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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)**

**UPDATE ON CONNECTED TRANSACTION**

Reference is made to the Company's announcement dated 2nd July, 2010 in relation to the Share Purchase Agreement, whereby 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, for a total consideration of HK\$55 million. Art Talent, through its wholly-owned subsidiary, Hongmao, owns or has rights to the Properties.

Under the Share Purchase Agreement, Mr. Ng undertook to use all reasonable endeavours to assist Allied Power, Art Talent, and/or Hongmao to obtain, by no later than 31st December, 2012, necessary certificate(s) and permit(s) from, and complete requisite filing and/or registration procedures with the relevant Government Authorities in respect of the land use right certificate and the real estate title certificates to the Properties to the extent not already obtained, and 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 31st 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 being constructed on Land A.

\* For identification purpose only

Reference is also made to the Company's announcement dated 20th December, 2012, whereby the land use right certificate and the real estate title certificates had not been obtained and Allied Power entered into a supplemental deed with Mr. Ng on 20th December, 2012 pursuant to which Mr. Ng agreed to extend the duration of the undertaking and indemnity to 31st December, 2015.

Reference is also made to the Company's announcement dated 16th December, 2015, whereby the land use right certificate and the real estate title certificates had not been obtained and Allied Power entered into a second supplemental deed with Mr. Ng on 16th December, 2015 pursuant to which Mr. Ng agreed to further extend the duration of the undertaking and indemnity to 31st December, 2018.

As of today, the abovementioned land use right certificate and the real estate title certificates have not been obtained. In order to assist the Group in obtaining the necessary land use right certificate and real estate title certificates, Mr. Ng has agreed to further extend the duration of the undertaking and indemnity described above to 31st December, 2021, and entered into a third supplemental deed with Allied Power on 7th December, 2018.

Mr. Ng, being a director and controlling shareholder of the Company, is a connected person of the Company. As the giving of the indemnity constituted financial assistance provided by a connected person for the benefit of the Company on normal commercial terms (or better) where no security is granted, this transaction is exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

Reference is made to the Company's announcement dated 2nd July, 2010 (the "2010 Announcement") whereby Allied Power, a wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with Mr. Ng Hoi Ying, Michael, a connected person of the Company, 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 by Art Talent and Hongmao from Mr. Ng respectively, for a total consideration of HK\$55 million. Art Talent, through its wholly-owned subsidiary Hongmao, owns or has rights to the Properties. The Share Purchase Agreement was completed on 5th July, 2010. Terms used or construed in the 2010 Announcement shall bear the same meaning or construction when used in this Announcement save as otherwise set forth.

Under the Share Purchase Agreement, Mr. Ng undertook to use all reasonable endeavours to assist Allied Power, Art Talent, and/or Hongmao to obtain, by no later than 31st December, 2012, necessary certificate(s) and permit(s) from, and complete requisite filing and/or registration procedures with the relevant Government Authorities in respect of the land use right certificate and the real estate title certificates to the Properties to the extent not already obtained.

In addition, Mr. Ng 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 31st 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 being constructed on Land A.

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

Reference is also made to the Company's announcement dated 20th December, 2012, whereby the land use right certificate and the real estate title certificates had not been obtained and Allied Power entered into a supplemental deed with Mr. Ng on 20th December, 2012 pursuant to which Mr. Ng agreed to extend the duration of the undertaking and indemnity to 31st December, 2015.

Reference is also made to the Company's announcement dated 16th December, 2015, whereby the land use right certificate and the real estate title certificates had not been obtained and Allied Power entered into a second supplemental deed with Mr. Ng on 16th December, 2015 pursuant to which Mr. Ng agreed to further extend the duration of the undertaking and indemnity to 31st December, 2018.

The Company wishes to inform its shareholders that as of today, the abovementioned land use right certificate and the real estate title certificates have not been obtained. In response to a recent enquiry made by the Group, the Longgang Management Bureau of the Urban Planning, Land and Resources Commission of Shenzhen Municipality of the PRC (the "Bureau") has indicated that the final plans of Land A are still under preparation and not yet effective. The Board believes that the Bureau will accept and handle the application for the land use right certificate and the real estate title certificates after the final plans are released and become effective.

In order to assist the Group in obtaining the necessary land use right certificate and real estate title certificates, Mr. Ng has agreed to further extend the duration of the undertaking and indemnity described above to 31st December, 2021, and entered into a third supplemental deed with Allied Power on 7th December, 2018.

Mr. Ng, being a director and controlling shareholder of the Company, is a connected person of the Company. As the giving of the indemnity constituted financial assistance provided by a connected person for the benefit of the Company on normal commercial terms (or better) where no security is granted, this transaction is exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

By Order of the Board  
**Ng Hoi Ying, Michael**  
*Chairman*

Hong Kong, 7th December, 2018

*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.*