<u>124,047</u>
Total assets less current liabilities		<u>777,895</u>	<u>746,711</u>

		Unaudited 30 June 2025 HK\$'000	Audited 31 December 2024 HK\$'000
	Note		
Non-current liabilities			
Lease liabilities		13,995	15,078
Bank borrowings	11	102,265	96,442
Deferred tax liabilities		33,637	30,196
		<u>149,897</u>	<u>141,716</u>
NET ASSETS		<u>627,998</u>	<u>604,995</u>
Capital and reserves			
Share capital		38,626	38,626
Reserves		494,046	481,395
		<u>532,672</u>	<u>520,021</u>
Equity attributable to owners of the Company		532,672	520,021
Non-controlling interests		95,326	84,974
		<u>627,998</u>	<u>604,995</u>
TOTAL EQUITY		<u>627,998</u>	<u>604,995</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

1. BASIS OF PREPARATION

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

The condensed consolidated financial statements should be read in conjunction with the 2024 annual financial statements. Except as described below, the accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of the condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2024.

2. NEW AND REVISED HKFRS ACCOUNTING STANDARDS

Amended HKFRS Accounting Standards adopted by the Group

The Group has applied the amendments to HKAS 21 “Lack of Exchangeability” for the first time from 1 January 2025. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standard.

Impact of new and amended HKFRS Accounting Standards issued but not yet adopted by the Group

Hong Kong Financial Reporting Standard (“HKFRS”) 18 “Presentation and Disclosure in Financial Statements”

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

Amendments to the Classification and Measurement of Financial Instruments – Amendments to HKFRS 9 and HKFRS 7

The HKICPA issued targeted amendments to HKFRS 9 and HKFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and

- update the disclosures for equity instruments designated at FVTOCI.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. REVENUE AND SEGMENT INFORMATION

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

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

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

Segment revenues and results

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

For the six months ended 30 June 2025 (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	184,777	87,659	106,439	392	379,267
Distribution division	95,502	10,906	21,078	16,685	144,171
Lens division	266	–	71,074	161	71,501
Revenue from external customers	<u>280,545</u>	<u>98,565</u>	<u>198,591</u>	<u>17,238</u>	<u>594,939</u>
Result					
Segment profit	<u>14,691</u>	<u>1,942</u>	<u>1,650</u>	<u>2,216</u>	20,499
Unallocated income and gains					363
Unallocated corporate expenses and losses					(25,235)
Interest income on bank deposits					126
Finance costs					(5,085)
Share of profit of associates					7,820
Share of loss of joint ventures					(48)
Loss before tax					<u>(1,560)</u>

For the six months ended 30 June 2024 (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	205,629	105,401	105,307	2,682	419,019
Distribution division	90,310	14,952	18,134	16,866	140,262
Lens division	59	–	47,054	–	47,113
	<u>295,998</u>	<u>120,353</u>	<u>170,495</u>	<u>19,548</u>	<u>606,394</u>
Result					
Segment profit	<u>17,705</u>	<u>4,116</u>	<u>4,906</u>	<u>1,726</u>	28,453
Unallocated income and gains					884
Unallocated corporate expenses and losses					(21,626)
Interest income on bank deposits					242
Finance costs					(989)
Share of profit of an associate					4,158
Share of loss of joint ventures					<u>(31)</u>
Profit before tax					<u>11,091</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	
	2025	2024
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interests on bank borrowings	3,662	760
Interests on lease liabilities	<u>1,423</u>	<u>229</u>
	<u>5,085</u>	<u>989</u>

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current period:		
Hong Kong Profits Tax	1,132	643
The People's Republic of China (excluding Hong Kong) (the "PRC") Enterprise Income Tax	113	197
United Kingdom Corporation Tax	2,193	2,073
South Africa Corporation Tax	69	122
Italy Corporation Tax	162	322
Deferred taxation	4,185	2,174
	<u>7,854</u>	<u>5,531</u>
Underprovision in respect of prior period:		
PRC Enterprise Income Tax	536	20
South Africa Corporation Tax	–	6
	<u>536</u>	<u>26</u>
	<u><u>8,390</u></u>	<u><u>5,557</u></u>

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

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

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

United Kingdom Corporation Tax is calculated at the applicable rate of 25% for the entity with profits in excess of GBP250,000 in accordance with the relevant law and regulations in the United Kingdom for both periods.

South Africa Corporation Tax is calculated at the applicable rate of 27% in accordance with the relevant law and regulations in South Africa for both periods.

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.

6. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Amortisation of intangible assets (included in distribution and selling expenses)	1,346	2,231
(Reversal of impairment loss)/impairment loss recognised on debtors, net	(761)	73
Cost of inventories recognised as an expense	409,691	438,376
Depreciation of property, plant and equipment	23,701	16,138
Decrease in fair values of investment properties	1,100	4,000
Gross rental income from investment properties (included in other income)	(363)	(620)
Less: Direct operating expenses of investment properties that generated rental income during the period	222	143
	<u>(141)</u>	<u>(477)</u>
Net loss/(gain) on disposal of property, plant and equipment (included in other gains and losses)	176	(265)
Allowance for/(write back of allowance for) inventories, net (included in cost of sales) (<i>Note</i>)	10,108	(4,021)
Net foreign exchange losses (included in other gains and losses)	<u>1,577</u>	<u>1,002</u>

Note:

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

7. DIVIDENDS

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Final dividend paid of nil per share in respect of 2024 (2024: 5.0 HK cents per share in respect of 2023)	<u>–</u>	<u>19,313</u>

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2025 and 30 June 2024.

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

8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the following data:

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss)/profit for the purpose of basic (loss)/earnings per share		
– (Loss)/profit for the period attributable to owners of the Company	(15,035)	2,460
	2025	2024
	Number of	Number of
	shares	shares
Weighted average number of shares for the purpose of basic (loss)/earnings per share	386,263,374	386,263,374

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

9. DEBTORS, DEPOSITS AND PREPAYMENTS

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

Included in the Group's debtors, deposits and prepayments are trade debtors of HK\$305,632,000 (31 December 2024: HK\$354,466,000). 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	31 December
	2025	2024
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 – 90 days	195,722	245,483
91 – 180 days	93,184	99,562
More than 180 days	16,726	9,421
	305,632	354,466

As at 30 June 2025, total bills receivables amounting to HK\$194,000 (31 December 2024: HK\$172,000) are held by the Group for settlement of debtors. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills receivables by the Group are with a maturity period of less than one year.

10. CREDITORS AND ACCRUED CHARGES

	30 June 2025 HK\$'000 (unaudited)	31 December 2024 HK\$'000 (audited)
Trade creditors	136,815	173,490
Provision of penalty	19,383	19,359
Other creditors and accrued charges	353,315	351,931
	<u>509,513</u>	<u>544,780</u>

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

	30 June 2025 HK\$'000 (unaudited)	31 December 2024 HK\$'000 (audited)
0 – 60 days	121,422	132,589
61 – 120 days	7,159	36,308
More than 120 days	8,234	4,593
	<u>136,815</u>	<u>173,490</u>

11. BANK BORROWINGS

	30 June 2025 HK\$'000 (unaudited)	31 December 2024 HK\$'000 (audited)
Secured bank borrowings	<u>216,154</u>	<u>166,156</u>

(a) The analysis of the repayment schedule of borrowings is as follows:

	30 June 2025 HK\$'000 (unaudited)	31 December 2024 HK\$'000 (audited)
Within one year	113,889	69,714
More than one year, but not exceeding two years	22,371	14,116
More than two years, but not exceeding five years	66,426	68,538
More than five years	13,468	13,788
	<u>216,154</u>	<u>166,156</u>

- (b) The fair values of the Group's borrowings are as follows:

The fair values of the bank borrowings were approximated to their carrying amounts due to their short term nature or carrying interest at variable rate.

- (c) The details of pledged assets and collaterals to the Group's borrowings are as follows:

Bank borrowings of HK\$134,669,000 (31 December 2024: HK\$107,100,000) are secured by a charge over the Group's investment properties, land and buildings and construction in progress.

- (d) The details of loan covenants of the Group's borrowings are as follows:

All banking facilities from Hong Kong financial institutions are subject to the fulfillment of covenants. Some of those relating to the Group's financial metrics which are tested periodically, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants the related borrowings would become payable on demand.

The Group has complied with the financial covenants of its borrowing facilities during the six months ended 30 June 2025.

DIVIDENDS

The Board has resolved not to declare any interim dividend (2024: nil) for the six months ended 30 June 2025 (the “Reporting Period”).

BUSINESS REVIEW

Profitability analysis

The Group’s consolidated revenue decreased slightly by 2% to HK\$594.9 million (2024: HK\$606.4 million) for the Reporting Period. During the Reporting Period, the Group recorded a net loss attributable to owners of the Company of HK\$15.0 million and a loss per share of 3.89 HK cents respectively (2024: a net profit attributable to owners of the Company of HK\$2.5 million and earnings per share of 0.64 HK cents respectively).

