



ARTS OPTICAL INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

SALE OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES

The Company, the Vendor and the Purchaser entered into the Agreement on 12th January, 2002 in relation to the Sale and the Subscription under which (i) the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares at the Sale Price; and (ii) the Vendor has conditionally agreed to subscribe for the Subscription Shares at a subscription price equal to the Sale Price per Subscription Shares.

The Vendor is a substantial shareholder of the Company. The Sale will reduce the aggregate shareholdings of the Vendor from about 10.64 per cent. to about 2.58 per cent. of the Company's existing issued share capital. The Subscription will then increase the aggregate shareholdings of the Vendor to about 7.43 per cent. of the Company's issued share capital as enlarged by the Subscription.

Net proceeds under the Subscription will amount to about HK\$31 million. The Company intends to use the proceeds for further expansion of the Group's distribution and retail network in mainland China.

At the request of the Company, the Shares have been suspended from trading on the Stock Exchange since 10:00 a.m. on 14th January, 2002 and the Company has applied to resume trading of the Shares on the Stock Exchange from 10:00 a.m. on 15th January, 2002.

1. THE SALE:

Vendor:

Universal Honour Developments Limited is a company incorporated in the British Virgin Islands. The Vendor is a substantial shareholder of the Company and owns 37,620,000 Shares, representing about 10.64 per cent. of the existing issued share capital of the Company of 353,450,000 Shares as at the date of this announcement. The entire issued share capital of the Vendor is held by Centre Trustees (C.I.) Limited as trustee for The Optical 2000 Trust, a discretionary trust, the beneficiaries of which include Mr. Ng Kim Ying and his family members. Mr. Ng Kim Ying is an executive director of the Company.

Number of Sale Shares:

28,500,000 Shares in the existing issued share capital of the Company held by the Vendor, representing about 8.06 per cent. of the existing issued share capital of the Company. The Sale Shares are to be sold free from all liens, charges, security interests, encumbrances, adverse claims, options and third party rights.

Purchaser:

Templeton Strategic Emerging Markets Fund LDC is an Exempted Limited Duration Company incorporated in the Caymans Islands with limited liability. The Purchaser is independent of any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any associate of any of them within the meaning of Listing Rules. The Purchaser owns 890,000 Shares, representing about 0.25 per cent. of the existing issued share capital of the Company as at the date of this announcement. Upon completion of the Sale and the Subscription, the Purchaser shall hold 29,390,000 Shares, representing about 7.90 per cent. of the then enlarged issued share capital of the Company.

The Company has been informed that the Purchaser is a strategic investor who intends to hold the Sale Shares as long term investments for capital gain.

Sale Price:

HK\$1.70 per Sale Share.

This price was agreed after arm's length negotiations between the Vendor and the Purchaser.

This price represents (i) a discount of approximately 11.92 per cent. to the closing price of HK\$1.93 per Share as quoted on the Stock Exchange on 11th January, 2002, being the last trading day immediately prior to this announcement; and (ii) a discount of approximately 5.13 per cent. to the average closing price of approximately HK\$1.792 per Share as quoted on the Stock Exchange from 28th December, 2001 to 11th January, 2002, both dates inclusive, being the last ten trading days immediately prior to the date of this announcement.

Conditions and completion of the Sale:

The Sale is not subject to any conditions and will be completed within two business days from the date of the Agreement.

2. THE SUBSCRIPTION

Subscriber:

The Vendor is the subscriber.

Number of Subscription Shares:

The Vendor has conditionally agreed to subscribe for 18,500,000 new Shares which represent about 5.23 per cent. of the Company's existing issued share capital and 4.97 per cent. of its issued share capital as enlarged by the Subscription of 18,500,000 new Shares.

Subscription price:

HK\$1.70 per Subscription Share which is equal to Sale Price. The Sale Price of the Sale Shares will be paid to the Vendor upon the completion of the Sale. The subscription price of the Subscription Shares will be satisfied by the proceeds of the Sale.

Mandate to issue new Shares:

The Subscription Shares to be issued under the Subscription will be issued under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 31st May, 2001.

Ranking:

The Subscription Shares will rank pari passu in all respects with the Shares in issue at the date of the allotment and in particular will rank in full for all dividends and other distributions declared made or paid at any time after the date of the allotment.

