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 six months ending 30th June, 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 five months ended 31st May, 2017, the Group is expected to record a substantial loss for the six months ending 30th June, 2017.

* *For identification purpose only*

The loss of the Group for the six months ended 30th June, 2016 was HK$321.1 million, which was mainly attributable to the net economic compensation for past service to the employees of the Group of HK$286.6 million which was recognised as an administrative expense. If this one-time expense was excluded, the loss of the Group for the six months ended 30th June, 2016 would be reduced to HK$34.5 million (the "**Adjusted Loss**").

The Board anticipates that the Group will report a substantial increase in loss for the six months ending 30th June, 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 17% from HK$544.8 million in the first five months of 2016 to HK$450.1 million in the first five months of 2017;

(ii) additional costs and expenses incurred in the first five months of 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 in the first five months of 2017 as compared with the corresponding period in 2016.

The Company has yet to finalise the interim results of the Group for the six months ending 30th June, 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 five months ended 31st May, 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 interim results of the Group for the six months ending 30th June, 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 June, 2017

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.