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雅視光學集團有限公司<sup>\*</sup>
(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 six months ending 30th June, 2016.

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 five months ended 31st May, 2016, the Group is expected to record a substantial loss for the six months ending 30th June, 2016.

<sup>\*</sup> For identification purpose only

The anticipated loss for the six months ending 30th June, 2016 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 12% from HK\$621.6 million in the first five months of 2015 to HK\$544.8 million in the first five months of 2016;
- (ii) the continuous increase in labour costs and other operating costs in Mainland China in the first five months of 2016 as compared with the corresponding period in 2015;
- (iii) additional costs and expenses incurred in the first five months of 2016 as the Group entered into the final execution phase of its factory relocation project 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 of the buildings and leasehold improvement; and
- (iv) net economic compensation for past service to the employees of the Group of approximately HK\$286.6 million recognised as an expense in the first five months of 2016 relating to the disposal of land and premises situated at Longguan District, Shenzhen City as announced by the Company on 19th August, 2014, 8th October, 2014, 13th October, 2015 and 3rd May, 2016 (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, 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 instalment payment of approximately RMB172.5 million (equivalent to approximately HK\$203.4 million) received by the Group for the Disposal in the first five months of 2016 has not yet been recognised as income. However, net economic compensation for past service to the employees of the Group of approximately HK\$286.6 million incurred in the first five months of 2016 relating to the Disposal has already been recognised as an expense in the unaudited consolidated management accounts of the Group for the five months ended 31st May, 2016. As a result of such accounting treatment, the Board anticipates that the Group will report a substantial loss for the six months ending 30th June, 2016.

The Company has yet to finalise the interim results of the Group for the six months ending 30th June, 2016. The information contained in this announcement is based only on a preliminary assessment of the unaudited consolidated management accounts of the Group for the five months ended 31st May, 2016, 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 interim results of the Group for the six months ending 30th June, 2016 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, 30th June, 2016

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.