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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you have sold or transferred** all your shares in Arts Optical International Holdings Limited, you should at once hand this document and the accompanying form of proxy to the purchaser or transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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*Arts* Group

**ARTS OPTICAL INTERNATIONAL HOLDINGS LIMITED**

雅視光學集團有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1120)**

**MAJOR TRANSACTION  
IN RELATION TO DISPOSAL OF PROPERTY**

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Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 4 to 10 of this circular.

The Disposal has been approved by written shareholders’ approval pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

\* For identification purpose only

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## DEFINITIONS

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*In this circular the following expressions shall have the following meanings unless the context otherwise requires:*

|                        |  |
|------------------------|--|
| “associates”           | shall have the meaning ascribed to it under the Listing Rules  |
| “Board”                | the board of directors of the Company  |
| “BVI”                  | the British Virgin Islands   |
| “Bye-laws”             | the bye-laws of the Company  |
| “Closely Allied Group” | a closely allied group of the Shareholders comprising Ratagan International Company Limited, Ms. Wu Zhihong, Mr. Ng Hoi Ying, Michael, Mr. Ng Kim Ying, Ms. Mao Xiaobing and Ms. Ng Yat Shan who together held 208,004,347 Shares (representing approximately 53.85% of the issued share capital of the Company) as at the date of this circular |
| “Company”              | Arts Optical International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1120)   |
| “Completion”           | the completion of the Disposal pursuant to the terms of the Provisional SPA and the Formal SPA   |
| “Consideration”        | the total consideration of HK\$90,600,000  |
| “Director(s)”          | the director(s) of the Company   |
| “Disposal”             | the disposal of the Property   |
| “Formal SPA”           | the formal agreement for the sale and purchase of the Property entered into on 6 May 2022  |
| “Group”                | the Company and its subsidiaries   |
| “HK\$”                 | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Hong Kong”            | Hong Kong Special Administrative Region of the PRC   |

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## DEFINITIONS

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|--------------------------------|---|
| “Independent Third Party(ies)” | individual(s) or company(ies) which is/are independent of and not connected with (within the meaning of the Listing Rules) any member of the Group, the Directors, chief executive and substantial shareholders of the Company and its subsidiaries |
| “Latest Practicable Date”      | 20 July 2022, being the latest practicable date prior to the printing of this document  |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Mr. Edwin Yu”                 | Mr. Yu Li Jih, Edwin (余立智)  |
| “Mr. Gerald Yu”                | Mr. Yu Lee Hong, Gerald (余立康)   |
| “PRC”                          | the People’s Republic of China  |
| “Property”                     | the property located at Unit Nos. 301, 307 and 308 on 3/F Sunbeam Centre, No. 27 Shing Yip Street, Kowloon, Hong Kong   |
| “Property Agent”               | Centaline Property Agency Limited, a company established in Hong Kong with limited liability  |
| “Provisional SPA”              | the preliminary sale and purchase agreement dated 13 April 2022 entered into amongst the Vendor, the Purchaser and the Property Agent in relation to the sale and purchase of the Property  |
| “Purchaser”                    | Jointwill Corporation Limited, a company established in Hong Kong with limited liability  |
| “RMB”                          | Renminbi, the lawful currency of the PRC  |
| “SFO”                          | Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)  |
| “Shareholder(s)”               | holder(s) of the Share(s)   |
| “Share(s)”                     | ordinary share(s) of HK\$0.10 each in the capital of the Company  |

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## DEFINITIONS

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|                  |  |
|------------------|--|
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited  |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers  |
| “True Beauty”    | True Beauty Holdings Limited   |
| “Vendor”         | Sin Dak Industrial Limited, a company established in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company |
| “%”              | per cent   |

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LETTER FROM THE BOARD

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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)**

*Directors:*

Mr. NG Hoi Ying, Michael (*Chairman*)

Mr. NG Kim Ying

Mr. WONG Chi Wai<sup>#</sup>

Mr. CHUNG Hil Lan Eric<sup>#</sup>

Mr. LAM Yu Lung<sup>#</sup>

(<sup>#</sup> independent non-executive Directors)

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head Office and Principal Place of*

*Business in Hong Kong:*

Units A to G, 32nd Floor

King Palace Plaza

55 King Yip Street

Kwun Tong

Kowloon

Hong Kong

25 July 2022

*To the Shareholders*

Dear Sir or Madam,

**INTRODUCTION**

Reference is made to the announcement of the Company dated 13 April 2022.

The purpose of this document is to give you, amongst others, further details of the Disposal and other information as required under the Listing Rules.

\* For identification purpose only

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## LETTER FROM THE BOARD

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### THE DISPOSAL

On 13 April 2022, the Vendor, an indirect wholly-owned subsidiary of the Company, the Purchaser and the Property Agent entered into the Provisional SPA, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Property at the consideration of HK\$90,600,000.