Conditions of the Subscription:

The Subscription is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal, in all the Subscription Shares on the Stock Exchange; and
- (ii) completion of the Sale.

Completion of the Subscription:

The completion of the Subscription will take place at a date and time to be agreed between the Vendor and the Company following the satisfaction or the waiving of all the conditions referred to above and in any event shall take place not later than 14 days falling immediately after the date of the Agreement (unless otherwise agreed between the Vendor and the Company).

If the conditions are not fulfilled or waived within 14 days after the date of the Agreement (or such later date as agreed by the Vendor and the Company), the Subscription shall lapse. If the Subscription cannot be completed within 14 days after the date of the Agreement but the Vendor and the Company agree to extend the completion to a later date, the Company shall, unless otherwise agreed with the Stock Exchange, complete the Subscription in accordance with the connected transactions requirement as prescribed in the Listing Rules.

Changes to the shareholding as a result of the Sale and the Subscription:

The shareholding of the substantial shareholders (as defined in the Listing Rules) in the Company immediately before the Sale, immediately after the Sale but before the Subscription, and immediately after the Sale and the Subscription are as follows:

	Existing Shareholding	After the Sale but before the Subscription	After the Sale and the Subscription
Ratagan International Company Limited (Note 1)	172,380,000 48.77%	172,380,000 48.77%	172,380,000 46.34%
The Vendor (Note 2)	37,620,000 10.64%	9,120,000 2.58%	27,620,000 7.43%

Note 1: The entire issued share capital of Ratagan International Company Limited is held by Centre Trustees (C.I.) Limited as trustee for The Arts 1996 Trust, a discretionary trust, the beneficiaries of which include Mr. Ng Hoi Ying, Michael and his family members. In addition, Mr. Ng Hoi Ying, Michael and his family members collectively hold 9,232,000 Shares personally. Mr. Ng Hoi Ying, Michael is the Chairman of the Company.

Note 2: In addition to his interests in the Vendor, Mr. Ng Kim Ying personally holds 750,000 Shares.

The Vendor is a substantial shareholder of the Company immediately before the Sale but will cease to be a substantial shareholder of the Company following the Sale and the Subscription.

Reasons for the Sale and Subscription and the Intended use of proceeds:

The Board considers that the Sale and the Subscription will enhance the liquidity of the Shares, improve the general financial position and capital base of the Company, and accordingly will be in the interests of the Company.

The net proceeds of the Subscription will amount to approximately HK\$31 million in cash. The Company intends to use it for further expansion of the Group's distribution and retail network in mainland China.

Application will be made for the listing of, and permission to deal in, the Subscription Shares.

General

At the request of the Company, the Shares have been suspended from trading on the Stock Exchange since 10:00 a.m. on 14th January, 2002 and the Company has applied to resume trading of the Shares on the Stock Exchange from 10:00 a.m. on 15th January, 2002.

3. DEFINITIONS

"Agreement"	means the agreement dated 12th January, 2002 in relation to the Sale and the Subscription entered into between the Company, the Vendor and the Purchaser
"Board"	means the board of directors of the Company
"Company"	means Arts Optical International Holdings Limited
"Group"	means the Company together with its subsidiaries
"Hong Kong"	means the Hong Kong Special Administrative Region of the People's Republic of China
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange
"Purchaser"	means Templeton Strategic Emerging Markets Fund LDC, represented by its investment manager, Templeton Asset Management Limited
"Sale"	means the sale of the Sale Shares by the Vendor to the Purchaser pursuant to the Agreement
"Sale Price"	means HK\$1.70 per Sale Share
"Sale Shares"	means 28,500,000 Shares
"Shares"	means ordinary shares of HK\$0.10 each in the capital of the Company
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"Subscription"	means the conditional subscription by the Vendor for the Subscription Shares on the terms set out in the Agreement
"Subscription Shares"	means the 18,500,000 new Shares to be subscribed by the Vendor pursuant to the Agreement
"Vendor"	means Universal Honour Developments Limited

By order of the board of
Arts Optical International Holdings Limited
Ng Hoi Ying, Michael
Chairman

Hong Kong, 14th January, 2002