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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 2024**

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 2024 together with last year’s comparative figures.

FINANCIAL HIGHLIGHTS

	2024	2023
Revenue	HK\$1,282,272,000	HK\$1,196,309,000
Profit attributable to owners of the Company	HK\$11,419,000	HK\$51,321,000
Earnings per share	2.96 HK cents	13.29 HK cents
Final dividend per share	Nil	5.0 HK cents

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	1,282,272	1,196,309
Cost of sales		(905,790)	(825,320)
Gross profit		376,482	370,989
Other income	4	37,352	36,031
Other gains and losses	5	(19,624)	(12,032)
Impairment losses	7	(1,514)	(203)
Loss on deemed disposal of a subsidiary		(1,793)	–
Distribution and selling expenses		(56,757)	(46,828)
Administrative expenses		(311,292)	(305,008)
Other expenses		(1,110)	(879)
Profit from operations		21,744	42,070
Finance costs	8	(5,066)	(685)
Share of profit of an associate		11,842	15,470
Share of (loss)/profit of joint ventures		(77)	3
Profit before tax		28,443	56,858
Income tax expense	9	(12,635)	(162)
Profit for the year	10	15,808	56,696
Other comprehensive (expense)/income 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)	(1,963)
<i>Items that reclassified and may be reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(10,782)	10,762
Exchange differences arising on translation of associates		(4,716)	2,191
Exchange differences arising on translation of joint ventures		(20)	5
Realisation of exchange reserve upon deregistration of a subsidiary		(14)	(95)
Realisation of exchange reserve upon deemed disposal of a subsidiary		1,390	–
		(14,142)	12,863
Other comprehensive (expense)/income for the year, net of tax		(14,481)	10,900
Total comprehensive income for the year		1,327	67,596

	<i>Note</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit for the year attributable to:			
Owners of the Company		11,419	51,321
Non-controlling interests		4,389	5,375
		<u>15,808</u>	<u>56,696</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		(2,012)	61,834
Non-controlling interests		3,339	5,762
		<u>1,327</u>	<u>67,596</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic and diluted	<i>12</i>	<u>2.96</u>	<u>13.29</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Investment properties		50,700	78,160
Property, plant and equipment		410,311	303,977
Deposits paid for acquisition of property, plant and equipment		12,488	16,295
Intangible assets		14,427	17,901
Goodwill		26,336	26,763
Investments in associates		79,132	56,864
Investments in joint ventures		1,217	1,314
Equity investments at FVTOCI		7,355	7,694
Deferred tax assets		20,698	20,194
		622,664	529,162
Current assets			
Inventories		220,462	181,374
Debtors, deposits and prepayments	<i>13</i>	399,977	412,677
Tax recoverable		356	647
Short-term bank deposits		–	1,121
Bank balances and cash		152,354	151,563
		773,149	747,382
Current liabilities			
Creditors and accrued charges	<i>14</i>	544,780	569,300
Contract liabilities		18,045	13,249
Refund liabilities		3,692	3,016
Consideration payable		556	–
Lease liabilities		4,557	3,624
Bank borrowings	<i>15</i>	69,714	16,545
Tax liabilities		7,758	8,219
		649,102	613,953
Net current assets		124,047	133,429
Total assets less current liabilities		746,711	662,591

	<i>Note</i>	2024 HK\$'000	2023 HK\$'000
Non-current liabilities			
Consideration payable		–	556
Lease liabilities		15,078	4,981
Bank borrowings	15	96,442	–
Deferred tax liabilities		30,196	25,246
		<u>141,716</u>	<u>30,783</u>
NET ASSETS		<u>604,995</u>	<u>631,808</u>
Capital and reserves			
Share capital		38,626	38,626
Reserves		481,395	503,297
		<u>520,021</u>	<u>541,923</u>
Equity attributable to owners of the Company		84,974	89,885
Non-controlling interests		<u>84,974</u>	<u>89,885</u>
TOTAL EQUITY		<u>604,995</u>	<u>631,808</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. BASIS OF PREPARATION

The 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 applied the following amendments to HKFRS Accounting Standards and interpretation issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sales and Leaseback
Hong Kong Interpretation 5 (“HK Int 5”) (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Adoption of Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current” and Amendments to HKAS 1 “Non-current Liabilities with Covenants” (collectively the “HKAS 1 Amendments”)

As a result of the adoption of the HKAS 1 Amendments, the Group changed its accounting policy for the classification of borrowings as below:

“Borrowings are classified as current liabilities unless, at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.”

