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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO SUBSCRIPTION OF AND
SALE AND PURCHASE OF QUOTAS IN
TRENTI INDUSTRIA OCCHIALI S.R.L.**

On 23rd June, 2014, Allied Power, a wholly-owned subsidiary of the Company, entered into the Subscription Agreement with Trenti pursuant to which Allied Power agreed to subscribe for and Trenti agreed to issue the Subscription Quotas. On 23rd June, 2014, Allied Power entered into the Sale and Purchase Agreement with the Vendor pursuant to which the Vendor agreed to sell and Allied Power agreed to purchase the Sale Quotas conditional upon completion of the Subscription Agreement.

The Subscription and the Purchase shall together be referred to as the Transaction. As one or more of the applicable percentage ratios in respect of the Transaction calculated in accordance with Chapter 14 of the Listing Rules are more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

THE SUBSCRIPTION AGREEMENT

Date: 23rd June, 2014

Parties: (1) Trenti as issuer
(2) Allied Power as subscriber

As at the date of this announcement, Allied Power is interested in 13% of the share capital of Trenti. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Trenti and its other quotaholders are not connected persons of the Company.

* For identification purpose only

Subject matter: The subscription by Allied Power and the issuance by Trenti of the Subscription Quotas

Consideration: An aggregate consideration of €984,615 (equivalent to approximately HK\$10,372,000)

The consideration for the Subscription is payable in cash via telegraphic transfer by Allied Power to Trenti at completion of the Subscription.

The consideration for the Subscription was determined after arm's length negotiations between Allied Power and Trenti.

The consideration for the Subscription will be funded out of Allied Power's internal resources.

Conditions:

Completion of the Subscription is conditional upon, among other things:

- (a) approval by the quotaholders of Trenti for an increase in share capital of Trenti from €250,000 to €305,560 to be exclusively reserved to Allied Power being obtained;
- (b) approval by the board of Trenti to authorize the allotment and issue of the Subscription Quotas to Allied Power and the Subscription Agreement being obtained; and
- (c) all necessary consents and approvals required to be obtained in respect of the Subscription Agreement (including any consent by any quotaholder of Trenti required to be given pursuant to any quotaholders' agreement of Trenti) and the transactions contemplated by the Subscription Agreement having been obtained.

Completion:

Completion of the Subscription shall take place around July 2014, provided that all terms and conditions of the Subscription Agreement have been satisfied. Upon completion of the Subscription, the amount of Allied Power's quotas in Trenti will increase from €32,500 (representing 13% of the share capital of Trenti) to €88,060 (representing approximately 28.82% of the enlarged share capital of Trenti).

THE SALE AND PURCHASE AGREEMENT

Date: 23rd June, 2014

Parties: (1) Mr. Valter Da Rin Pagnetto as vendor
(2) Allied Power as purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is not a connected person of the Company.

Subject matter: The sale of the Sale Quotas by the Vendor to Allied Power

Consideration: An aggregate consideration of €1,042,708 (equivalent to approximately HK\$10,984,000)

The consideration for the Purchase is payable in cash via telegraphic transfer by Allied Power to the Vendor at completion of the Purchase.

The consideration for the Purchase was determined after arm's length negotiations between Allied Power and the Vendor.

The consideration for the Purchase will be funded out of Allied Power's internal resources.

Conditions:

Completion of the Purchase is conditional upon, among other things:

- (a) completion of the Subscription;
- (b) approval by the board and quotaholders of Trenti to authorize the Purchase being obtained; and
- (c) all necessary consents and approvals required to be obtained in respect of the Sale and Purchase Agreement (including any consent by any quotaholder of Trenti required to be given pursuant to any quotaholders' agreement of Trenti) being obtained.

Completion:

Completion of the Purchase shall take place around August 2014, provided that all terms and conditions of the Sale and Purchase Agreement have been satisfied. Upon completion of the Purchase, the amount of Allied Power's quotas in Trenti will increase from €88,060 (representing approximately 28.82% of the enlarged share capital of Trenti) to €152,780 (representing 50% of the enlarged share capital of Trenti).

