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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 will report a substantial loss for the year ending 31st December, 2014.

**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 ten months ended 31st October, 2014, the net profit for the year ending 31st December, 2014 is presently anticipated to be significantly lower than that of 2013 due to the reasons stated at paragraphs (i) to (iii) below. This does not take into account of the effects of accounting treatment of the Disposal as described below. Taking into account of the effects of accounting treatment of the Disposal, the Board further anticipates that the Group will report a substantial loss for the year ending 31st December, 2014.

\* For identification purpose only

The anticipated effect on the net profit for the year ending 31st December, 2014 is mainly attributable to:

- (i) the significant increase in labour costs after the statutory minimum wage in Shenzhen City, where the Group's manufacturing facilities are located, increased by 13% as from February 2014;
- (ii) the significant increase in other operating costs in Mainland China as compared with 2013; and
- (iii) the net after-tax gain of HK\$19.3 million recorded by the Group in 2013 upon the disposal of two wholly-owned subsidiaries that held two pieces of unutilised land in Heyuan City, which raised the Group's profit in 2013 and caused the Group's profit for the year ending 31st December, 2014 to appear lower in comparison.

As announced on 19th August, 2014, the Group, through its wholly-owned subsidiary Argent Optical Manufactory Limited, disposed of land and premises situated in Longgang District, Shenzhen City (the "Disposal"). According to the Hong Kong Financial Reporting Standards, the Group will only be able to recognise income when the Disposal has been completed, which is expected to be in the first half of 2016, but will recognise costs and expenses relating to the Disposal as and when they are incurred. Since the Disposal has not yet been completed, the first instalment payment (after-tax) of RMB519.3 million (equivalent to approximately HK\$665.4 million) received by the Group for the Disposal has not yet been recognised as income. However, costs and expenses relating to the Disposal, amounting to approximately HK\$107.9 million have already been recognised in the unaudited consolidated management accounts of the Group for the ten months ended 31st October, 2014. These costs and expenses mainly comprised HK\$103.8 million paid to 深圳市全聯行地產顧問有限公司 (Shenzhen Quanlianhang Property Consulting Co., Ltd.) for its consultation services and HK\$4.1 million paid to professional parties as service fees. As a result of such accounting treatment, the Board anticipates that the Group will report a substantial loss for the year ending 31st December, 2014.

The Company has yet to finalise the annual results of the Group for the year ending 31st December, 2014. The information contained in this announcement is based only on a preliminary assessment of the unaudited consolidated management accounts of the Group for the ten months ended 31st October, 2014, 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, 2014 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, 12th December, 2014

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