Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

ARTS OPTICAL INTERNATIONAL HOLDINGS LIMITED

雅視光學集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1120)

CONNECTED TRANSACTIONS ACQUISITION OF ENTIRE ISSUED SHARE CAPITAL OF ART TALENT INDUSTRIAL LIMITED AND SHAREHOLDER LOANS

On 2 July 2010, Allied Power, a wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with Mr. Ng pursuant to which Mr. Ng agreed to sell, and Allied Power agreed to purchase, the entire issued share capital of Art Talent and take an assignment of the benefit of the Shareholder Loans owed to Mr. Ng respectively by Art Talent and Hongmao for a total consideration of HK\$55 million. Art Talent, through its wholly-owned subsidiary, Hongmao, owns or has rights to the Properties (defined below).

Mr. Ng is a connected person of the Company by virtue of his being a director and controlling shareholder of the Company. The Transactions thus constitute connected transactions of the Company. Since each of the applicable percentage ratios calculated under Chapter 14 of the Listing Rules is less than 5%, the Transactions are exempt from the independent shareholders' approval requirements pursuant to Rule 14A.32 and is only subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules.

BACKGROUND

On 21 June 2010, the Group received the Letter informing it that the location of its Existing Facility situated at Longgang District, Shenzhen City would be the subject of special planning for redevelopment and the Group would be required to prepare for relocation of its Existing Facility. Although the Letter does not specify the time frame for the relocation, the Directors expect that the relocation will take approximately five years to complete.

The Group had been in negotiations with Mr. Ng to seek alternative locations for its Existing Facility in Shenzhen. Mr. Ng is the beneficial owner of the entire issued share capital of Art Talent which, through its wholly-owned subsidiary, Hongmao, owns or has rights to the Properties. The Group plans to relocate its Existing Facility to the Properties and has entered into the Share Purchase Agreement with Mr. Ng in relation thereto.

PARTICULARS OF THE SHARE PURCHASE AGREEMENT

Date

2 July 2010

Parties

Seller: Mr. Ng

Purchaser: Allied Power

Interests to be acquired

The shareholding to be acquired by Allied Power represents the entire issued share capital of Art Talent. Allied Power will also acquire the benefit of the Shareholder Loans.

Consideration and payment terms

The consideration for the Sale Shares and the benefit of the Shareholder Loans is HK\$55 million and will be funded by the Group's internal resources. Allied Power will pay the consideration in cash in full at Completion.

The consideration was determined after arm's length negotiations between the Group and Mr. Ng by reference to HK\$57,756,000, being the unaudited consolidated net asset value of Art Talent and Hongmao as at 31 May 2010 after taking into account the reference values of Land A and the Buildings and excluding the Shareholder Loans. For further details of the reference value of the Properties, please refer to the section headed "Information regarding the Properties". The consideration represents approximately 5% discount to the above-mentioned unaudited consolidated net asset value of Art Talent and Hongmao and approximately 12% discount to the total of the original cost of HK\$100 of the Sale Shares and the amount of the Shareholder Loans.

Conditions Precedent

Completion is conditional upon the following conditions precedent being satisfied (or waived by Allied Power):

- (a) the obtaining of all consents, approvals, clearances and authorisations of any government authority or other relevant third parties in Hong Kong or elsewhere for the execution and implementation of the Share Purchase Agreement;
- (b) each of the warranties made by Mr. Ng in the Share Purchase Agreement remaining true, accurate and complete at Completion; and
- (c) the receipt of a satisfactory legal opinion from the Company's PRC counsel in relation to Hongmao and the Properties.

Indemnity by Mr. Ng

Mr. Ng has agreed to indemnify Allied Power in respect of all losses, damages, costs, claims, liabilities, charges and expenses which Allied Power, Art Talent, and/ or Hongmao may suffer up to an amount of HK\$55 million, in the event that by 31 December 2012:-

- (i) Hongmao has not obtained the land use right certificate in respect of Land A; and
- (ii) Hongmao has not obtained real estate title certificates in respect of the Buildings.

Mr. Ng further agrees to indemnify Allied Power in respect of any increase in the land premium to be payable if the authorised construction area is exceeded in respect of Land A.

Completion

Completion shall take place within five Business Days of satisfaction of the conditions precedent, or on such other date as the parties may agree in writing.

