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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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2025

FINAL RESULTS

The board of directors (the “Board”) of Arts Optical International Holdings Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (together, the “Group”) for the year ended 31 December 2025 together with last year’s comparative figures.

	2025	2024
Revenue	HK\$1,333,874,000	HK\$1,282,272,000
Profit attributable to owners of the Company	HK\$20,703,000	HK\$11,419,000
Earnings per share	5.36 HK cents	2.96 HK cents
Final dividend per share	Nil	Nil

* *For identification purpose only*

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2025

	<i>Notes</i>	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Revenue	3	1,333,874	1,282,272
Cost of sales		<u>(915,193)</u>	<u>(905,790)</u>
Gross profit		418,681	376,482
Other income	4	44,065	37,352
Other gains and losses	5	(21,727)	(19,624)
Impairment losses on trade receivables	7	(503)	(1,514)
Loss on deemed disposal of a subsidiary		–	(1,793)
Distribution and selling expenses		(64,718)	(56,757)
Administrative expenses		(322,004)	(311,292)
Other expenses		(1,230)	(1,110)
Profit from operations		52,564	21,744
Finance costs	8	(10,788)	(5,066)
Share of profit of associates		21,753	11,842
Share of loss of joint ventures		(112)	(77)
Profit before tax		63,417	28,443
Income tax expenses	9	(30,406)	(12,635)
Profit for the year	10	33,011	15,808
Other comprehensive income/(expenses) after tax:			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value change of equity investment at fair value through other comprehensive income (“FVTOCI”)		–	(339)
<i>Items that reclassified and may be reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		26,410	(10,782)
Exchange differences arising on translation of associates		8,986	(4,716)
Exchange differences arising on translation of joint ventures		27	(20)
Realisation of exchange reserve upon deregistration of subsidiaries		(346)	(14)
Realisation of exchange reserve upon deemed disposal of a subsidiary		–	1,390
		<u>35,077</u>	<u>(14,142)</u>
Other comprehensive income/(expenses) for the year, net of tax		35,077	(14,481)
Total comprehensive income for the year		<u>68,088</u>	<u>1,327</u>

	<i>Note</i>	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Profit for the year attributable to:			
Owners of the Company		20,703	11,419
Non-controlling interests		12,308	4,389
		<u>33,011</u>	<u>15,808</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		53,623	(2,012)
Non-controlling interests		14,465	3,339
		<u>68,088</u>	<u>1,327</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic and diluted	<i>12</i>	<u>5.36</u>	<u>2.96</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	<i>Notes</i>	2025 HK\$'000	2024 <i>HK\$'000</i>
Non-current assets			
Investment properties		48,600	50,700
Property, plant and equipment		519,943	410,311
Deposits paid for acquisition of property, plant and equipment		2,584	12,488
Intangible assets		12,187	14,427
Goodwill		27,304	26,336
Investments in associates		109,659	79,132
Investments in joint ventures		1,132	1,217
Equity investments at FVTOCI		7,355	7,355
Deferred tax assets		7,646	20,698
		736,410	622,664
Current assets			
Inventories		276,755	220,462
Debtors, deposits and prepayments	<i>13</i>	458,696	399,977
Current tax assets		288	356
Bank balances and cash		136,673	152,354
		872,412	773,149
Current liabilities			
Creditors and accrued charges	<i>14</i>	503,594	544,780
Contract liabilities		11,185	18,045
Refund liabilities		5,005	3,692
Consideration payable		–	556
Lease liabilities		4,811	4,557
Bank borrowings	<i>15</i>	197,655	69,714
Tax liabilities		9,242	7,758
		731,492	649,102
Net current assets		140,920	124,047
Total assets less current liabilities		877,330	746,711

	<i>Notes</i>	2025 HK\$'000	2024 <i>HK\$'000</i>
Non-current liabilities			
Sundry creditors	<i>14</i>	21,561	–
Lease liabilities		11,465	15,078
Bank borrowings	<i>15</i>	147,494	96,442
Deferred tax liabilities		35,230	30,196
		<u>215,750</u>	<u>141,716</u>
NET ASSETS		<u>661,580</u>	<u>604,995</u>
Capital and reserves			
Share capital		38,626	38,626
Reserves		531,089	481,395
		<u>569,715</u>	<u>520,021</u>
Equity attributable to owners of the Company		569,715	520,021
Non-controlling interests		91,865	84,974
		<u>661,580</u>	<u>604,995</u>
TOTAL EQUITY		<u>661,580</u>	<u>604,995</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRS Accounting Standards comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the disclosure requirements of the Companies Ordinance (Cap. 622).

2. ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS

Application of new and revised HKFRS Accounting Standards

The Group has adopted all of the new or amended HKFRS Accounting Standards and Interpretations issued by the HKICPA that are mandatory for the current reporting period. There was no material impact to the consolidated financial statements as a result of the adoption of these standards.

3. REVENUE

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines for the year is as follows:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15 Revenue from Contracts with Customers		
Disaggregated by major products or service lines		
– Original design manufacturing division	869,744	875,424
– Distribution division	300,775	294,790
– Lens division	163,355	112,058
	<u>1,333,874</u>	<u>1,282,272</u>

The Group derives all revenue from the transfer of goods and services at a point in time.

Under the Group’s standard contract terms, customers have a right to return within 14 days. The Group uses its accumulated historical experience to estimate the sales return on a portfolio level using the expected value method. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A refund liability is recognised when the Group expects to refund some or all of the consideration received from customers.

4. OTHER INCOME

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Compensation from other customers	4,611	4,351
Compensation from an associate	–	610
Government subsidy	8,484	1,958
Gross rental income from investment properties	1,100	3,252
Interest income on bank deposits	225	461
Product development income	1,642	3,907
Sales of scrap materials	540	2,734
Sales of raw materials	7,508	4,991
Subcontracting fee income	7,269	1,630
Other rental income	8,375	8,490
Others	4,311	4,968
	<u>44,065</u>	<u>37,352</u>

5. OTHER GAINS AND (LOSSES)

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Net foreign exchange losses	(19,001)	(15,010)
Net (losses)/gains on disposals of property, plant and equipment	(626)	286
Decrease in fair values of investment properties	(2,100)	(4,900)
	<u>(21,727)</u>	<u>(19,624)</u>

6. 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, loss on deemed disposal of a subsidiary, 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.

Information about operating segment profit or loss:

	Europe HK\$'000	United States HK\$'000	Asia HK\$'000	Other regions HK\$'000	Total HK\$'000
For the year ended 31 December 2025					
Original design manufacturing division	383,873	191,752	291,398	2,721	869,744
Distribution division	187,371	27,319	48,931	37,154	300,775
Lens division	777	–	161,081	1,497	163,355
Revenue from external customers	<u>572,021</u>	<u>219,071</u>	<u>501,410</u>	<u>41,372</u>	<u>1,333,874</u>
Segment profit	<u>71,363</u>	<u>26,190</u>	<u>29,876</u>	<u>5,393</u>	132,822
Unallocated income and gains					1,100
Unallocated corporate expenses and losses					(81,583)
Interest income on bank deposits					225
Finance costs					(10,788)
Share of profit of associates					21,753
Share of loss of joint ventures					(112)
Profit before tax					<u><u>63,417</u></u>
	Europe HK\$'000	United States HK\$'000	Asia HK\$'000	Other regions HK\$'000	Total HK\$'000
For the year ended 31 December 2024					
Original design manufacturing division	438,960	226,428	203,826	6,210	875,424
Distribution division	180,149	27,955	44,664	42,022	294,790
Lens division	1,016	–	111,042	–	112,058
Revenue from external customers	<u>620,125</u>	<u>254,383</u>	<u>359,532</u>	<u>48,232</u>	<u>1,282,272</u>
Segment profit	<u>41,744</u>	<u>15,650</u>	<u>14,843</u>	<u>5,692</u>	77,929
Unallocated income and gains					3,537
Unallocated corporate expenses and losses					(58,390)
Loss on deemed disposal of a subsidiary					(1,793)
Interest income on bank deposits					461
Finance costs					(5,066)
Share of profit of an associate					11,842
Share of profit of joint ventures					(77)
Profit before tax					<u><u>28,443</u></u>

7. IMPAIRMENT LOSSES ON TRADE RECEIVABLES

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Impairment losses on trade receivables	<u>503</u>	<u>1,514</u>