### THE PROVISIONAL SPA

The principal terms of the Provisional SPA are set out below:

#### Date

13 April 2022

#### Parties

- (i) the Vendor
- (ii) the Purchaser
- (iii) the Property Agent

#### Subject Matter

Pursuant to the Provisional SPA, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Property, which is located at Unit Nos. 301, 307 and 308 on 3/F Sunbeam Centre, No. 27 Shing Yip Street, Kowloon, Hong Kong. The Property is a non-residential property and is currently being used as the principal office of the Group in Hong Kong. Pursuant to the Provisional SPA, the Property will be sold on “as is” basis.

#### Consideration and Payment Terms

The Consideration is HK\$90,600,000, which shall be payable by the Purchaser to the Vendor in the manners as follows:

- (i) HK\$2,000,000 was paid by the Purchaser to the Vendor upon the signing of the Provisional SPA as initial deposit;
- (ii) a further deposit in the sum of HK\$7,060,000 shall be paid by the Purchaser to the Vendor on or before 4 May 2022 as further deposit; and
- (iii) the remaining balance of HK\$81,540,000 shall be paid by the Purchaser to the Vendor on or before Completion, which is scheduled to take place on or before 29 July 2022.

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## LETTER FROM THE BOARD

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Pursuant to the Provisional SPA, the Property Agent shall be entitled to receive a commission in the amount equivalent to 1% of the Consideration from the Vendor no later than Completion.

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser with reference to market value.

### **Formal Agreement**

Pursuant to the Provisional SPA, the Formal SPA which have the same terms and conditions as those of the Provisional SPA was entered into on 6 May 2022.

### **INFORMATION ABOUT THE COMPANY**

The Company is an investment holding company. The activities of its principal subsidiaries, associate and joint venture are the manufacture of, and trading in, prescription frames, sunglasses and optical lens as well as property holding.

### **INFORMATION ABOUT THE PARTIES**

#### **The Vendor**

The Vendor, an indirect wholly-owned subsidiary of the Company, was established in Hong Kong with limited liability. It is principally engaged in property holding.

#### **The Purchaser**

The Purchaser is a company established in Hong Kong with limited liability. It is principally engaged in property holding.

Based on the annual return of the Purchaser filed on 11 February 2022 which the Company has obtained through a company search, the sole shareholder of the Purchaser is True Beauty. True Beauty is a company incorporated in the BVI. Mr. Edwin Yu and Mr. Gerald Yu are the directors of the Purchaser.

The shareholding information of True Beauty is not available in the public domain. The Company further understands that the register of members of a BVI company can only be obtained with the consent of such BVI company authorising its registered office service provider to disclose it.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the authorised person of the Purchaser for signing the Provisional SPA was Mr. Edwin Yu. As of the date of this circular, the Company has reached out to the Purchaser but it refuses to disclose the identity of its ultimate beneficial owner on basis that this is confidential. Further,

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## LETTER FROM THE BOARD

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as Mr. Edwin Yu and Mr. Gerald Yu remain uncontactable, the Company is not able to conduct searches and/or make enquiry to ascertain if Mr. Edwin Yu and/or Mr. Gerald Yu is the ultimate beneficial owner(s) of the Purchaser.

Despite the Purchaser's refusal to disclose the identity of its ultimate beneficial owner(s), the Company has, through the Property Agent, provided a list of connected persons of the Company to the Purchaser and the Purchaser has confirmed to the Company (through the Property Agent) that it and its ultimate beneficial owner(s) are independent of the Company and its connected person(s).

Further, having made enquiries to the Directors, senior management and the major Shareholders of the Company, the Company is not aware of any evidence that any of the Purchaser, True Beauty, Mr. Edwin Yu nor Mr. Gerald Yu is connected with (as defined under the Listing Rules) and/or has any affiliation with the Company. Based on the above, despite the absence of information revealing the identities of ultimate beneficial owner(s) of the Purchaser, the Company is of the view that the Purchaser and its ultimate beneficial owner(s) is independent of the Company and its connected person(s) (as defined under the Listing Rules).

### **The Property Agent**

The Property Agent is a company incorporated in Hong Kong with limited liability and operates property agencies in Hong Kong.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Property Agent and its ultimate beneficial owner(s) are third parties independent of the Company and their respective connected persons.

### **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Board has been assessing the property market in Hong Kong and reviewing the portfolio of the properties held by the Group. In view of the prospects of the property market and economy in Hong Kong and taking into consideration the current financial position of the Group, the Directors consider that the Disposal represents an opportunity for the Group to realise the appreciated value of the Property to generate additional working capital to the Group and thus enhance the financial position of the Group. In particular, as disclosed in the Company's 2021 annual report, the Group's net cash position decreased from HK\$192.8 million as at 31 December 2020 to HK\$75.0 million as at 31 December 2021, and its current ratio decreased from 1.3 as at 31 December 2020 to 1.2 as at 31 December 2021. In light of the uncertainties and challenges in the global business environment in the year of 2022 in the economy, and taking into account of the cash position and working capital position of the Company, the Board is of the view that it is in the interest of the Company and its shareholders to generate additional working capital to the Group and enhance the immediate cash flows of the Group to improve its financial strength.