INFORMATION ABOUT THE GROUP AND ALLIED POWER

The Group is principally engaged in the design, manufacture and sale of various kinds of optical products. It has two production facilities in Shenzhen and Zhongshan, Guangdong province, respectively, with over 30 production lines and a total gross floor area of approximately 150,000 square metres. Approximately 11,300 workers are employed in the two production facilities.

Allied Power is a wholly-owned subsidiary of the Company and is engaged in investment holding.

INFORMATION REGARDING ART TALENT AND HONGMAO

Art Talent is a private company incorporated in Hong Kong with limited liability and is engaged in investment holding. Hongmao is a wholly foreign-owned enterprise established under the laws of the PRC and its principal asset is the Properties.

Based on the unaudited consolidated accounts of Art Talent and Hongmao for the two financial years ended 31 December 2008 and 31 December 2009 respectively prepared in accordance with HKFRS, the unaudited consolidated profit (loss) of Art Talent and Hongmao for these two financial years are as follows:

	Financial Year ended 31 December 2008 (HK\$'000)	Financial year ended 31 December 2009 (HK\$000)
Unaudited consolidated profit (loss) before taxation	(1,690)	1,017
Unaudited consolidated profit (loss) after taxation	(1,690)	1,017

Based on the unaudited consolidated accounts of Art Talent and Hongmao for the financial year ended 31 December 2009 prepared in accordance with HKFRS, the unaudited consolidated net liabilities of Art Talent and Hongmao as at 31 December 2009 were approximately HK\$22,778,000.

INFORMATION REGARDING THE PROPERTIES

The Properties consist of four parcels of land, three of which are located in an industrial complex at Liulian Village, Pingdi Town, Longgang District, Shenzhen City, and one of which is located at Xinxu Town, Huiyang City, Guangdong Province, the PRC, details of which are set out below:

	Site Area (square metres)
Land A	34,493.6
Land B	5,888.8
Land C	4,470.0
Land D	20,000.0
Total:	64,852.4

Four buildings have already been constructed on Land A, and a building is currently being constructed.

Vigers has not ascribed a commercial value to Land A and the Buildings as Hongmao has not obtained the land use right certificate for Land A and real estate title certificates in respect of the Buildings. However, on the assumption that such land use right certificate for Land A and the real estate title certificates in respect of the Buildings are obtained, the total reference value of Land A and the Buildings is approximately RMB 49,610,000 (equivalent to approximately HK\$56,697,000). Hongmao expects to obtain the land use right certificate for Land A and the real estate title certificates in respect of the Buildings by 31 December 2012. The Company's PRC counsel is of the opinion that after completion of certain procedural steps and payment of land premium (if any), there should be no legal impediments under PRC law for Hongmao to obtain such land use right certificate and real estate title certificates. Furthermore, Mr. Ng has agreed to indemnify Allied Power up to an amount of HK\$55 million in the event that such land use right certificate and real estate title certificates could not be obtained by that date.

No commercial value has been attributed to the remaining three parcels of land due to the lack of relevant land use right certificates by Hongmao. This has already been taken into account in the determination of the consideration in the Share Purchase Agreement. The Group is of view that these three plots are not essential for the purposes of the relocation.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

As mentioned earlier, the Group is required to prepare for relocation of its Existing Facility. The Existing Facility has a site area of approximately 59,700 square metres and a total gross floor area of approximately 130,000 square metres with a work force of approximately 10,600 workers.

Most of the Group's manufacturing of optical products is currently conducted in its Existing Facility, of which electroplating is an essential process. Electroplating is regulated under PRC law and the Group possesses an electroplating licence from the Shenzhen Environmental Protection Bureau, which permits electroplating operations to take place at its Existing Facility. Since the obtaining of an electroplating licence is a complicated process which may take time, in order to ensure continuity of production, the Group is inclined to relocate within the Shenzhen area to take advantage of the transfer of its existing electroplating licence to the Properties, and continue production with minimal disruption. Moreover, relocation within Shenzhen would reduce the time and costs (including staff redundancy costs, if any) involved, and allow the Group to retain its skilled workforce in this area.

Pursuant to the Letter, the land use for the site where the Existing Facility is located has been re-designated as residential and public facilities. The Group will discuss with the relevant government authorities and evaluate available options for maximizing the realizable value of that site.