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification.”

This new policy did not result in a change in the classification of Arts Optical International Holdings Limited’s borrowings. The Group did not make retrospective adjustments as a result of adopting HKAS 1 Amendments. The Group has provided additional disclosures about its non-current liabilities subject to covenants.

Except for the above, other amendments and interpretation listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

3. REVENUE

Disaggregation of revenue

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15 <i>Revenue from Contracts with Customers</i>		
Disaggregated by major products or service lines		
– Original design manufacturing division	875,424	853,987
– Distribution division	294,790	260,775
– Lens division	112,058	81,547
	<u>1,282,272</u>	<u>1,196,309</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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Compensation from other customers	4,351	4,406
Compensation from an associate	610	4,733
Government subsidy	1,958	1,670
Gross rental income from investment properties	3,252	3,218
Interest income on bank deposits	461	850
Product development income	3,907	3,722
Sales of scrap materials	2,734	2,423
Sales of raw materials	4,991	4,184
Sales of sample and mould	166	102
Subcontracting fee income	1,630	1,365
Other rental income	8,490	6,460
Others	4,802	2,898
	<u>37,352</u>	<u>36,031</u>

5. OTHER GAINS AND LOSSES

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net foreign exchange losses	(15,010)	(13,521)
Net gain on disposal of property, plant and equipment	286	3,550
Decrease in fair values of investment properties	(4,900)	(2,008)
Decrease in fair value of contingent consideration receivable	–	(57)
Gain on lease modifications	–	4
	<u>(19,624)</u>	<u>(12,032)</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 gain or losses, changes in fair values of investment properties, loss on deemed disposal of a subsidiary, finance costs, provision of penalty and share of results of an associate 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 <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>
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	620,125	254,383	359,532	48,232	1,282,272
Segment profit	41,744	15,650	14,843	5,692	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 loss of joint ventures					(77)
Profit before tax					28,443
	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>
For the year ended 31 December 2023					
Original design manufacturing division	468,151	201,332	176,875	7,629	853,987
Distribution division	167,979	25,252	34,222	33,322	260,775
Lens division	–	–	81,547	–	81,547
Revenue from external customers	636,130	226,584	292,644	40,951	1,196,309
Segment profit	57,327	20,467	21,060	4,805	103,659
Unallocated income and gains					6,769
Unallocated corporate expenses and losses					(69,208)
Interest income on bank deposits					850
Finance costs					(685)
Share of profit of an associate					15,470
Share of profit of joint ventures					3
Profit before tax					56,858

7. IMPAIRMENT LOSSES

	2024 HK\$'000	2023 HK\$'000
Impairment loss/(reversal of impairment loss) recognised on debtors, net	1,514	(81)
Impairment loss recognised on intangible assets	–	284
	<u>1,514</u>	<u>203</u>

8. FINANCE COSTS

	2024 HK\$'000	2023 HK\$'000
Interest on bank borrowings	4,513	229
Interest on lease liabilities	553	456
	<u>5,066</u>	<u>685</u>

9. INCOME TAX EXPENSE

	2024 HK\$'000	2023 HK\$'000
Current year:		
Hong Kong Profits Tax	2,563	2,318
The People's Republic of China (excluding Hong Kong) (the "PRC") Enterprise Income Tax	1,175	710
United Kingdom Corporation Tax	4,270	3,004
France Corporation Tax	–	(5)
South Africa Corporation Tax	40	327
Italy Corporation Tax	27	291
Vietnam Corporation Tax	92	7
Deferred taxation	4,417	(6,811)
	<u>12,584</u>	<u>(159)</u>
Under/(over)provision in respect of prior year:		
Hong Kong Profits Tax	(3)	201
PRC Enterprise Income Tax	48	39
United Kingdom Corporation Tax	–	95
South Africa Corporation Tax	6	(14)
	<u>51</u>	<u>321</u>
	<u>12,635</u>	<u>162</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 PRC subsidiaries is 25% for both years.