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## LETTER FROM THE BOARD

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Taking into account of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Provisional SPA are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

### FINANCIAL EFFECTS OF THE DISPOSAL AND PROPOSED USE OF PROCEEDS

The net book value of the Property as at the date of the latest audited financial statement, that is, 31 December 2021, amounted to HK\$30,624,054. Upon completion of the Disposal as if this is completed on 31 December 2021, non-current assets and current liabilities of the Group will be reduced by HK\$30,624,054 and HK\$3,597,406 respectively, current assets of the Group will be increased by HK\$86,096,594, but there will be no effect on non-current liabilities. Based on the Consideration of HK\$90,600,000, the Group is expected to record a book gain on Disposal of approximately HK\$59,975,946 before the deduction of expenses, being the difference between the Consideration and the carrying value of the Property as at 31 December 2021.

The Directors noted that the Consideration represents a slight discount of 3%, being approximately HK\$2,800,000 on the appraised value of the Property (the “Discount”). As discussed with management of the Company, the Directors consider that the Discount to be reasonable given that (i) the Purchaser was willing to acquire all the units comprising the Property, saving the Group’s time and effort in finding and negotiating with different buyers for different units of the Property; (ii) no extensive due diligence was required and the negotiation of the Disposal was simple; and (iii) it is not uncommon for a property disposal of this size to be transacted at a slight discount to valuation.

As such, the Board considers that the Discount is fair and reasonable for the Company and the Shareholders, and that is in the interests of the Company and the Shareholders as a whole.

Based on the Consideration of HK\$90,600,000 and the associated estimated direct cost of the Disposal of approximately HK\$906,000 and the repayment of mortgage loan of approximately HK\$3,597,406, the Group is expected to receive net proceeds of approximately HK\$86,096,594 from the Disposal as if this is completed on 31 December 2021. The Group currently intends to use the proceeds as general working capital. As disclosed in the Company’s announcement dated 25 March 2022, 宏駿眼鏡製造(鷹潭)有限公司 (Hongjun Optical Manufactory (Yingtán) Company Limited), an indirect wholly-owned subsidiary of the Company, and the contractor entered into a construction agreement, pursuant to which the contractor has agreed to construct factories and ancillary facilities at the total consideration of RMB32,690,122.87 (equivalent to approximately HK\$40,156,547). Approximately 47% of net proceeds from the Disposal will be used to settle the consideration of the said construction agreement, which is expected to be fully settled on or before February 2024. For the balance of the net proceeds from the Disposal, the Company has not yet identified a specific intended usage nor timeline on such usage and currently plans to use it as general working capital.

Save as disclosed above, the Disposal will not have any material adverse impact on the earnings and assets and liabilities of the Group.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS OF THE DISPOSAL

As one of the applicable percentage ratios (as defined under the Listing Rules) calculated under Rule 14.07 of the Listing Rules in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Disposal and is required to abstain from voting for the resolution to approve the Disposal, should the Disposal be put forward to the shareholders to approve at a general meeting of the Company. Pursuant to Rule 14.44 of the Listing Rules, the Company has obtained a written approval from the Closely Allied Group who together holds 208,004,347 Shares (representing approximately 53.85% of the issued share capital of the Company as at the date of this circular), to approve the Disposal. Therefore, no general meeting of the Company will be convened to approve the Disposal. The Closely Allied Group comprises the following Shareholders:

| <b>Name of the Shareholders</b>                         | <b>Number of Shares Interested</b> | <b>Percentage of shareholding (approximately)</b> |
|---|------------------------------------|---|
| Ratagan International Company Limited ( <i>Note 1</i> ) | 153,600,000                        | 39.77%  |
| Wu Zhihong ( <i>Note 2</i> )                            | 19,656,000                         | 5.09%   |
| Ng Hoi Ying, Michael                                    | 2,856,000                          | 0.74%   |
| Ng Kim Ying ( <i>Note 3</i> )                           | 23,126,347                         | 5.99%   |
| Mao Xiaobing ( <i>Note 3</i> )                          | 5,000,000                          | 1.29%   |
| Ng Yat Shan ( <i>Note 4</i> )                           | 3,766,000                          | 0.97%   |

*Notes:*

1. The entire issued share capital of Ratagan International Company Limited was held by Maritime Overseas Assets Limited which was wholly-owned by HSBC International Trustee Limited as trustee of The Arts 2007 Trust, a discretionary trust, the settlor of which is Mr. Ng Hoi Ying, Michael and the beneficiaries of which included Mr. Ng Hoi Ying, Michael.
2. Ms. Wu Zhihong is the spouse of Mr. Ng Hoi Ying, Michael.
3. Mr. Ng Kim Ying is the brother of Mr. Ng Hoi Ying, Michael and an executive Director of the Company. Ms. Mao Xiaobing is the spouse of Mr. Ng Kim Ying.
4. Ms. Ng Yat Shan is the daughter of Mr. Ng Hoi Ying, Michael and the chief executive officer of the Company.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the Disposal is fair and reasonable and are in the interests of the Company and the Shareholders as a whole and would recommend the Shareholders to vote in favour of the Disposal if it had been necessary to hold a general meeting for such purpose.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
By order of the Board  
**Arts Optical International Holdings Limited**  
**Ng Hoi Ying, Michael**  
*Chairman*

**1. THREE-YEAR FINANCIAL INFORMATION**

Financial information of the Group for each of the three years ended 31 December 2019, 2020 and 2021 is disclosed in the annual reports of the Company for the three years ended 31 December 2019, 2020 and 2021 respectively, whereas financial information of the Group for the year ended 31 December 2021 is disclosed in the annual report of the Company for the year ended 31 December 2021, and are incorporated by reference into this circular. All of the abovementioned annual reports are available on the Company's website at <http://www.artsgroup.com> and the website of the Stock Exchange at <http://www.hkexnews.hk>.

