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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 30TH JUNE, 2020

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 30th June, 2020 together with comparative figures for the corresponding period in 2019.

FINANCIAL HIGHLIGHTS

	Six months ended	
	30.6.2020	30.6.2019
Revenue	HK\$343,895,000	HK\$545,505,000
Loss attributable to owners of the Company	HK\$(94,651,000)	HK\$(54,521,000)
Loss per share	(24.50) HK cents	(14.11) HK cents
Interim dividend per share	Nil	Nil

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2020

		Unaudited Six months ended 30th June,	
	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	3	343,895	545,505
Cost of sales		(287,988)	(442,916)
Gross profit		55,907	102,589
Other income		11,776	7,506
Other gains and losses		(19,557)	(252)
Impairment losses		(2,929)	(3,405)
Distribution and selling expenses		(11,544)	(15,763)
Administrative expenses		(130,272)	(144,946)
Other expenses		(355)	(1,309)
Loss from operations		(96,974)	(55,580)
Finance costs	4	(366)	(456)
Share of profit of an associate		2,226	7,635
Loss before tax		(95,114)	(48,401)
Income tax expense	5	(910)	(3,474)
Loss for the period	6	(96,024)	(51,875)
Other comprehensive expense after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(10,978)	(860)
Exchange differences arising on translation of an associate		(62)	(918)
Other comprehensive expense for the period, net of tax		(11,040)	(1,778)
Total comprehensive expense for the period		(107,064)	(53,653)
(Loss)/profit for the period attributable to:			
Owners of the Company		(94,651)	(54,521)
Non-controlling interests		(1,373)	2,646
		(96,024)	(51,875)
Total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		(105,123)	(56,213)
Non-controlling interests		(1,941)	2,560
		(107,064)	(53,653)
		HK cents	HK cents
Loss per share			
Basic and diluted	8	(24.50)	(14.11)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2020

		Unaudited 30th June, 2020 HK\$'000	Audited 31st December, 2019 HK\$'000
	Notes		
Non-current assets			
Investment properties		152,290	171,920
Property, plant and equipment		441,352	458,142
Deposits paid for acquisition of property, plant and equipment		7,550	4,931
Intangible assets		7,254	8,149
Goodwill		7,455	7,987
Investment in an associate		39,895	38,160
Investment in a joint venture		—	—
Loan receivable		—	—
Derivative financial instrument		288	288
Equity investment at fair value through other comprehensive income (“FVTOCI”)		2,711	—
Equity investment at fair value through profit or loss (“FVTPL”)		7,875	—
Deferred tax assets		3,755	3,297
		<u>670,425</u>	<u>692,874</u>
Current assets			
Inventories		94,532	141,363
Debtors, deposits and prepayments	9	250,923	273,150
Loan receivable		—	—
Bank balances and cash		188,544	241,640
		<u>533,999</u>	<u>656,153</u>
Current liabilities			
Creditors and accrued charges	10	309,756	348,097
Contract liabilities		7,300	12,253
Refund liabilities		3,287	3,287
Consideration payable		416	—
Lease liabilities		906	688
Bank borrowings	11	22,570	25,304
Derivative financial instrument		7,246	7,246
Tax liabilities		7,118	11,428
		<u>358,599</u>	<u>408,303</u>
Net current assets		<u>175,400</u>	<u>247,850</u>
Total assets less current liabilities		<u>845,825</u>	<u>940,724</u>

	Unaudited 30th June, 2020 <i>HK\$'000</i>	Audited 31st December, 2019 <i>HK\$'000</i>
Non-current liabilities		
Consideration payable	972	1,388
Lease liabilities	1,818	1,377
Deferred tax liabilities	10,137	9,365
	<u>12,927</u>	<u>12,130</u>
NET ASSETS	<u>832,898</u>	<u>928,594</u>
Capital and reserves		
Share capital	38,626	38,626
Reserves	752,909	858,032
	<u>791,535</u>	<u>896,658</u>
Equity attributable to owners of the Company	41,363	31,936
Non-controlling interests	<u>41,363</u>	<u>31,936</u>
TOTAL EQUITY	<u>832,898</u>	<u>928,594</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2020

1. BASIS OF PREPARATION

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

The condensed financial statements should be read in conjunction with the 2019 annual financial statements. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of the condensed financial statements are consistent with those used in the annual financial statements for the year ended 31st December, 2019.