8. FINANCE COSTS

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Interest on bank borrowings	8,533	4,513
Interest on lease liabilities	<u>2,255</u>	<u>553</u>
	<u>10,788</u>	<u>5,066</u>

9. INCOME TAX EXPENSES

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Current year:		
Hong Kong Profits Tax	2,774	2,563
The People's Republic of China (excluding Hong Kong) (the "PRC") Enterprise Income Tax	3,385	1,175
United Kingdom Corporation Tax	4,654	4,270
Others	874	159
Deferred taxation	<u>18,185</u>	<u>4,417</u>
	<u>29,872</u>	<u>12,584</u>
Under/(over)provision in respect of prior year:		
Hong Kong Profits Tax	(2)	(3)
PRC Enterprise Income Tax	536	48
Others	<u>-</u>	<u>6</u>
	<u>534</u>	<u>51</u>
	<u>30,406</u>	<u>12,635</u>

Under the two-tiered Profits Tax regime, the first HK\$2 million of profits of the 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 Profit Tax rate regime will continue to be taxed at a rate of 16.5% for both years.

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 Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Group’s PRC subsidiaries is 25% for both years. As a PRC incorporated subsidiary, 五彩司徠柏光學科技 (江蘇) 有限公司 (“Stepper & Colors”) has been accredited as a “High and New Technology Enterprise” by the relevant authorities for a term of three years from 24 December 2024 to 23 December 2027, it is entitled to a reduced tax rate of 15% during this period. Accordingly, the PRC EIT is calculated at 15% on the assessable profit of Stepper & Colors for the year ended 31 December 2025. The PRC EIT of other PRC incorporated subsidiaries of the Group is calculated at 25% on the respective assessable profits.

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 years.

The Group’s Vietnam incorporated subsidiary operates in an industrial park in Vietnam. Under applicable Vietnamese laws and regulations, it is exempt from corporate income tax for the years ended 31 December 2025 and 2026, is eligible for a reduced tax rate of 10% from 2027 through 2030, and will be subject to the standard tax rate of 20% on taxable profits from 2031 onward.

10. PROFIT FOR THE YEAR

The Group’s profit for the year is stated after charging/(crediting) the following:

	2025 <i>HK\$’000</i>	2024 <i>HK\$’000</i>
Amortisation of intangible assets (included in distribution and selling expenses)	2,513	3,706
Impairment losses on trade receivables	503	1,514
Auditors’ remuneration:		
– Audit service	1,850	1,780
– Non-audit services	130	120
Cost of inventories recognised as an expense (<i>Note a</i>)	906,029	908,308
Depreciation of property, plant and equipment	52,138	36,560
Decrease in fair values of investment properties	2,100	4,900
Allowance for/(reversal of allowance for) inventories (included in cost of sales) (<i>Note b</i>)	9,164	(2,518)
Operating leases rentals in respect of rented premises	338	40
Direct operating expenses of investment properties that did not generate rental income	592	2,813
Direct operating expenses of investment properties that generate rental income	361	288
Staff costs:		
Directors’ emoluments	4,618	5,547
Other staff		
– Salaries, bonuses and allowances	381,444	401,654
– Retirement benefit scheme contributions	27,148	46,865
Total staff costs	<u>413,210</u>	<u>454,066</u>

Notes:

- (a) Cost of inventories sold includes staff costs and depreciation of approximately HK\$227,042,000 (2024: HK\$246,762,000) which are included in the amounts disclosed separately above.
- (b) The reversal of allowance for inventories arose upon utilisation, disposal or when its estimated net realisable value increased.

11. DIVIDENDS

Dividends for ordinary shareholders of the Company recognised as distribution during the year:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
2023 final dividend paid of 5.0 HK cents per share	<u>–</u>	<u>19,313</u>

No dividend in respect of the year ended 31 December 2025 has been proposed by the directors of the Company (the “Directors”).