The Board considers that the reasons for the net loss attributable to owners of the Company were mainly due to the following items:

- the tariff policy of the United States (the “US”) has significantly disrupted not only trade between the US and China, but also global supply chains, leading to increase in operating costs for running additional manufacturing facilities in Vietnam and Malaysia;
- a significant increase in staff costs, promotion and exhibition expenses for development of the distribution of frames and lens business in China and Southeast Asia markets; and
- the Group has financed through bank borrowings to support the establishment of production bases outside China, resulting in a significant increase in interests on bank borrowings by HK\$2.9 million.

Original design manufacturing (“ODM”) division

Revenue generated by the ODM division contributed 64% to the consolidated revenue of the Group during the Reporting Period (2024: 69%). Sales to ODM customers decreased by 9% from HK\$419.0 million in the first six months of 2024 to HK\$379.2 million in the Reporting Period. The decrease in revenue was mainly due to a drastic increase in the US tariff on China in April 2025. As a result, most US customers requested that shipments be withheld until June 2025, leading to a significant 17% drop in sales to the US during the Reporting Period. Geographically, sales to Europe, the US, Asia and other regions accounted for 49%, 23%, 28% and 0% respectively (2024: 49%, 25%, 25% and 1% respectively) of the revenue of the ODM division during the Reporting Period. The Group continued to maintain a fairly balanced sales mix between prescription frames and sunglasses. Sales of prescription frames, sunglasses and spare parts accounted for 45%, 49% and 6% of the revenue generated by the ODM division respectively during the Reporting Period (2024: 44%, 50% and 6% respectively).

Distribution division

The Group’s house brand and licensed brand products were sold to retailers through the Group’s wholesale arms in the United Kingdom, France, South Africa, Mainland China, Germany, Italy and Malaysia, and to independent distributors in other countries. Revenue for the distribution division increased moderately by 3% to HK\$144.2 million (2024: HK\$140.3 million) and accounted for 24% (2024: 23%) of the consolidated revenue during the Reporting Period. Sales to Europe, the US, Asia and other regions accounted for 66%, 8%, 15% and 11% respectively of the

revenue of the distribution division during the Reporting Period (2024: 64%, 11%, 13% and 12% respectively). Sales to Asia increased significantly by 16% as compared to the same period last year, as a result of our marketing efforts in Asia, especially in Southeast Asia during the Reporting Period. The growth in sales was mainly generated from our own distributors in Hong Kong and Malaysia during the Reporting Period. STEPPER, the German brand owned by the Group, continued to be the most popular brand in our distribution division.

Lens division

Revenue for the lens division was HK\$71.5 million (2024: HK\$47.1 million) and accounted for 12% (2024: 8%) of the consolidated revenue during the Reporting Period. Sales increased significantly by 52% as compared to the same period last year, mainly because the Group further invested in expanding its lens production facilities in both China and Malaysia in the second half of 2024. At the moment, the revenue for the lens division is generated almost entirely from Asia and the Group plans to gradually expand its lens business to other regions.

Financial position and liquidity

Cash flows

The Group recorded a net cash outflow from operating activities of HK\$3.1 million during the Reporting Period (2024: inflow of HK\$28.2 million) and which was mainly resulted from cash flow derived from the net loss for the Reporting Period. Capital expenditure was still high at HK\$31.4 million (2024: HK\$73.2 million) as the Group continued to execute its investment plan of production lines for optical lens in Malaysia and factory expansion in Vietnam. The net cash position of the Group (being the bank balances and cash less bank borrowings) decreased by HK\$47.5 million from negative balance of HK\$13.8 million as at 31 December 2024 to negative balance of HK\$61.3 million as at 30 June 2025.

Working capital management

In contrast to the decrease in revenue during the Reporting Period, the inventory balance increased by 18% from HK\$220.5 million as at 31 December 2024 to HK\$260.4 million as at 30 June 2025 because most US customers had withheld shipments since April 2025 and only gradually granted permission for their release from June 2025 onwards. Inventory turnover period (being the ratio of inventory balances to cost of sales) increased from 71 days for the six months ended 30 June 2024 to 113 days for the Reporting Period. On the other hand, total amount of trade debtors and bills receivable balances decreased by 14% from HK\$354.6 million as at 31 December 2024 to HK\$305.8 million as at 30 June 2025 and which is in line with trend of decrease in revenue. Debtors turnover period (being the ratio of the total of trade debtors and bills receivable to revenue) increased slightly from 91 days for the six months ended 30 June 2024 to 94 days for the Reporting Period. There was no sign of deterioration in collecting payments from trade debtors as compared to the corresponding period in last year. The current ratio (being the ratio of total current assets to total current liabilities) of the Group remained stable at 1.2 as at 30 June 2025 and 31 December 2024.