The following is the hyperlink to the 2019 annual report of the Company published on 27 April 2020 with its audited consolidated financial statements for the year ended 31 December 2019 on pages 31 to 134:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042701595.pdf>

The following is the hyperlink to the 2020 annual report of the Company published on 22 April 2021 with its audited consolidated financial statements for the year ended 31 December 2020 on pages 32 to 132:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042201363.pdf>

The following is the hyperlink to the 2021 annual report of the Company published on 25 April 2022 with its audited consolidated financial statements for the year ended 31 December 2021 on pages 32 to 148:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0425/2022042501449.pdf>

**2. INDEBTEDNESS****Borrowings**

As at the close of business on 31 May 2022, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had aggregate outstanding bank borrowings of approximately HK\$57,014,000.

Bank borrowings of approximately HK\$11,674,000 are secured by the Group's investment properties and certain of its leasehold land and buildings and corporate guarantee of the Company. The Company and its subsidiary have provided joint liability corporate and cross guarantee to the bank borrowings of approximately HK\$45,340,000.

Save as disclosed above, the Group had no debt securities issued and outstanding, neither authorised nor otherwise created but unissued, and had no other term loans, no matter guaranteed, unguaranteed, secured (whether the security is provided by the issuer or by third parties) or unsecured.

Save as disclosed above, the Group had no other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) nor acceptance credits or hire purchase commitments, no matter guaranteed, unguaranteed, secured or unsecured borrowings and debt.

**Mortgages and charges of the Group**

As at 31 May 2022, the Group's investment properties and certain of its leasehold land and buildings pledged as security for the Group's bank borrowings amounted to approximately HK\$169,119,000.

Save as disclosed above, the Group had no other mortgages and charges.

**Lease liabilities**

As at 31 May 2022, the Group had lease liabilities of approximately HK\$9,952,000 which were unguaranteed and unsecured.

**Contingent liabilities**

As at 31 May 2022, the Group did not have significant contingent liabilities.

**3. SUFFICIENCY OF WORKING CAPITAL STATEMENT**

The effect of the Disposal on the working capital of the Group is the availability of increased fund for the Group's operations and the increase in the level of the Group's working capital sufficiency.

The Directors, having made due and careful enquiry, are of the opinion that taking into account the Disposal and the Group's available financial resources, including internally generated revenue and funds, banking facilities, successful renewal of existing banking facilities upon expiry, and cash on hand, the Group has sufficient working capital for its requirements for at least 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

**4. MATERIAL ADVERSE CHANGE**

The Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021 (being the date to which the published audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

**5. FINANCIAL AND OPERATIONAL PROSPECTS OF THE GROUP**

As disclosed in the 2021 annual report of the Company, although there was a strong rebound in market demand in eyewear products during the year ended 31 December 2021, the management anticipates that the global business environment will be very challenging and full of uncertainty in the year of 2022. On one hand, many countries in the world desired eagerly to return to a normal life style by gradually removing all the restrictions on social distance and cross-border travel. On the other hand, many western countries have imposed various sanctions on Russia especially in the oil and energy sector. The costs and stableness of oil and commodities supplies would inevitably be volatile for the year of 2022. The management will closely monitor the materials supply of commodities to ensure the Group's business will not be interrupted.

Going forward, the management will continue to focus on upgrading the infrastructure of e-commerce channels. The higher profit margins of the distribution and lens divisions demonstrate their growing importance in the future development of the Group. The Group will continue to seek business opportunities with prudence so as to increase the contribution of these businesses either through establishment of our own network or forming joint venture with strategic distribution partner(s).

*The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from **Vigers Appraisal and Consulting Limited**, an independent professional valuer, in connection with the valuation of the property to be disposed of by the Company as at 1st May 2022.*

**Vigers Appraisal and Consulting Limited**

General Practice Sector

27/F Standard Chartered Tower,  
Millennium City 1, 388 Kwun Tong Road,  
Kowloon, Hong Kong  
T: +852 6651-5330  
E: GP@Vigers.com  
W: www.Vigers.com



25th July 2022

The Board of Directors

**Arts Optical International Holdings Limited**

Units A to G, 32nd Floor, King Palace Plaza  
No. 55 King Yip Street  
Kwun Tong, Kowloon, Hong Kong

Dear Sirs,

We refer to the recent instruction from “**Arts Optical International Holdings Limited**” (referred to as the “Company”) to us to value the property interest(s) of “**Unit Nos. 301, 307 and 308 on Third Floor, Sunbeam Centre, No. 27 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong**” (referred to as the “Property”) which is to be disposed of by the Company, we confirm that we have inspected the Property, made relevant enquiries and investigations as well as obtained such further information as we consider necessary for the purpose of providing our opinion of value of the Property as at **1st May 2022** (the “Date of Valuation”).

