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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)

**COMPLETION OF VERY SUBSTANTIAL DISPOSAL
AND CONNECTED TRANSACTION
AND
POSITIVE PROFIT ALERT**

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 Disposal was completed in the last quarter of 2016 and the Group is expected to record a net profit for the year ending 31st December, 2016 as compared with a net loss for the year ended 31st December, 2015.

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).

Reference is made to the announcements of the Company dated 19th August, 2014, 8th October, 2014, 13th October, 2015, 3rd May, 2016 (the “Announcements”) and the circular of the Company dated 19th September, 2014 (the “Circular”) in relation to, among other things, the disposal of the Argent Land by Argent, an indirect wholly-owned subsidiary of the Company, to Kaisa Property. Capitalised terms used herein shall have the same meaning as those defined in the Announcements and the Circular, unless otherwise defined or the context herein requires.

* For identification purpose only

The Board is pleased to announce that Argent received the final instalment of the Consideration on 23rd November, 2016 and the Disposal was completed, pending certain post-completion deliverables, during the last quarter of 2016. The Board also 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, 2016, the Group is expected to record a net profit for the year ending 31st December, 2016 as compared with a net loss for the year ended 31st December, 2015.

The anticipated profit for the year ending 31st December, 2016 is mainly attributable to the income recognition for the Disposal. According to the Hong Kong Financial Reporting Standards, the Group recognised income relating to the Disposal when the Disposal was completed in the last quarter of 2016. The estimated net gain on the Disposal recognised for the year ending 31st December, 2016 is approximately HK\$1,288.3 million. Such gain is estimated based on the Consideration of approximately HK\$1,767.1 million, less the net book value of the Argent Land and the properties erected thereon of approximately HK\$125.3 million, the second payment of service fee under the Service Agreement of approximately HK\$41.3 million and taxes paid/payable of approximately HK\$312.2 million.

The Board anticipates that the final amount of the total net gain on the Disposal is approximately HK\$874.8 million. Such gain is estimated based on the estimated net gain on the Disposal recognised for the year ending 31st December, 2016 of approximately HK\$1,288.3 million, less the cost and expenses of approximately HK\$128.3 million incurred in the years ended 31st December, 2014 and 2015 relating to the Disposal and net economic compensation for past service paid to the employees of the Group of approximately HK\$285.2 million recognised as an administrative expense in the year ending 31st December, 2016.

If the above one-time net gain on the Disposal is excluded, the Board anticipates that the Group will instead report a net loss for the year ending 31st December, 2016. 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 11% from HK\$1,281.5 million in the first eleven months of 2015 to HK\$1,141.2 million in the first eleven months of 2016;
- (ii) the continuous increase in labour and other operating costs in Mainland China throughout 2016 as compared with 2015; and
- (iii) additional costs and expenses incurred in 2016 as the Group completed its factory relocation project during the year 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.

The Company has yet to finalise the annual results of the Group for the year ending 31st December, 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 eleven months ended 30th November, 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 annual results of the Group for the year ending 31st December, 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 December, 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.