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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)**

**PROFIT WARNING**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance.

The Board wishes to inform the shareholders of the Company and potential investors that the Group is expected to record a substantial loss for the year ending 31st December, 2017.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

This announcement is made by Arts Optical International Holdings Limited (the “Company”, and together with its subsidiaries, the “Group”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “Board”) wishes to inform the shareholders of the Company and potential investors that based on the Company’s preliminary review of the results of the Group for the eleven months ended 30th November, 2017, the Group is expected to record a substantial loss for the year ending 31st December, 2017.

The profit of the Group for the year ended 31st December, 2016 was HK\$835.8 million, which was mainly attributable to the net gain relating to the disposal of land and premises of HK\$1,218.8 million and the net economic compensation for past service to the employees

\* For identification purpose only

of the Group of HK\$285.2 million which was recognised as an administrative expense. If the above one-time gain and expense were excluded, the Group would instead report a net loss of HK\$97.8 million (the “Adjusted Loss”) for the year ended 31st December, 2016.

The Board anticipates that the Group will report a substantial increase in loss for the year ending 31st December, 2017 in comparison to the Adjusted Loss. This is mainly attributable to:

- (i) the negative impact on the profitability of the Group arising from diseconomies of scale as the Group’s consolidated revenue decreased by 18% from HK\$1,141.2 million in the first eleven months of 2016 to HK\$932.9 million in the first eleven months of 2017;
- (ii) additional costs and expenses incurred in 2017 as the Group completed its factory relocation project during 2016 with new buildings being constructed on its factory sites in Pingdi Town of Shenzhen City, Heyuan City and Zhongshan City, which resulted in higher depreciation charges on the buildings and leasehold improvement; and
- (iii) the continuous increase in other operating costs in Mainland China throughout 2017 as compared with 2016.

The Company has yet to finalise the annual results of the Group for the year ending 31st December, 2017. The information contained in this announcement is based only on a preliminary assessment of the unaudited consolidated management accounts of the Group for the eleven months ended 30th November, 2017, but not on any data or information which has been audited or reviewed by the Company’s auditors. Further details of the financial information of the Group will be published when the annual results of the Group for the year ending 31st December, 2017 are released.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

By Order of the Board  
**Ng Hoi Ying, Michael**  
*Chairman*

Hong Kong, 29th December, 2017

*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.*