**Basis of Value**

Our valuation is our opinion of market value of the Property which is defined as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”. Our valuation(s) has/have been prepared in accordance with “HKIS Valuation Standards 2020” published by “The Hong Kong Institute of Surveyors” (“**HKIS**”), “RICS Valuation – Global Standards” published by the “Royal Institution of Chartered Surveyors” (“**RICS**”), relevant provisions in the Companies Ordinance and Chapter 5 under the “Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited” (Main Board) published by “The Stock Exchange of Hong Kong Limited” (“**HKEx**”). Market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement(s), special consideration or concession granted by anyone associated with the sale, or any element of special value(s). The market value of a property is also estimated without regard to cost(s) of sale and purchase, and without offset for any associated tax(es).

**Approach to Value**

For the property which is owner-occupied, and we have adopted market approach which provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. We have applied direct comparison method of valuation whereby comparisons based on actual sales transactions and/or offering of comparable properties have been made. Comparable properties with similar character, location and so on are analysed and carefully weighed against all respective advantages and disadvantages of the Property in order to arrive at the fair comparison of value(s).

**Title Investigation**

No responsibility is assumed for any legal matters concerning the legal title to the property set out in this report. We have conducted land registration record(s) at the Land Registry but we have not searched the original document(s) to ascertain ownership nor to verify any lease amendment(s) which may not appear on the copy(ies) handed to us. In the course of our valuation(s), we have relied to a considerable extent on the information made available to us and we have accepted advice on such matters as planning approval(s) or statutory notice(s), easement(s), tenure(s), occupancy status, site and floor areas as well as all other relevant matters. Unless otherwise stated, no on-site measurement has been made. All information and document(s) provided to us have been used for reference purpose and all dimension(s), measurement(s) and area(s) are therefore approximation(s). Unless otherwise stated, floor area measurements are carried out in accordance with the “Code of Measuring Practice (1st Edition March 1999)” and its “Supplement(s) to the Code of Measuring Practice” published by the HKIS.

The land lease(s) of the property had expired before 30th June 1997, and we have taken into account of the provisions contained in Annex III of the “Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People’s Republic of China on the question of Hong Kong”, the “New Territories Leases (Extension) Ordinance” and the Basic Law that such land lease(s) has/have been extended without paying additional land premium until 30 June 2047.

In the course of our valuation(s), we have assumed that the owner(s) has/have free and uninterrupted rights to use and assign the Property during the unexpired land-lease term(s) granted subject to the payment of usual Government Rent(s) unless otherwise noted or specified.

**Valuation Consideration**

We have relied to a very considerable extent on the information given by the Company; and we have accepted advice given to us on such matters as statutory notice(s), easement(s), tenure(s), occupancy status, site and floor areas, identification of the Property and all other relevant matter(s). No detailed on-site measurement(s) to the Property has been taken. We have not carried out detailed on-site measurement to verify the correctness of the site and floor areas of the Property but we have assumed that the site and floor areas shown on the document(s) handed to us are accurate and reliable. All dimension(s), measurement(s) and area(s) included in our valuation report are based on the information contained in the document(s) provided to us and are therefore approximations.

We had carried out on-site inspection but we have not carried out any structural survey or test on any building services nor have we inspected the woodwork or other part(s) of the structure(s) which was/were covered, unexposed or inaccessible to us. We are therefore unable to report whether such part(s) of the Property is/are free from rot, infestation or any structural or non-structural defect. As advised by the Company, air-conditioning system and automatic sprinkler system as well as supply of electricity and water are all available throughout the Property.

### **Valuation Assumption**

Our valuation has been made on the assumption that the Property could be sold in the prevailing market in existing state assuming sale with vacant possession and without the effect of any deferred term contract, leaseback, joint venture or any other similar arrangement which may serve to affect the value of the Property unless otherwise noted or specified. In addition, no account has been taken into of any option or right of pre-emption concerning or affecting the sale of the Property.

The use of the word “property” throughout this report is intended to mean “land and building” and the word “land” has its normal legal interpretation.

Unless otherwise stated, we have carried out our valuation(s) assuming that:

- all necessary statutory approvals for the property of the development of which the property forms part of the use(s) have been obtained;
- no deleterious or hazardous materials or techniques have been used in the construction of the property;
- the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good title can be shown;
- for those parts of the property could not be inspected would not reveal material defects or cause to alter our valuation(s);
- the property is connected to main services and sewers which are available on normal terms;
- in the case of the property which is under construction, the property will be satisfactorily completed to the standard in due course and details as described in the latest development schedules as contained in the sales brochure; and
- in valuation(s) of the property which is held under multiple ownership, the cost of repairs and maintenance to the development of which the property forms part of the use are shared among all co-owner(s) of the development, unless instructed by the Company or otherwise aware of to the contrary, and that there are no onerous liabilities outstanding.