12. EARNINGS PER SHARE

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

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Profit for the purpose of basic earnings per share		
– Profit for the year attributable to owners of the Company	<u>20,703</u>	<u>11,419</u>

	2025 <i>Number of</i> <i>shares</i>	2024 <i>Number of</i> <i>shares</i>
Weighted average number of shares for the purpose of basic earnings per share	<u>386,263,374</u>	<u>386,263,374</u>

No diluted earnings per share has been presented as there were no potential ordinary shares in issue during 2025 and 2024.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

	2025	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables from contracts with customers	421,609	361,577
Less: Allowance for expected credit losses	(6,677)	(7,111)
	414,932	354,466
Bills receivables	392	172
Other debtors, deposits and prepayments	43,372	45,339
	458,696	399,977

The following is the ageing analysis of trade receivables balance net of allowance for expected credit losses presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

	2025	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	275,402	245,483
91 – 180 days	123,492	99,562
More than 180 days	16,038	9,421
	414,932	354,466

The following is the ageing analysis of bills receivables presented based on the invoice date at the end of the reporting period which approximated the respective revenue recognition dates:

	2025	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	392	172

14. CREDITORS AND ACCRUED CHARGES

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Trade payables	165,224	173,490
Provision of penalty (<i>Note</i>)	27,061	19,359
Other creditors and accrued charges	<u>332,870</u>	<u>351,931</u>
	<u><u>525,155</u></u>	<u><u>544,780</u></u>
Analysed as:		
Current liabilities	503,594	544,780
Non-current liabilities	<u>21,561</u>	<u>–</u>
	<u><u>525,155</u></u>	<u><u>544,780</u></u>

Note: On 14 November 2023, the Group received a Decision of Administrative Penalty (the “Decision”) from Shenzhen Longgang District Planning and Land Supervision Bureau (the “Bureau”). According to the Decision, the Bureau considered that one of the Group’s factory premises located in Shenzhen Longgang District is an illegal construction. As a result, the Bureau decided to impose a penalty according to relevant rules and regulations on the Group. On 10 December 2025, the Group and the Bureau agreed a final penalty of RMB29,600,000 (equivalent to approximately HK\$32,561,000). RMB5,000,000 (equivalent to approximately HK\$5,500,000) was paid upon signing the settlement agreement, RMB5,000,000 (equivalent to approximately HK\$5,500,000) is payable in 2026, and the remaining balance will be paid in instalments from 2027 through 2029.

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

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
0 – 60 days	139,191	132,589
61 – 120 days	17,953	36,308
More than 120 days	<u>8,080</u>	<u>4,593</u>
	<u><u>165,224</u></u>	<u><u>173,490</u></u>

15. BANK BORROWINGS

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Secured bank borrowings	345,149	166,156

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

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Within one year	197,655	69,714
More than one year, but not exceeding two years	62,338	14,116
More than two years, but not exceeding five years	75,523	68,538
More than five years	9,633	13,788
	345,149	166,156

(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\$299,619,000 (2024: HK\$107,100,000) are secured by charges over the Group's investment properties, land and buildings and construction in progress.

(d) The details of loan covenants of the Group's borrowing 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 were 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 years ended 31 December 2025 and 2024.

DIVIDENDS

The Board did not recommend the payment of a final dividend (2024: nil) for the year ended 31 December 2025.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the forthcoming annual general meeting of the Company to be held on 4 June 2026 (the "AGM"), the register of members of the Company will be closed. Details of such closure are set out below:

For determining eligibility to attend and vote at the AGM:

Latest time to lodge transfer documents for registration	4:30 p.m. on 29 May 2026
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Closure of register of members	1 June 2026 to 4 June 2026 (both dates inclusive)
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Record date	4 June 2026
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During the above closure period, no transfer of shares will be effected. To be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than the latest time as mentioned above.

ANNUAL GENERAL MEETING

The notice of AGM 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 late-April 2026.

BUSINESS REVIEW

Profitability analysis

The Group has recorded an increase in its consolidated revenue by 4% to HK\$1,333.9 million (2024: HK\$1,282.3 million) in the financial year ended 31 December 2025 (the “Reporting Period”). For the Reporting Period, the Group recorded a net profit attributable to owners of the Company of HK\$20.7 million and earnings per share of 5.36 HK cents respectively (2024: HK\$11.4 million and 2.96 HK cents respectively).

The Board considers the reasons for improvement in consolidated net profit attributable to owners of the Company were mainly due to the following items:

- an increase in the Group’s total revenue for the Reporting Period as compared to the year 2024;
- an improvement in gross profit margin, mainly resulting from strong business growth in the Lens division, which has a higher profit margin than the Group’s average profit margin; and
- the Group’s share of profit from an associated company in Italy amounted to approximately HK\$19.2 million for the Reporting Period, which increased significantly compared to approximately HK\$11.8 million in the year 2024, mainly due to an increase in revenue and improvement in operating efficiency during the Reporting Period.