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1st January, 2020. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The accounting policies applied in the financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31st December, 2019. A number of new or amended standards are effective from 1st January, 2020 but they do not have a material effect on the Group’s financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

Segment profit or loss represents the profit earned by or loss from each segment without allocation of central administration costs, directors’ emoluments, interest income, property rental income, net foreign exchange gains, increase or decrease in fair values of investment properties, decrease in fair value of equity investment at FVTPL, finance costs and share of profit of an associate. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

Segment revenues and results

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

For the six months ended 30th June, 2020 (unaudited)

	Europe <i>HK\$'000</i>	United States <i>HK\$'000</i>	Asia <i>HK\$'000</i>	Other regions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>Revenue from contracts with customers (Note)</i>					
Original design manufacturing division	151,490	90,391	30,489	1,832	274,202
Distribution division	44,998	8,883	8,579	7,233	69,693
Revenue from external customers	196,488	99,274	39,068	9,065	343,895
<i>Result</i>					
Segment loss	(17,822)	(9,264)	(4,897)	(433)	(32,416)
Unallocated income and gains					6,713
Unallocated corporate expenses and losses					(71,409)
Interest income on bank deposits					138
Finance costs					(366)
Share of profit of an associate					2,226
Loss before tax					(95,114)

For the six months ended 30th June, 2019 (unaudited)

	Europe HK\$'000	United States HK\$'000	Asia HK\$'000	Other regions HK\$'000	Total HK\$'000
Revenue from contracts with customers (Note)					
Original design manufacturing division	245,092	116,906	47,733	7,314	417,045
Distribution division	<u>80,415</u>	<u>9,091</u>	<u>22,256</u>	<u>16,698</u>	<u>128,460</u>
Revenue from external customers	<u>325,507</u>	<u>125,997</u>	<u>69,989</u>	<u>24,012</u>	<u>545,505</u>
Result					
Segment profit/(loss)	<u>2,017</u>	<u>(6,927)</u>	<u>(4,740)</u>	<u>662</u>	<u>(8,988)</u>
Unallocated income and gains					6,431
Unallocated corporate expenses and losses					(53,577)
Interest income on bank deposits					554
Finance costs					(456)
Share of profit of an associate					<u>7,635</u>
Loss before tax					<u><u>(48,401)</u></u>

Note: Revenue is recognised at “point in time” when the customer obtains control of the goods.

4. FINANCE COSTS

	Six months ended 30th June,	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interests on bank borrowings	350	433
Interests on lease liabilities	<u>16</u>	<u>23</u>
	<u><u>366</u></u>	<u><u>456</u></u>

5. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current period:		
Hong Kong Profits Tax	30	1,055
The People's Republic of China (the "PRC")		
Enterprise Income Tax	–	48
United Kingdom Corporation Tax	232	1,194
France Corporation Tax	–	912
South Africa Corporation Tax	–	147
Dividend withholding tax	–	1,140
Deferred taxation	286	(1,068)
	<u>548</u>	<u>3,428</u>
Under/(over)provision in respect of prior period:		
Hong Kong Profits Tax	364	–
PRC Enterprise Income Tax	(2)	(14)
South Africa Corporation Tax	–	60
	<u>362</u>	<u>46</u>
	<u><u>910</u></u>	<u><u>3,474</u></u>

Under the two-tiered profits tax regime, profits tax rate for the first HK\$2 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subject to the tax 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 PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

United Kingdom Corporation Tax is calculated at the applicable rate of 19% in accordance with the relevant law and regulations in the United Kingdom for both periods.

France Corporation Tax is calculated at the applicable rate of 28% for amounts of taxable profit up to Euro ("EUR") 500,000 and a corporate tax rate of 33.33% for taxable profit above EUR500,000 in accordance with the relevant law and regulations in France for both periods.

South Africa Corporation Tax is calculated at the applicable rate of 28% in accordance with the relevant law and regulations in South Africa for both periods.