In the course of our valuation(s), we have taken the following into account:

- the tenure of the property;
- the age, type, accommodation, location, amenities, fixtures and features of the property and other significant environment factors within the locality;
- the general state of repair, the construction and apparent major defects; and
- the overall quality of management of the development of which the property forms part of.

In undertaking our market value assessment of the Property under multiple-ownership, any redevelopment potential attached to the site has been excluded, unless otherwise instructed. Unless otherwise stated, we have not carried out our valuation(s) on redevelopment basis; and the study of any possible alternative development option(s) and/or related economics do/does not come within the service scope of this report.

Any element of value attributable to furnishing and/or removable fitting(s) of any description as well as portable and temporary structure(s) when arriving at our opinion of value of the Property has/have been disregarded or excluded. We have valued the Property in accordance with its original approved state. Any premium or discount attached to the unauthorized addition(s) and/or alteration(s) has been disregarded. Nor have we considered any cost(s) required to restore the Property to its original state if requested by government authorities, unless otherwise noted.

We have assumed that the Property has been constructed, occupied and used in full compliance with all, and without contravention of any, Ordinances, except only where otherwise stated. We have further assumed that, for any use(s) of the Property upon which this report is based, any and all required license(s), permit(s), certificate(s), and/or authorization(s) has/have been obtained, except only where otherwise stated.

Our market value assessment is made on the assumption that the owner(s) sell(s) the Property in the prevailing market without the benefit or burden of cash rebate or any other similar arrangement(s) which may serve to affect the value(s) of the Property. No allowance has been made in our valuation for any charges, mortgage(s) or amount(s) owing on the Property, nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, we have assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which may serve to affect the value of the Property.

**Remarks**

We hereby confirm that:

- (1) we have no present or prospective interest in the Property; and are not a related corporation of nor having a relationship with the Company or other party/parties who the Company is contracting with;
- (2) we are authorised to practise as external valuer and have the necessary expertise and experience in valuing similar types of properties;
- (3) our valuation has been prepared on a fair and unbiased basis;
- (4) the valuer's compensation is not contingent upon reporting of a predetermined value or direction in value that favours the cause of the vendor or purchaser, the amount of the value estimate, the attainment of a stipulated result, or occurrence of subsequent event; and
- (5) we are independent of the Company.

Unless otherwise stated, all monetary amounts stated herein are denoted in "Hong Kong Dollar" ("HK\$"), the lawful currency of "Hong Kong Special Administrative Region" ("Hong Kong"); and the conversion factors adopted are 1.00 square metre ("sq.m.") to 10.7639 square feet ("sq.ft.") for area measurement, and 1.00 metre ("m.") to 3.2808 feet ("ft.") for length measurement.

We enclose herewith the core content of our valuation report.

Yours faithfully,

For and on behalf of

**VIGERS APPRAISAL AND CONSULTING LIMITED**

**Sr David W. I. CHEUNG**

MRICS MHKIS RPS(GP) CIREA RICS Registered Valuer

*Executive Director*

*Note:* Sr David W. I. CHEUNG is a "Registered Professional Surveyor in General Practice Division" ("RPS(GP)") under the "Surveyors Registration Ordinance" (Cap. 417) in Hong Kong; and is a "RICS Registered Valuer" under the "Valuer Registration Scheme" regulated by the RICS with over 37 years' valuation experience on properties in various regions including Hong Kong, Macao, the People's Republic of China, Taiwan, Japan, the United Kingdom ("UK"), Canada and the United State of America ("USA"). Sr CHEUNG has been vetted on the "List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers" published by the HKIS, and is suitably qualified for undertaking valuations relating to listing exercises. Sr CHEUNG has been employed by "Vigers Appraisal and Consulting Limited" as a qualified surveyor since 2006.

## PROPERTY VALUATION REPORT

## Property currently held by the Company for Owner-occupation purpose

| The Property  | Description and Tenure  | Occupancy Status  | Capital Value in Existing State as at the Date of Valuation                        |
|---|---|---|--|
| Unit Nos. 301, 307 and 308 on Third Floor, Sunbeam Centre, No. 27 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong | The property comprises three industrial units on the third floor of a 16-storey (inclusive of a basement and mezzanine floor) industrial building completed in 1986.  | As advised by the Company, the Property is owner-occupied by the Company as office as at the Date of Valuation. | HK\$93,400,000 (HONG KONG DOLLARS NINETY THREE MILLION FOUR HUNDRED THOUSAND ONLY) |
| All those 6517/231000th parts or shares of and in Kun Tong Inland Lot No. 93 registered at the Land Registry      | According to the information shown in developers' sales brochure, the property has a gross floor area of about 18,572 square feet (1,725.40 square metres). As measured from the registered floor plan, the property has a saleable area of about 14,051 square feet (1,305.38 square metres).  |   |  |
|   | Kun Tong Inland Lot No. 93 is held under Government Lease for a term of 21 years renewed for a further term of 21 years from 1st July 1955 less the last three days and statutorily been extended to 30th June 2047 without paying additional land premium but an annual Government Rent equal to 3% of the Rateable Value from time to time. |   |  |