United Kingdom Corporation Tax is calculated at the applicable rate of 25% for the entity with profits in excess of GBP 250,000 (2023: 19% before 1 April 2023 and increased to 25% from 1 April 2023 for the entity with profits in excess of GBP 250,000) in accordance with the relevant law and regulations in the United Kingdom for the year.

France Corporation Tax is calculated at the applicable rate of 25% in accordance with the relevant law and regulations in France for both years.

South Africa Corporation Tax is calculated at the applicable rate of 27% (2023: 28% and reduced to 27% for the year ended on or after 31 March 2023) in accordance with the relevant law and regulations in South Africa for the year.

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 years.

Vietnam Corporation Tax is calculated at the applicable rate of 20% in accordance with the relevant law and regulations in Vietnam for both years.

10. PROFIT FOR THE YEAR

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

	2024 HK\$'000	2023 HK\$'000
Amortisation of intangible assets (included in distribution and selling expenses)	3,706	4,505
Impairment loss/(reversal of impairment loss) recognised on debtors, net	1,514	(81)
Impairment loss recognised on intangible assets	–	284
Auditors' remuneration:		
– Audit service	1,780	1,600
– Non-audit services	120	303
Cost of inventories recognised as an expense (<i>Note a</i>)	908,308	823,084
Depreciation of property, plant and equipment	36,560	30,512
Decrease in fair values of investment properties	4,900	2,008
(Write back of allowance for)/allowance for inventories (included in cost of sales) (<i>Note b</i>)	(2,518)	2,236
Operating leases rentals in respect of rented premises	40	30
Provision of penalty (included in administrative expenses)	–	19,391
Direct operating expenses of investment properties that did not generate rental income	2,813	2,379
Direct operating expenses of investment properties that generate rental income	288	270
Staff costs:		
Directors' and chief executive officer's emoluments	5,547	5,757
Other staff		
– Salaries, bonuses and allowances	401,654	376,966
– Retirement benefit scheme contributions	46,865	54,618
Total staff costs	<u>454,066</u>	<u>437,341</u>

Notes:

- (a) Cost of inventories sold includes staff costs and depreciation of approximately HK\$246,762,000 (2023: HK\$236,657,000) which are included in the amounts disclosed separately above.
- (b) The write back of allowance for inventories made in prior years arose upon utilisation, disposal or an increase in the estimated net realisable value of those inventories.

11. DIVIDENDS

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Final dividend paid of 5.0 HK cents in respect of 2023 (2023: 5.0 HK cents in respect of 2022) per share	19,313	19,313
Special dividend paid of nil in respect of 2023 (2023: 5.0 HK cents in respect of 2022) per share	<u>–</u>	<u>19,313</u>
	<u>19,313</u>	<u>38,626</u>

No dividend in respect of the year ended 31 December 2024 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit for the purpose of basic earnings per share		
– Profit for the year attributable to owners of the Company	<u>11,419</u>	<u>51,321</u>
	2024 <i>Number of shares</i>	2023 <i>Number of 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 was no potential ordinary shares in issue during 2024 and 2023.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade debtors from contracts with customers	361,577	359,677
Less: Allowance for credit losses	<u>(7,111)</u>	<u>(6,067)</u>
	354,466	353,610
Bills receivables	172	244
Other debtors, deposits and prepayments	<u>45,339</u>	<u>58,823</u>
Total debtors, deposits and prepayments	<u><u>399,977</u></u>	<u><u>412,677</u></u>

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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 - 90 days	245,483	235,296
91 - 180 days	99,562	104,895
More than 180 days	<u>9,421</u>	<u>13,419</u>
	<u><u>354,466</u></u>	<u><u>353,610</u></u>

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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 - 90 days	<u>172</u>	<u>244</u>

14. CREDITORS AND ACCRUED CHARGES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade creditors	173,490	155,388
Consideration payable for investment properties	–	14,080
Provision of penalty	19,359	19,391
Other creditors and accrued charges	<u>351,931</u>	<u>380,441</u>
	<u><u>544,780</u></u>	<u><u>569,300</u></u>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 - 60 days	132,589	135,213
61 - 120 days	36,308	12,866
More than 120 days	4,593	7,309
	<u>173,490</u>	<u>155,388</u>

15. BANK BORROWINGS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Secured bank borrowings	166,156	16,545
	<u>166,156</u>	<u>16,545</u>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within one year	69,714	16,545
More than one year, but not exceeding two years	14,116	—
More than two years, but not exceeding five years	68,538	—
More than five years	13,788	—
	<u>166,156</u>	<u>16,545</u>

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

All of the Group's bank borrowings are variable-rate borrowings and subject to cash flow interest rate risk. At 31 December 2023, a bank borrowing of HK\$1,545,000 carried interest at Hong Kong Prime Rate less 2.6%.