6. LOSS FOR THE PERIOD

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

	Six months ended 30th June,	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Amortisation of intangible assets (included in distribution and selling expenses)	1,063	966
Impairment losses recognised on debtors	2,929	3,405
Cost of inventories recognised as an expense	287,988	442,916
Depreciation of property, plant and equipment	49,508	50,809
Decrease/(increase) in fair values of investment properties	19,630	(860)
Net (gain)/loss on disposal of property, plant and equipment (included in other gains and losses)	(5)	1,548
Decrease in fair value of equity investment at FVTPL	4,751	—
Allowance for/(write back of) inventories (included in cost of sales)	2,053	(15,706)
Net foreign exchange gains (included in other gains and losses)	(4,819)	(3,436)
Gross rental income from investment properties (included in other income)	(1,808)	(2,135)
Less: Direct expenses of investment properties that generated rental income during the period	346	357
	(1,462)	(1,778)

7. DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 30th June, 2020 and 30th June, 2019.

During the six months ended 30th June, 2020 and 30th June, 2019, the Board did not recommend the payment of a final dividend for the year ended 31st December, 2019 and 31st December, 2018, respectively.

8. LOSS PER SHARE

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

	Six months ended 30th June,	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the purpose of basic loss per share		
– Loss for the period attributable to owners of the Company	<u>(94,651)</u>	<u>(54,521)</u>
	2020	2019
	<i>Number of</i>	<i>Number of</i>
	<i>shares</i>	<i>shares</i>
Weighted average number of shares for the purpose of basic loss per share	<u>386,263,374</u>	<u>386,263,374</u>

No diluted loss 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 120 days to its trade debtors.

Included in the Group's debtors, deposits and prepayments are trade debtors of HK\$224,975,000 (31st December, 2019: HK\$243,787,000). 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:

	30th June, 2020	31st December, 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
0 – 90 days	150,588	182,242
91 – 180 days	47,919	51,875
More than 180 days	<u>26,468</u>	<u>9,670</u>
	<u>224,975</u>	<u>243,787</u>

As at 30th June, 2020, total bills received amounting to HK\$432,000 (31st December, 2019: HK\$1,126,000) 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 received by the Group are with a maturity period of less than one year.

10. CREDITORS AND ACCRUED CHARGES

	30th June, 2020 <i>HK\$'000</i> (unaudited)	31st December, 2019 <i>HK\$'000</i> (audited)
Trade creditors	61,886	90,633
Other creditors and accrued charges	<u>247,870</u>	<u>257,464</u>
	<u>309,756</u>	<u>348,097</u>

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

	30th June, 2020 <i>HK\$'000</i> (unaudited)	31st December, 2019 <i>HK\$'000</i> (audited)
0 – 60 days	30,260	81,618
61 – 120 days	27,593	6,676
More than 120 days	<u>4,033</u>	<u>2,339</u>
	<u>61,886</u>	<u>90,633</u>

11. BANK BORROWINGS

	30th June, 2020 <i>HK\$'000</i> (unaudited)	31st December, 2019 <i>HK\$'000</i> (audited)
Secured bank borrowings	<u>22,570</u>	<u>25,304</u>

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

	30th June, 2020 <i>HK\$'000</i> (unaudited)	31st December, 2019 <i>HK\$'000</i> (audited)
Within one year	5,615	5,486
More than one year, but not exceeding two years	5,760	5,658
More than two years, but not exceeding five years	<u>11,195</u>	<u>14,160</u>
	22,570	25,304
Portion of bank borrowings that contain a repayment on demand clause (shown under current liabilities)	<u>(22,570)</u>	<u>(25,304)</u>
Amounts due after one year shown under non-current liabilities	<u>–</u>	<u>–</u>

Note: The amounts due are based on the scheduled repayment dates set out in the respective loan agreements.

All of the Group's bank borrowings are variable-rate borrowings and subject to cash flow interest rate risk. A bank borrowing of HK\$16,899,000 (31st December, 2019: HK\$18,979,000) carries interest at Hong Kong Prime Rate less 2.6%. The borrowing is secured by the Group's investment properties with carrying amount of HK\$152,290,000 (31st December, 2019: HK\$171,920,000).

A bank borrowing of HK\$5,671,000 (31st December, 2019: HK\$6,325,000) is secured by the Group's leasehold land and buildings with carrying amount of HK\$28,723,000 (31st December, 2019: HK\$29,296,000) and carries interest at one month Hong Kong Interbank Offered Rate plus 1.8%.

DIVIDENDS

The Board has resolved not to declare any interim dividend (2019: nil) for the six months ended 30th June, 2020.

