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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 ended 31st December, 2020.

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).

* For identification purpose only

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 unaudited consolidated management accounts of the Group for the eleven months ended 30th November, 2020, the Group is expected to record a substantial loss for the year ended 31st December, 2020 (the “Year”). The loss from operations of the Group for the Year is expected to maintain at a similar level as compared with that of last year. The loss attributable to owners of the Company for the Year is anticipated to record an increase of not less than 220% as compared to the loss attributable to owners of the Company of HK\$136.3 million for the year ended 31st December, 2019.

The Board considers that such increase in loss was mainly attributable to the following items:

- the global outbreak of COVID-19 has adversely impacted global business activities and resulted in decrease in sales volume and deferral of the orders from the customers in Europe, the United States and Asia;
- reduction in customer demand has resulted in surplus production capacity and an increase in production costs has led to intensified competition in the optical frame market as well as margin erosion pressure on the Group;
- the adverse impact on the profitability of the Group arising from diseconomies of scale as the Group’s revenue (unaudited) decreased by approximately 33% from HK\$973.4 million in the first eleven months of 2019 to HK\$652.5 million in the first eleven months of 2020;
- in light of the unexpected decrease in sales orders from customers in the original design manufacturing division, the Group is expected to recognise a substantial non-operational impairment loss of approximately HK\$300 million for property, plant and equipment given that the estimated carrying value of the assets exceeds its recoverable amount, which is determined by reference to the present value of estimated future cash flows; and
- the Group is expected to recognise a substantial fair value loss of approximately HK\$30.9 million on revaluation of investment properties for the Year in view of current property market trend in Hong Kong, with reference to the fair value loss on revaluation of investment properties recorded for the year ended 31st December, 2019 of HK\$5.7 million.

The Company has yet to finalise the annual results of the Group for the Year. 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, 2020, 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 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, 15th January, 2021

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.