## Notes

1. Pursuant to our recent Land Registration Record(s), the current registered owner is "SIN DAK INDUSTRIAL LIMITED" vide Memorial No. 14071802020035 dated 30th June 2014.
2. Pursuant to our recent Land Registration Record(s), the property is subject to the following salient encumbrances.
  - (1) Occupation Permit (NK3/86) vide Memorial No. UB3179556 dated 17th January 1986;
  - (2) Deed of Mutual Covenant and Management Agreement vide Memorial No. UB3179558 dated 29th September 1986;
  - (3) Mortgage for All Moneys in favour of Hang Seng Bank Limited vide Memorial No. 14071802020048 dated 30th June 2014 (Regarding Unit No. 301 on Third Floor);
  - (4) Second Mortgage to Secure All Moneys in respect of General Banking Facilities in favour of Hang Seng Bank Limited vide Memorial No. 16051902120345 dated 9th May 2016 (Regarding Unit No. 301 on Third Floor);

- (5) Mortgage to Secure All Moneys in respect of General Banking Facilities in favour of Hang Seng Bank Limited vide Memorial No. 16051902120322 dated 9th May 2016 (Regarding Unit No. 307 on Third Floor); and
- (6) Mortgage to Secure All Moneys in respect of General Banking Facilities in favour of Hang Seng Bank Limited vide Memorial No. 16051902120337 dated 9th May 2016 (Regarding Unit No. 308 on Third Floor).
3. As informed by the Company, “SIN DAK INDUSTRIAL LIMITED” is a wholly-owned subsidiary of the Company.
4. Our valuation is made on the basis that the property is not subject to mortgage or any other material encumbrances.
5. As confirmed by the Company, there is no breach of environmental regulations; and there is no investigations, notices, pending litigation, breaches of law or title defects as against the Property. In addition, there is no plan to change the use of the Property.
6. The property is owner-occupied, and we have assessed the Property on the special assumption that the Property is available for sale with vacant possession as at the Date of Valuation.
7. An external inspection to the Property and surrounding environment, but not in any form of a building survey, was carried out by **Ms Kit K. Y. LAU** BSc(Hons) Surveying under the direct supervision of **Sr David W. I. CHEUNG** MRICS MHKIS RPS(GP) CIREA RICS Registered Valuer on 1st May 2022.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

At the Latest Practicable Date, the interests and short positions of the Directors or the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered on the register maintained by the Company referred to therein, or which were required, pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### *Shares in the Company (Long Positions)*

| Name of director/chief executive | Number of issued ordinary shares held |                  |                 | Total       | Approximate percentage of issued share capital of the Company |
|----------------------------------|---------------------------------------|------------------|-----------------|-------------|---|
|                                  | Personal interests                    | Family interests | Other Interests |             |   |
| Ng Hoi Ying, Michael             | 2,856,000                             | 19,656,000       | 153,600,000     | 176,112,000 | 45.59%  |
|                                  |                                       |                  | (Note a)        |             |   |
| Ng Kim Ying                      | 23,126,347                            | 5,000,000        | –               | 28,126,347  | 7.28%   |
| Ng Yat Shan (Note b)             | 3,766,000                             | –                | –               | 3,766,000   | 0.97%   |

*Notes:*

- (a) These shares were held by Ratagan International Company Limited (“Ratagan”). The entire issued share capital of Ratagan was held by Maritime Overseas Assets Limited which was wholly-owned by HSBC International Trustee Limited as trustee of The Arts 2007 Trust, a discretionary trust, the settlor of which is Mr. Ng Hoi Ying, Michael and the beneficiaries of which included Mr. Ng Hoi Ying, Michael.
- (b) On 23 February 2021, Ms. Ng Yat Shan was appointed by the Board as the chief executive officer of the Group.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**(b) Substantial shareholders**

Other than the interests disclosed under the heading “Directors’ and chief executive’s interests and short positions in shares, underlying shares and debentures” above, as at the Latest Practicable Date, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

| Name of shareholder                   | Capacity                       | Number of issued ordinary shares held | Approximate percentage of issued share capital of the Company |
|---------------------------------------|--------------------------------|---------------------------------------|---|
| HSBC International Trustee Limited    | Trustee                        | 153,600,000 (Note a)                  | 39.77%  |
| Maritime Overseas Assets Limited      | Held by controlled corporation | 153,600,000 (Note a)                  | 39.77%  |
| Ratagan International Company Limited | Beneficial owner               | 153,600,000 (Note a)                  | 39.77%  |
| Wu Zhihong                            | Beneficial owner               | 19,656,000 (Note a)                   | 5.09%   |
| David Michael Webb                    | Beneficial owner               | 9,777,000 (Note b)                    | 2.53%   |
|                                       | Held by controlled corporation | 21,125,000 (Note c)                   | 5.47%   |
| Preferable Situation Assets Limited   | Beneficial owner               | 21,125,000 (Note c)                   | 5.47%   |