BUSINESS REVIEW

Profitability analysis

The Group's consolidated revenue decreased by 37% to HK\$343.9 million during the six months ended 30th June, 2020 (2019: HK\$545.5 million). A loss attributable to owners of the Company of HK\$94.7 million was incurred during the period under review (2019: HK\$54.5 million). Loss per share was 24.50 HK cents (2019: 14.11 HK cents).

Significant increase in loss for the period under review was mainly due to significantly decrease in demand from customers after outbreak of COVID-19 in early this year. As a result, the Group's operating profitability was adversely affected by the diseconomies of scale. Moreover, the Group recorded a substantial fair valuation loss of HK\$19.6 million on revaluation of investment properties for the six months ended 30th June, 2020.

Original design manufacturing ("ODM") division

Revenue generated by the ODM division contributed 80% to the consolidated revenue of the Group in the period under review (2019: 76%). Sales to ODM customers decreased by 34% from HK\$417.0 million in the first six months of 2019 to HK\$274.2 million in the first six months of 2020 was due to two major factors. Firstly, the outbreak of COVID-19 in January 2020 caused the temporary suspension and disruption of the productions and shipments to the customers in the first quarter of 2020. Secondly, the Group's customers in Europe and the United States (the "US") have delayed in shipments and suspended in placing new orders after the outbreak of COVID-19 in their respective countries since March 2020. Geographically, sales to Europe, the US, Asia and other regions accounted for 55%, 33%, 11% and 1% respectively (2019: 59%, 28%, 11% and 2% respectively) of the revenue of the ODM division during the period under review. The Group continued to maintain a fairly balanced sales mix between prescription frames and sunglasses. Sales of prescription frames, sunglasses and spare parts accounted for 51%, 46% and 3% respectively of the revenue of this division during the period under review (2019: 55%, 42% and 3% 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, China and Germany, and independent distributors in other countries. Revenue of the distribution division decreased by 46% to HK\$69.7 million (2019: HK\$128.5 million) and accounted for 20% (2019: 24%) of the consolidated revenue during the six months ended 30th June, 2020. Sales to Europe and Asia regions reduced significantly by 44% and 61% respectively due to severe quarantine control across the European and Asian countries after the outbreak of COVID-19 during the second quarter of 2020. Sales to Europe, Asia, the US and other regions accounted for 65%, 12%, 13% and 10% respectively of the revenue of the distribution division during the period under review (2019: 63%, 17%, 7% and 13% respectively). There was no significant change in sales by regions.

Financial position and liquidity

Cash flows

The Group recorded a net cash outflow from operating activities of HK\$3.1 million during the period under review (2019: net cash inflow of HK\$99.0 million). The result in net cash outflow mainly due to substantial loss to owners of the Company of HK\$94.7 million incurred during the period under review (2019: HK\$54.5 million). And the reduction in cash outflow was materially offset by decrease of inventories and debtors balances of HK\$46.9 million and HK\$19.5 million respectively. The net cash position of the Group (being the bank balances and cash less bank borrowings) decreased from HK\$216.3 million as at 31st December, 2019 to HK\$166.0 million as at 30th June, 2020.

Working capital management

In line with the decline in revenue during the period under review, inventory balance and total amount of trade debtors and bills receivable balances decreased by 33% and 8% respectively from HK\$141.4 million and HK\$244.9 million as at 31st December, 2019 to HK\$94.5 million and HK\$225.4 million as at 30th June, 2020. Inventory turnover period (being the ratio of inventory balances to cost of sales) increased slightly from 58 days for the six months ended 30th June, 2019 to 60 days for the period under review. On the other hand, debtors turnover period (being the ratio of the total of trade debtors and bills receivable to revenue) increased sharply from 82 days for the six months ended 30th June, 2019 to 120 days for the period under review because majority of customers had negotiated for payment extension as result of negative impact of COVID-19. The current ratio (being the ratio of total current

assets to total current liabilities) of the Group remained stable at 1.5 to 1.0 as at 30th June, 2020 compared to 1.6 to 1.0 as at 31st December, 2019. We expect the current ratio will be stable in the second half of the year.