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

Bank borrowings of HK\$107,100,000 (2023: HK\$16,545,000) 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 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 year ended 31 December 2024 (2023: same).

DIVIDENDS

The Board did not recommend the payment of a final dividend (2023: 5.0 HK cents per share) for the year ended 31 December 2024.

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 5 June 2025 (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 30 May 2025
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Closure of register of members	2 June 2025 to 5 June 2025 (both dates inclusive)
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Record date	5 June 2025
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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 aforementioned latest time.

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 2025.

BUSINESS REVIEW

Profitability analysis

The Group has recorded a moderate increase in its consolidated revenue by 7% to HK\$1,282.3 million (2023: HK\$1,196.3 million) in the financial year ended 31 December 2024 (the “Reporting Period”). For the Reporting Period, the Group recorded a net profit attributable to owners of the Company of HK\$11.4 million and earnings per share of 2.96 HK cents respectively (2023: HK\$51.3 million and 13.29 HK cents respectively).

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

- the Group’s gross profit ratio decreased from 31.0% in the year of 2023 to 29.4% in the Reporting Period, resulting from serious price reduction pressure from original design manufacturing (“ODM”) customers;
- the Group recognised a substantial fair value loss of HK\$4.9 million on revaluation of investment properties for the Reporting Period, in view of current property market trend in Hong Kong. This is compared to the fair value loss on revaluation of investment properties recorded for the corresponding period in 2023, which was HK\$2.0 million;
- the Group’s share of profit from the associate company decreased significantly from HK\$15.5 million for the corresponding period in 2023 to HK\$11.8 million for the Reporting Period due to selling price competition; and
- a significant increase in staff costs, promotion and exhibition expenses for the development of the lens business in China and Southeast Asia markets.

ODM division

Our ODM division continued to be the key revenue contributor and revenue generated from this division contributed to 68% of the consolidated revenue of the Group in 2024 (2023: 71%). Sales to ODM customers increased by 3% from HK\$854.0 million in 2023 to HK\$875.4 million in 2024. Geographically, sales to customers in Europe, the United States (the “US”), Asia and other regions accounted for 50%, 26%, 23% and 1% respectively of the revenue of the ODM division in 2024 (2023: 55%, 23%, 21% and 1% respectively). Sales to Europe reduced by 6% whereas sales to the US and Asia were up by 12% and 15% respectively in 2024. Significant growth in sales in the US and Asia region was because the Group has shifted focus on ODM market development from European countries to the US and Asian countries especially the China market during the year. On the product side, the Group continued to maintain a fairly balanced sales mix between prescription frames and sunglasses in 2024. Sales of prescription frames, sunglasses and spare parts accounted for 44%, 51% and 5% respectively of revenue of the ODM division in 2024 (2023: 43%, 52% and 5% respectively).

Distribution division

Revenue generated from the distribution division increased by 13% from HK\$260.8 million in 2023 to HK\$294.8 million in 2024 and accounted for 23% of the consolidated revenue of the Group in 2024 (2023: 22%). 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 61%, 10%, 15% and 14% respectively of the revenue of the distribution division in 2024 (2023: 64%, 10%, 13% and 13% respectively). Europe was still the biggest market for the distribution division. Sales to Europe, the US, Asia and other regions increased by 7%, 11%, 31% and 26% 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 38% from HK\$81.5 million in 2023 to HK\$112.1 million in 2024 and accounted for 9% of the consolidated revenue of the Group in 2024 (2023: 7%). 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 second half of 2025.