Gearing position

The Group maintained a normal gearing position throughout the Reporting Period. The debt-to-equity ratio (expressed as a percentage of non-current liabilities over equity attributable to owners of the Company) slightly increased to 28% as at 30 June 2025 as compared to 27% as at 31 December 2024. The non-current liabilities of the Group comprised mainly bank borrowings which amounted to HK\$102.3 million as at 30 June 2025 (31 December 2024: HK\$96.4 million).

Net asset value

The Company had 386,263,374 shares in issue as at both 30 June 2025 and 31 December 2024 with equity attributable to owners of the Company of HK\$532.7 million and HK\$520.0 million as at 30 June 2025 and 31 December 2024 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 2025 was HK\$1.38 (31 December 2024: HK\$1.35).

Contingent liabilities

As at 30 June 2025, the Group did not have significant contingent liabilities (31 December 2024: nil).

Charges on the Group's assets

As at 30 June 2025, the Group's investment properties, leasehold land and buildings and construction in progress were pledged as security for the Group's bank borrowings amounted to HK\$134.7 million (31 December 2024: HK\$107.1 million). Details of bank borrowings are set out in note 11.

Foreign currency exposure

The Group was mainly exposed to the fluctuation of Renminbi against both the United States dollar and the Hong Kong dollar. Save as 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 continues to manage foreign exchange risk by closely monitoring the movements of the foreign currency rates and enters into forward contracts whenever appropriate.

Capital structure and treasury policies

The total shareholders' fund of the Group (comprising the Company's ordinary share capital, the Group's reserves and non-controlling interests) amounted to HK\$628.0 million as at 30 June 2025 (31 December 2024: HK\$605.0 million). As at 30 June 2025, the Group had current assets of HK\$773.8 million (31 December 2024: HK\$773.1 million) and current liabilities of HK\$671.1 million (31 December 2024: HK\$649.1 million). The Group generally finances its operations through internally generated cash flows and credit facilities provided by its principal bankers in Hong Kong and Mainland China. As at 30 June 2025, the Group had outstanding bank borrowings of HK\$216.2 million (31 December 2024: HK\$166.2 million). As at 30 June 2025, the Group maintained bank balances and cash of HK\$154.8 million (31 December 2024: HK\$152.4 million). The Group's treasury policies are designed to ensure the availability of adequate financial resources to support its operations and investment activities, while prudently and efficiently managing financial risks. The Group maintains a diversified funding base and addresses risks, including interest rate risk and foreign currency risk, through appropriate risk management strategies. The Group also seeks to uphold a healthy balance sheet and strong liquidity position, thereby enhancing its financial flexibility and resilience.

PROSPECTS

Market outlook

The global economy has been grappling with persistent volatility and uncertainty stemming from the fluctuating trade environment shaped by the US tariff measures. These tariff policies have not only severely disrupted the US and China trade relations but also caused extensive disruptions to global supply chains, and exacerbated operational uncertainties across production and logistics sectors. Nevertheless, the Group adopted a forward-looking approach by establishing overseas production bases several years ago. With our integrated global production network spanning China, Vietnam and Malaysia, we are actively leveraging the synergies within this network to flexibly allocate production capacity in line with market dynamics. Moving forward, the Group will conduct regular reviews of the operating costs across all our self-owned manufacturing facilities and implement targeted cost-optimisation measures across multiple dimensions. These initiatives aim to maximise the Group's operational efficiency and enhance overall performance resilience amid the evolving trade landscape.

The lens division and the burgeoning trajectory of the smart glasses sector collectively underscore their escalating strategic significance to the Group's long-term development blueprint. Through comprehensive market analysis, the Group has identified substantial growth potential and lucrative business opportunities within these domains. Consequently, we will sustain strategic resource allocation to proactively capitalise on the emergence of such opportunities, thereby reinforcing our competitive edge and driving sustainable value creation for the Group.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2025, the Group employed approximately 3,400 (31 December 2024: 3,600) full-time staff in Mainland China, Hong Kong, Europe, Southeast Asia and South Africa. The Group remunerates its employees based on their performance, experience, qualifications and prevailing market salaries while performance bonuses are granted on a discretionary basis after considering individual performance and the operating results of the Group. Other employee benefits include insurance and medical coverage, subsidised educational and training programmes as well as provident fund schemes.

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 Reporting Period and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company has complied with all applicable code provisions set out in the Corporate Governance Code contained in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Reporting Period.

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 securities (including sale of treasury shares, as defined under the Listing Rules) during the Reporting Period. As at 30 June 2025, the Company did not hold any treasury shares (as defined under the Listing Rules).

REVIEW OF INTERIM RESULTS

The unaudited interim results and the interim report of the Group for the Reporting Period 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 2025 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 2025.

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, 28 August 2025