Gearing position

Despite the loss incurred by the Group during the six months ended 30th June, 2020, the Group's gearing position remained low throughout the period under review. The debt-to-equity ratio (expressed as a percentage of non-current liabilities over equity attributable to owners of the Company) remained low at around 2% as at 30th June, 2020 and around 1% as at 31st December, 2019. The non-current liabilities of the Group mainly comprised deferred taxation which amounted to HK\$10.1 million as at 30th June, 2020 (31st December, 2019: HK\$9.4 million).

Net asset value

The Company had 386,263,374 shares in issue as at both 30th June, 2020 and 31st December, 2019 with equity attributable to owners of the Company amounting to HK\$791.5 million and HK\$896.7 million as at 30th June, 2020 and 31st December, 2019 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 30th June, 2020 was HK\$2.05 (31st December, 2019: HK\$2.32).

Contingent liabilities

As at 30th June, 2020, the Group did not have significant contingent liabilities (31st December, 2019: nil).

Charges on the Group's assets

As at 30th June, 2020, the Group's investment properties and leasehold land and buildings pledged as security for the Group's bank borrowings amounted to HK\$22.6 million (31st December, 2019: HK\$25.3 million). Details of bank borrowings are set out in note 11 to the condensed consolidated financial statements.

Foreign currency exposure

The Group was exposed to the fluctuation of Renminbi against both the US dollar and the Hong Kong dollar. Save as above, 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. The Group noted that there is potential exposure to the rapid change of Renminbi yet the range of movement was relatively limited. The Group manages foreign exchange risk by closely monitoring the movements of the foreign currency rates and enters into forward contracts whenever appropriate.

PROSPECTS

Market outlook

Looking forward, it is expected that the global market demand will be weakened for rest of the year. Despite facing various difficulties, the Group will take the opportunity to restructure the in-house production capacities and staff organisation with the aim of improving the Group strength for its long term development.

The higher profit margin of the distribution division demonstrates its growing importance in the future development of the Group. The Group will continue to seek for business opportunities with prudence so as to increase the contribution of this business either through establishment of our own network or forming joint venture with strategic distribution partner(s).

IMPORTANT EVENTS AFTER THE END OF THE FINANCIAL PERIOD

There are no important events affecting the Group which have occurred after the end of financial period for the six months ended 30th June, 2020 and up to the date of this announcement.

EMPLOYEE AND REMUNERATION POLICIES

As at 30th June, 2020, the Group employed approximately 3,200 (31st December, 2019: 4,500) full time staff in Mainland China, Hong Kong, Europe and South Africa. The Group remunerates its employees based on their performance, experience, qualifications and prevailing market salaries while performance bonuses are granted on a discretionary basis after considering individual performance and the operating results of the Group. Other employee benefits include insurance and medical coverage, subsidised educational and training programmes as well as provident fund schemes.

CORPORATE GOVERNANCE

The Company has complied with all applicable code provisions set out in the Corporate Governance Code (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, 2020, except for deviation from code provision A.2.1 of the CG Code. 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. The Board intends to maintain this structure in future as it believes that this

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 and currently comprises Mr. Wong Chi Wai (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) review of the interim and annual reports of the Group as well as 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 (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 directors and senior management as well as review and approve 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 (chairman of the Nomination Committee), Mr. Wong Chi Wai and Mr. Chung Hil Lan Eric, all of whom are independent non-executive directors. The duties of the Nomination Committee include (but are not limited to) reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive directors, making recommendations to the Board on the appointment or re-appointment of directors and determining the nomination criteria and nomination procedures of appointment of new and replacement directors, re-election of directors and nomination from shareholders.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the six months ended 30th June, 2020.

REVIEW OF INTERIM RESULTS

The unaudited interim results and the interim report of the Group for the six months ended 30th June, 2020 have been reviewed by the Audit Committee, which was of the opinion that the preparation had been complied with the applicable accounting standards and requirements and that adequate disclosures were made.

PUBLICATION OF INTERIM REPORT

The 2020 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 2020.

DIRECTORS

As at the date of this announcement, the Board comprises five directors, two of whom are executive directors, namely Mr. Ng Hoi Ying, Michael and Mr. Ng Kim Ying, and three are independent non-executive directors, namely Mr. Wong Chi Wai, Mr. Chung Hil Lan Eric and Mr. Lam Yu Lung.

By Order of the Board
Ng Hoi Ying, Michael
Chairman

Hong Kong, 28th August, 2020