*Notes:*

- (a) HSBC International Trustee Limited (“HSBCITL”) was the trustee of The Arts 2007 Trust. The Arts 2007 Trust was a discretionary trust, the settlor of which is Mr. Ng Hoi Ying, Michael. (“Mr. Ng”) and the beneficiaries of which included Mr. Ng. Under The Arts 2007 Trust, 153,600,000 shares of the Company were held by Ratagan International Company Limited (“Ratagan”). The entire issued share capital of Ratagan was held by Maritime Overseas Assets Limited which was wholly-owned by HSBCITL. According to an individual substantial shareholder notice filed by Mr. Ng on 17 January 2020, as at 15 January 2020 (i.e. the date of the relevant event as set out in the individual substantial shareholder notice filed on 17 January 2020), 19,656,000 shares of the Company were held directly by his wife, Ms. Wu Zhihong.
- (b) According to an individual substantial shareholder notice filed by Mr. David Michael Webb (“Mr. Webb”) on 3 April 2020, as at 31 March 2020 (i.e. the date of the relevant event as set out in the individual substantial shareholder notice filed on 3 April 2020), 9,777,000 shares of the Company were held directly by Mr. Webb.
- (c) These shares were directly held by Preferable Situation Assets Limited (“PSAL”). Mr. Webb was deemed to be interested in the 21,125,000 shares of the Company held by PSAL under Part XV of the SFO.

Save as disclosed above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO disclosed no other person as having notifiable interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

**(c) Directors' interests in assets and contracts of the Group**

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2021 (the date to which the latest published audited consolidated financial statements of the Company were made up), (i) acquired or disposed of by; (ii) leased to; or (iii) are proposed to be acquired or disposed of by; or (iv) are proposed to be leased to any member of the Group.

**(d) Directors' service contracts**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

**(e) Competing interests**

As at the Latest Practicable Date, none of the Directors or their respective associates were interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group, as required to be disclosed pursuant to the Listing Rules.

**3. MATERIAL CONTRACTS**

As at the Latest Practicable Date, the following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the issue of this circular:

- (a) the Provisional SPA;
- (b) the Formal SPA;
- (c) the agreement dated 24 March 2021 entered into between 雅視司徠柏光學科技(深圳)有限公司 (Arts Opti Lab (Shenzhen) Company Limited), an indirect wholly-owned subsidiary of the Company established in the PRC with limited liability (the "Purchaser") and 3 Independent Third Parties (the "Sellers") pursuant to which the Sellers agreed to sell and the Purchaser agree to acquire an aggregate of 55% equity interest in 五彩司徠柏光學科技(江蘇)有限公司 (Stepper & Colors Opti Technology (Jiangsu) Company Limited) for a consideration of RMB46.5 million (equivalent to approximately HK\$55.4 million); and

- (d) the agreement dated 25 March 2022 entered into between 宏駿眼鏡製造(鷹潭)有限公司 (Hongjun Optical Manufactory (Yingtán) Company Limited), an indirect wholly-owned subsidiary of the Company established in the PRC with limited liability (the “Customer”) and an Independent Third Party (the “Contractor”), pursuant to which the Contractor was appointed as the contractor responsible for the construction and engineering of factory plant, dormitories and ancillary facilities located at the piece of land situated at 江西省鷹潭市余江區中童鎮經七路駿匯工業園區 (Junhui Industrial Park, Jingqi Road, Zhongtong Town, Yujiang District, Yingtán City, Jiangxi Province) for a consideration of RMB32,690,122.87 (equivalent to approximately HK\$40,156,547).

#### **4. EXPERTS AND CONSENT**

The following are the qualifications of the expert who have given an opinion or advice to the contents of this circular:

| <b>Name</b>                             | <b>Qualification</b>                     |
|---|--|
| Vigers Appraisal and Consulting Limited | independent professional property valuer |

Vigers Appraisal and Consulting Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert does not have any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the experts have any direct or indirect interest in any asset which has been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

#### **5. LITIGATION**

As at the Latest Practicable Date, as far as the Directors are aware, none of the members of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance were known to the Directors to be pending or threatened against any members of the Group.

**6. GENERAL**

- (a) The company secretary of the Company is Mr. Choi Pui Yiu. He is a member of Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants. He is also the chief financial officer of the Group.
- (b) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (c) The head office and principal place of business of the Company is Units A to G, 32nd Floor, King Palace Plaza, 55 King Yip Street, Kwun Tong, Kowloon, Hong Kong.
- (d) The Hong Kong branch share registrar of the Company is Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

**7. DOCUMENTS ON DISPLAY**

The following documents are available on the website of the Stock Exchange at <http://www.hkexnews.hk> and the website of the Company at <http://www.artsgroup.com> for 14 days from the date of this circular (inclusive):

- (1) this circular;
- (2) the Provisional SPA;
- (3) the Formal SPA;
- (4) the property valuation report from Vigers Appraisal and Consulting Limited, the text of which is set out in Appendix II to this circular;
- (5) a copy of each of the material contracts referred to in the section headed "Material Contracts" in this appendix; and
- (6) the letter of consent referred to under the section headed "Experts and Consent" in this appendix.