Original design manufacturing (“ODM”) division

Our ODM division continued to be the key revenue contributor and revenue generated from this division contributed to 65% of the consolidated revenue of the Group in 2025 (2024: 68%). Sales to ODM customers decreased slightly by 1% from HK\$875.4 million in 2024 to HK\$869.7 million in 2025. Geographically, sales to customers in Europe, the United States (the “US”), Asia and other regions accounted for 44%, 22%, 34% and 0% respectively of the revenue of the ODM division in 2025 (2024: 50%, 26%, 23% and 1% respectively). Sales to Europe and the US reduced by 13% and 15% respectively whereas sales to Asia increased significantly by 43% in 2025. Significant growth in sales in the Asia region is attributable to how the Group has shifted its focus on ODM market development from Western countries to the Asian countries, as Western countries continually increased tariff rates during the year. On the product side, the Group continued to maintain a fairly balanced sales mix between prescription frames and sunglasses in 2025. Sales of prescription frames, sunglasses and spare parts accounted for 48%, 46% and 6% respectively of revenue of the ODM division in 2025 (2024: 44%, 51% and 5% respectively).

Distribution division

Revenue generated from the distribution division increased by 2% from HK\$294.8 million in 2024 to HK\$300.8 million in 2025 and accounted for 23% of the consolidated revenue of the Group in 2025 (2024: 23%). The Group's house brand and licensed brand products were sold to retailers through the Group's wholesale arms in the United Kingdom, France, Germany, Italy, Mainland China, Malaysia and South Africa, and independent distributors in other countries. Sales to Europe, the US, Asia and other regions accounted for 62%, 9%, 16% and 13% respectively of the revenue of the distribution division in 2025 (2024: 61%, 10%, 15% and 14% respectively). Europe was still the biggest market for the distribution division. Sales to Europe and Asia increased by 4% and 10% respectively whereas sales to the US and other regions decreased by 2% and 12% respectively. 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 increased significantly by 46% from HK\$112.1 million in 2024 to HK\$163.4 million in 2025 and accounted for 12% of the consolidated revenue of the Group in 2025 (2024: 9%). During the Reporting Period, the revenue for the lens division is generated almost entirely from Asia and the Group has planned to expand its lens business to other regions in the year 2026.

Financial position and liquidity

Cash flows

The Group recorded a net cash outflow from operating activities of HK\$39.6 million (2024: inflow of HK\$54.7 million). The result in net cash outflow was mainly due to an increase in inventories and total amount of trade receivables and bills receivables by HK\$56.3 million and HK\$60.7 million respectively at the end of 2025 and which were in line with the increase in sales in 2025 compared with 2024. Moreover, longer production lead times were required for products manufactured at factories located in Vietnam and Malaysia. Capital expenditure remained high at HK\$130.8 million (2024: HK\$174.1 million) as the Group continued to execute its investment plan of production lines for optical lens in Malaysia, factory expansion of China and Vietnam. As the majority of factory expansion projects were completed in 2025 as the Group expects capital expenditure to be gradually reduced over the next few years. The net cash position of the Group (being the bank balances and cash less bank borrowings) decreased by HK\$194.7 million from negative balance of HK\$13.8 million as at 31 December 2024 to negative balance of HK\$208.5 million as at 31 December 2025.

Working capital management

In line with the upwards trend in revenue during the period under review, the inventory balance and total amount of trade receivables and bills receivables increased by 26% and 17% respectively from HK\$220.5 million and HK\$354.6 million as at 31 December 2024 to HK\$276.8 million and HK\$415.3 million as at 31 December 2025. Inventory turnover period (being the ratio of inventory balances to cost of sales) and debtors turnover period (being the ratio of the total of trade receivables and bills receivables to revenue) increased from 89 days and 101 days in 2024 to 110 days and 114 days respectively in 2025 due to significant growth in sales during the fourth quarter of 2025 compared to the same period of the 2024. The credit standing of all the customers is reviewed by the Group's management regularly and we were not aware of any deterioration in credit standing of the major customers. The current ratio (being the ratio of total current assets to total current liabilities) of the Group remained at 1.2 as at 31 December 2025 and 31 December 2024.