Based on the above and taking into account the discount to the unaudited consolidated net asset value of Art Talent and Hongmao as at 31 May 2010, the Directors (including the independent non-executive directors) consider that the Transactions are on normal commercial terms and are fair and reasonable so far as the Company and the Shareholders are concerned, and the entering into of the Transactions are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Mr. Ng is an executive director and the controlling shareholder of the Company and is a connected person of the Company. The Transactions thus constitute connected transactions of the Company under Rule 14A.13(1)(a) of the Listing Rules. Since each of the applicable percentage ratios calculated under Chapter 14 of the Listing Rules is less than 5%, the Transactions are exempt from the independent shareholders' approval requirements pursuant to Rule 14A.32 and is only subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules.

No Directors other than Mr. Ng has any material interest in the Transactions and save for Mr. Ng, none of them has abstained from voting on the board resolution approving the Transactions.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

"Allied Power"	Allied Power Inc., a company with limited liability incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
"Art Talent"	Art Talent Industrial Limited (藝駿實業有限公司), a private limited company incorporated in Hong Kong with Mr. Ng being the sole beneficial owner of its entire issued share capital

"Board"	the board of Directors

"Buildings" the four buildings with a total gross floor area of approximately 16,919 square metres that have already been constructed on Land A and a building that is currently being constructed on Land A with a planned gross floor area of approximately 30,028 square metres

"Business Day" a day other than a Saturday or Sunday on which banks are open in Hong Kong to the general public for business

"Company" Arts Optical International Holdings Limited, incorporated in Bermuda as an exempted company with limited liability whose shares are listed on the Stock Exchange "Completion" the completion of the Transactions "connected person(s)" has the meaning given to it under the Listing Rules "Director(s)" the directors of the Company "Existing Facility" the Group's existing production facility in Longgang District. Shenzhen "Group" the Company and its subsidiaries "HK\$" Hong Kong dollars, the lawful currency of Hong Kong "HKFRS" Hong Kong Financial Reporting Standards "Hong Kong" Hong Kong Special Administrative Region of the PRC "Hongmao" Hongmao Metal Products (Shenzhen) Co. Ltd. (宏懋 金屬製品 (深圳) 有限公司), a wholly foreign-owned enterprise established under the laws of the PRC and a wholly-owned subsidiary of Art Talent "Letter" a letter dated 8 June 2010 from the Land Preparation and Resettlements Bureau of Tiyuxincheng District, Shenzhen (深圳市體育新城土地整備安置領導小組 辦公室) to Argent Optical Manufactory Limited, an indirect wholly-owned subsidiary of the Company "Listing Rules" the Rules Governing the Listing of Securities on the Stock Exchange "Mr. Ng" Mr. Ng Hoi Ying, Michael, an executive director and the controlling shareholder of the Company "PRC" the People's Republic of China, which for the purposes of this announcement excludes Hong Kong, Macao Special Administrative Region and Taiwan "Properties" The four parcels of land with a total site area of approximately 64,852.4 square metres and the

Buildings

"RMB"	Renminbi Yuan	, the lawful current	cy of the PRC

"Shareholder Loans" the indebtedness of Art Talent and Hongmao

respectively to Mr. Ng in the total amount of

approximately HK\$62,332,143

"Share Purchase Agreement" the Share Purchase Agreement dated 2 July 2010

entered into between Allied Power and Mr. Ng

"Sale Shares" 100 shares of HK\$1.00 each of Art Talent, which

represent its entire issued share capital

"Shareholder(s)" the shareholders of the Company

"Stock Exchange" The Stock Exchange of Hong Kong Limited

"Transactions" the transactions contemplated under the Share Purchase

Agreement which includes: (i) the sale and purchase of the Sale Shares; and (ii) the assignment of the benefit

of the Shareholder Loans

"Vigers" Vigers Appraisal & Consulting Limited, an independent

professional valuer

For illustration purposes in this announcement, the exchange rate of HK\$1.00 = RMB 0.875 was adopted.

By Order of the Board

Lee Wai Chung

Company Secretary

Hong Kong, 2 July 2010

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. Francis George Martin, Mr. Wong Chi Wai and Mr. Chung Hil Lan Eric.