QUOTAHOLDERS' AGREEMENT

Allied Power and the Management Quotaholders will enter into a new quotaholders' agreement upon completion of the Transaction to regulate the rights and obligations of the quotaholders of Trenti. The quotaholders are expected, upon the signing of the quotaholders' agreement, to agree among other things, that:

- (a) Allied Power has the right to nominate and appoint its representatives as directors of Trenti to constitute up to half of the total number of directors of Trenti;
- (b) a board resolution of Trenti is required for any capital expenditure or bank borrowing or granting of guarantee with an amount exceeding 20% of the net assets value of Trenti from time to time;
- (c) a board resolution ratified by the general meeting of Trenti is required for the issue of any new quotas or warrants or appointment of additional director to the board of directors of Trenti;
- (d) Management Quotaholders will not sell any of their quotas in Trenti to any third party without the prior written consent of Allied Power;
- (e) Allied Power shall have the right of first refusal or pre-emptive purchase right if any of the Management Quotaholders would like to sell his or her quotas in Trenti;
- (f) the Management Quotaholders shall have the right of first refusal or pre-emptive purchase right if Allied Power would like to sell its quotas in Trenti; and
- (g) written consent by all the quotaholders of Trenti is required for the distribution of retained profits brought forward from 31st December, 2012 amounting to €485,593 (equivalent to approximately HK\$5,115,000) on the date of the quotaholders' agreement.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group is principally engaged in the design, manufacture and sale of various kinds of optical products. The Transaction will further strengthen the strategic partnership between the Group and Trenti. The Transaction also presents opportunities to the customers of original design manufacturing division and distribution division to source "Made in Italy" products by leveraging the combined design and product development as well as manufacturing capabilities of the Group and Trenti.

The Directors (including the independent non-executive Directors) consider that (i) the entering into of the Transaction is in the ordinary and usual course of business of the Group; (ii) the terms of the Transaction are on normal commercial terms; and (iii) the terms of the Transaction are fair and reasonable so far as the interests of the Shareholders and the Group are concerned and are in the interests of the Shareholders and the Group as a whole.

INFORMATION ON TRENTI

Trenti is a company incorporated in Italy with limited liability and is mainly engaged in the manufacture and trading of eyewear products. Below is a table showing the shareholding structure of Trenti (a) as at the date of this announcement; and (b) upon completion of the Transaction.

Name of quotaholder	As at date of announcement		Upon completion of the Transaction	
	(a)		(b)	
	Amount of quotas		Amount of quotas	
	€	%	€	%
Vendor	174,750	69.90%	110,030	36.01%
Ms. Silvana Alvera'	5,250	2.10%	5,250	1.72%
Ms. Francesca Da Rin Pagnetto	25,000	10.00%	25,000	8.18%
Mr. Roberto Cabras	12,500	5.00%	12,500	4.09%
Allied Power	32,500	13.00%	152,780	50.00%
Total	250,000	100.00%	305,560	100.00%

Upon completion of the Transaction, Trenti will become an associated company of the Company.

Based on the audited accounts of Trenti for the two financial years ended 31st December, 2012 and 31st December, 2013 respectively prepared in accordance with Italian accounting standards, the audited profit of Trenti for these two financial years were as follows:

	Financial Year ended 31st December, 2012 (€'000)	Financial Year ended 31st December, 2013 (€'000)
Audited profit before taxation	1,071	797
Audited profit after taxation	711	515

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Transaction calculated in accordance with Chapter 14 of the Listing Rules are more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

GENERAL

The Group is principally engaged in the design, manufacture and sale of various kinds of optical products.

Allied Power was incorporated in the British Virgin Islands with limited liability and is mainly engaged in investment holding.

DEFINITIONS

In this announcement, the following expressions have the respective meanings set out below unless the context requires otherwise:

“Allied Power”	Allied Power Inc., a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Board”	the board of Directors of the Company
“Company”	Arts Optical International Holdings Limited (Stock Code: 1120), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Quotaholders”	the Vendor, Ms. Silvana Alvera’, Ms. Francesca Da Rin Pagnetto and Mr. Roberto Cabras

“Purchase”	the sale and purchase of the Sale Quotas pursuant to the Sale and Purchase Agreement
“Sale and Purchase Agreement”	the agreement for the sale and purchase of the Sale Quotas dated 23rd June, 2014 entered into between the Vendor and Allied Power
“Sale Quotas”	Quotas of €64,720 in the share capital of Trenti held by the Vendor as at the date of this announcement
“Shareholders”	the registered holders of shares in the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Quotas pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement for subscription of the Subscription Quotas dated 23rd June, 2014 entered into between Trenti and Allied Power
“Subscription Quotas”	Newly issued quotas of €55,560 in the share capital of Trenti
“Transaction”	the Subscription and the Purchase
“Trenti”	Trenti Industria Occhiali S.r.l., a company incorporated in Italy with limited liability
“Vendor”	Mr. Valter Da Rin Pagnetto
“€”	Euro, the lawful currency of the European Union
“%”	per cent.

In this announcement, unless otherwise stated, amounts denominated in € are translated, for the purpose of illustration only, into HK\$ at the exchange rate of HK\$10.534 to €1.

By Order of the Board
Ng Hoi Ying, Michael
Chairman

Hong Kong, 23rd June, 2014

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.