Gearing position

The Group maintained a moderate gearing position throughout 2025. The debt-to-equity ratio (expressed as the total of bank borrowings and lease liabilities divided by equity attributable to owners of the Company) increased from 36% as at 31 December 2024 to 63% as at 31 December 2025 due to increase of bank borrowings to support the new lens factory set up in Malaysia and factory expansion in both China and Vietnam. The non-current liabilities of the Group comprised mainly bank borrowings which amounted to HK\$147.5 million as at 31 December 2025 (31 December 2024: HK\$96.4 million).

Net asset value

The Company had 386,263,374 shares in issue as at both 31 December 2025 and 31 December 2024 with equity attributable to owners of the Company of HK\$569.7 million and HK\$520.0 million as at 31 December 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 31 December 2025 was HK\$1.47 (31 December 2024: HK\$1.35).

Contingent liabilities

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

Charges on the Group's assets

As at 31 December 2025, the Group's investment properties, leasehold land and buildings and construction in progress pledged as security for the Group's bank borrowings amounted to HK\$299.6 million (31 December 2024: HK\$107.1 million). Details of bank borrowings are set out in note 15.

Foreign currency exposure

The Group was mainly exposed to the fluctuation of the Renminbi against both the United States dollar and the Hong Kong dollar. Save for the above, the Group had limited exposure to foreign exchange rate fluctuations as most of its transactions were conducted in either United States dollars, Hong Kong dollars or Renminbi. The Group noted that there was potential exposure to rapid changes in Renminbi due to the weakening of the United States dollar since the second half of 2025. 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 of the Company's ordinary share capital, the Group's reserves and non-controlling interests) amounted to HK\$661.6 million as at 31 December 2025 (31 December 2024: HK\$605.0 million). As at 31 December 2025, the Group had current assets of HK\$872.4 million (31 December 2024: HK\$773.1 million) and current liabilities of HK\$731.5 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 31 December 2025, the Group had outstanding bank borrowings of HK\$345.1 million (31 December 2024: HK\$166.2 million). As at 31 December 2025, the Group maintained bank balances and cash of HK\$136.7 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

Consistent with the environment in 2025, the global economy continues to present a complex landscape underpinned by geopolitical tensions, trade frictions, and macro-economic volatility. Key headwinds include the lingering impacts of the US China trade dispute, legacy tariffs imposed during the Trump administration, military conflicts in Europe and the Middle East, as well as elevated levels of macro-economic uncertainty.

Against this backdrop, the Group is expected to face significant operational challenges in the coming years. Nevertheless, the management maintains a cautiously optimistic outlook. The Group remains committed to navigating prevailing uncertainties through prudent strategic decision making and disciplined optimisation of resources.

Financial discipline

Following substantial capital investments in factory expansion projects across China, Vietnam and Malaysia over the past three years, the Group has entered a new phase of development. The Group will target the preservation of a robust and liquid financial position, while sustaining investment in its core business operations, in strict adherence to its established principles of prudent financial discipline.

Margin pressure

On the cost side, Renminbi has steadily appreciated against the United States dollar since the second half of 2025 which will certainly put pressure on the Group's profit margins. The Group will implement stringent cost-control measures and enhance operational efficiency to optimise its cost structure.

Furthermore, the higher profit margins recorded by the distribution and lens divisions underscore their increasing strategic importance to the Group's future development. The Group has identified substantial business growth opportunities across the Asia region. Accordingly, the Group plans to allocate additional resources to expand its presence in the Asia region, either through the establishment of its own distribution network or via the formation of joint ventures with strategic distribution partners.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed herein, no important events affecting the Group have occurred after the end of financial period for the Reporting Period and up to the date of this announcement.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2025, the Group employed approximately 3,500 (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.

CORPORATE GOVERNANCE

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

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Reporting Period as set out in the preliminary announcement have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by RSM Hong Kong 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 opinion or assurance conclusion has been expressed by RSM Hong Kong on the preliminary announcement.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Group's consolidated financial statements for the Reporting Period have been reviewed by the Audit Committee of the Board and audited by RSM Hong Kong.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the Reporting Period.

PUBLICATION OF ANNUAL REPORT

The 2025 annual 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 late-April 2026.

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, 27 March 2026