Financial position and liquidity

Cash flows

The Group's operating activities continued to generate a healthy net cash inflow of HK\$54.7 million (2023: inflow of HK\$68.1 million) despite a significant decrease in the profitability of the Group in 2024. Capital expenditure was still high at HK\$174.1 million (2023: HK\$63.4 million) as the Group continued to execute its investment plan of production lines for optical lens in Malaysia, factory expansion of China and Vietnam. The net cash position of the Group (being the short-term bank deposits, bank balances and cash less bank borrowings) decreased by HK\$149.9 million from positive balance of HK\$136.1 million as at 31 December 2023 to negative balance of HK\$13.8 million as at 31 December 2024.

Working capital management

In line with the trend of increase in revenue during the period under review, the inventory balance and total amount of trade debtors and bills receivables balances increased by 22% and less than 1% respectively from HK\$181.4 million and HK\$353.9 million as at 31 December 2023 to HK\$220.5 million and HK\$354.6 million as at 31 December 2024. Inventory turnover period (being the ratio of inventory balances to cost of sales) increased from 80 days in 2023 to 89 days in 2024. On the other hand, debtors turnover period (being the ratio of the total of trade debtors and bills receivable to revenue) decreased from 108 days in 2023 to 101 days in 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 2024 and 31 December 2023.

Gearing position

The Group maintained a normal gearing position throughout 2024. The debt-to-equity ratio (expressed as a percentage of non-current liabilities over equity attributable to owners of the Company) increased from 6% as at 31 December 2023 to 27% as at 31 December 2024 due to increase of bank borrowings. The non-current liabilities of the Group comprised mainly bank borrowings which amounted to HK\$96.4 million as at 31 December 2024 (31 December 2023: comprised mainly deferred taxation of HK\$25.2 million).

Net asset value

The Company had 386,263,374 shares in issue as at both 31 December 2024 and 31 December 2023 with equity attributable to owners of the Company of HK\$520.0 million and HK\$541.9 million as at 31 December 2024 and 31 December 2023 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 2024 was HK\$1.35 (31 December 2023: HK\$1.40).

Contingent liabilities

As at 31 December 2024, the Group did not have significant contingent liabilities (31 December 2023: nil).

Charges on the Group's assets

As at 31 December 2024, 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\$107.1 million (31 December 2023: HK\$16.5 million). Details of bank borrowings are set out in note 15.

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.

PROSPECTS

Market outlook

Similar to 2024, the global economy has been facing a complex landscape shaped by geopolitical tensions, trade conflicts, and economic volatility. Key challenges include the lingering effects of the US-China trade war, tariffs imposed during the Trump administration, the Russia-Ukraine war, and broader macroeconomic uncertainty.

Despite these headwinds, smart glasses have steadily gained consumer interest over the past two years, driven by lighter designs, and redefine how consumers interact with the world by blending augmented reality (AR), AI, and real-time data into everyday experiences. It has created rising consumer demand and positioning them for great market potential in the near future.

While the Group is expected to encounter significant operational challenges and difficulties in the coming years, the management remains cautiously optimistic. We are committed to navigating uncertainties through prudent decision-making, strategic resource optimisation, and adaptive measures to evolving market dynamics. Maintaining financial discipline and operational resilience will remain paramount as we safeguard the organisation's long-term sustainability.

Margin Pressure

Pricing pressure from ODM customers of the US is expected to be very tough throughout 2025 because of the additional tariffs imposed by Trump administration in the early 2025. In response to escalating US tariffs, the Group has established prescription frames and lenses manufacturing facilities in Southeast Asia, which had commenced operations in the fourth quarter of 2024. This strategic initiative addresses evolving client requirements for alternative production bases outside China while enhancing our supply chain resilience in dynamic global trade conditions.

Moreover, the higher profit margins of the distribution and lens divisions demonstrate their growing importance to the future development of the Group. The Group had observed that there will be a tremendous growth of business opportunities in the Asia region. Therefore, the Group will increase its resources either through establishing its own network or forming joint ventures with strategic distribution partner(s) in the Asia region.

EVENTS AFTER THE REPORTING PERIOD

There are no important events affecting the Group which have occurred after the end of financial period for the year ended 31 December 2024 and up to the date of this announcement.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2024, the Group employed approximately 3,600 (31 December 2023: 3,700) 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 year ended 31 December 2024.

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 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 year ended 31 December 2024 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 year ended 31 December 2024.

PUBLICATION OF ANNUAL REPORT

The 2024 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 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, 27 March 2025