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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
PURCHASE OF PROPERTY IN MALAYSIA**

INTRODUCTION

The Board is pleased to announce that on 25 November 2024, the Purchaser, an indirect wholly-owned subsidiary of the Company and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell the Property at the Total Purchase Price (being RM12,880,000, which is equivalent to approximately HK\$22,797,600).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition are greater than 5% but all are less than 25%, as calculated under Rule 14.07 of the Listing Rules, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 25 November 2024, the Purchaser, an indirect wholly-owned subsidiary of the Company and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell the Property at the Total Purchase Price (being RM12,880,000, which is equivalent to approximately HK\$22,797,600). The principal terms of the Sale and Purchase Agreement are set out below:

* For identification purpose only

THE SALE AND PURCHASE AGREEMENT

Date: 25 November 2024

Parties:

- (i) Purchaser: Arts Optic Property (M) Sdn. Bhd., an indirect wholly-owned subsidiary of the Company
- (ii) Vendor: WWRC Ingredients Sdn. Bhd., a company incorporated in Malaysia

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are Independent Third Parties.

Property to be acquired

A unit of semi-detached factory with two storey office held under Individual Title HSM 20729, PT 18962, Mukim Telok Panglima Garang, Daerah Kuala Langat, Negeri Selangor bearing postal address at No. 6, Lorong Jalak, Kawasan Perusahaan Kebun Baru, Batu 9, 42500 Teluk Panglima Garang, Selangor Darul Ehsan measuring approximately 4,105 square metres.

Pursuant to the Sale and Purchase Agreement, the Property shall be delivered upon Completion on an “as is where is” basis and subject to the existing tenancy of the Property to the Tenant (for details, please see the section headed “Tenancy Agreement” below) and the existing lease of a portion of the Property to Tenaga Nasional Berhad (for details, please see the section headed “Purchase Arrangements” below).

Purchase Arrangements

On 15 June 2022, the Developer and the Vendor entered into an agreement, pursuant to which the Developer had agreed to sell and the Vendor agreed to purchase the Property. The individual title to the Property remains, as at the date of this announcement, endorsed with the Developer as the registered owner.

As required by local regulations, there is an existing lease for part of the Property measuring approximately 59 square metres granted to Tenaga Nasional Berhad, for the period from 17 November 2023 to 16 November 2053, for the purposes of setting up electricity facilities. No rent is payable under such lease. Tenaga Nasional Berhad is an electricity company. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Tenaga Nasional Berhad and its ultimate beneficial owner(s) are Independent Third Parties.

Condition Precedent

The sale and purchase of the Property is conditional upon the obtainment from the Developer of (i) written consent for the sale and direct transfer of the Property in favour of the Purchaser; and (ii) the relevant transfer documents (together, the “**Direct Transfer**”). Simultaneously, the Purchaser must obtain the manufacturer’s licence from the Ministry of Investment, Trade and Industry of Malaysia, as well as the approval of the State Authority (together, the “**Approval of State Authority**”).

In the event that the Vendor fails to obtain the Direct Transfer within three months from the date of the Sale and Purchase Agreement, and/or the Purchaser fails to obtain the Approval of State Authority within four months from the date of the Sale and Purchase Agreement, or such extended period as may be mutually agreed upon by both parties, provided that such extended period shall not exceed two months, the Purchaser may, at its sole discretion, issue a written notice to the Vendor to terminate the Sale and Purchase Agreement whereupon the Vendor would be obliged to refund or cause the refund of the sums referred to in paragraphs (i), (ii) and (iii) (the “**Deposit**”) in the section headed “The Total Purchase Price and payment terms” below within fourteen days from the date of receipt of notice of termination, failing which the Vendor shall pay interest on such unrefunded monies at the rate of 8% per annum, calculated on a daily basis from the date after the expiry of such fourteen day period until the date of full payment thereof.

The Total Purchase Price and payment terms

The Total Purchase Price for the acquisition of the Property is RM12,880,000 (equivalent to approximately HK\$22,797,600), which shall be paid in the following manner:

- (i) an earnest deposit of RM386,400 has been paid by the Purchaser to the Vendor prior to the execution of the Sale and Purchase Agreement;
- (ii) the first balance deposit of RM644,000 shall be paid by the Purchaser to the Purchaser’s solicitors as stakeholders upon execution of the Sale and Purchase Agreement for the purpose of remitting the same to the Director General of Inland Revenue within sixty days from the Unconditional Date in connection with any real property gains tax chargeable on the disposal of the Property;
- (iii) the second balance deposit of RM257,600 shall be paid by the Purchaser to the Vendor upon execution of the Sale and Purchase Agreement; and
- (iv) the remaining balance of RM11,592,000 (the “**Balance Purchase Price**”) shall be paid by the Purchaser to the Vendor’s solicitors as stakeholders for the Vendor within three months from the Unconditional Date.

The Total Purchase Price was determined after arm’s length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to, among other things, (i) the prevailing market conditions, the location of the Property and the market price of comparable properties in the same area; (ii) the savings on the rental expenses under the tenancy agreement; and (iii) the benefits of the Acquisition as set out in the section headed “Reasons for and benefits of the Acquisition” in this announcement. The Total Purchase Price will be funded through bank borrowings in Malaysia and/or internal resources of the Group.

Tenancy Agreement

The Property is currently leased to the Tenant by the Vendor, with following terms:

Monthly Rental: RM55,000, payable before the seventh day of each and every succeeding calendar month

Rental Period: 7 May 2024 to 6 May 2027

The Tenant is an indirect non-wholly-owned subsidiary of the Company. Subsidiaries of the Company hold an aggregate of 55% of the issued shares of the Tenant. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the holders of the remaining 45% of the issued shares of the Tenant are Independent Third Parties.

Following Completion of the sale and purchase of the Property, the Purchaser will become the landlord under this tenancy. The immediate holding company which holds 45% of the Tenant's issued shares is held as to approximately 33% by a director of a subsidiary of the Company. Therefore, under the Listing Rules, the Tenant is a connected person of the Company. The tenancy between the Purchaser and the Tenant that would arise after completion of the sale and purchase of the Property would be a continuing connected transaction of the Company. As the aggregate annual amount under this tenancy does not exceed HK\$3,000,000 and none of the applicable percentage ratios in respect of such tenancy exceeds 5%, and the transaction will be conducted on normal commercial terms, such transaction will be exempt from the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Completion

Completion of the sale and purchase shall take place on the date the Purchaser pay the Balance Purchase Price in respect of the Property. Completion is expected to take place within three months from the Unconditional Date.

In the event that the Purchaser shall fail to pay the Balance Purchase Price on or before the last day of the three-month period from the Unconditional Date (the "**Completion Date**"), the Vendor shall automatically grant an extension of time of one month from the Completion Date, provided that, the Purchaser shall pay the Vendor interest at 8% per annum calculated on daily basis on the Balance Purchase Price from the expiry of the Completion Date until the Balance Purchase Price is received by the Vendor's solicitors as stakeholders for the Vendor.

In the event that the Purchaser fails to pay the Balance Purchase Price as required under the Sale and Purchase Agreement or otherwise fails to complete the purchase in accordance therewith, the Vendor shall have the right to forfeit the Deposit. Further, if the Purchaser has paid any sums towards the Total Purchase Price in excess of the Deposit, the Vendor shall refund such excess sums to the Purchaser within fourteen days from the date of its receipt of the notice of termination, failing which the Vendor shall pay interest of such unrefunded sum at the rate of 8% per annum, calculated on a daily basis from the date after the expiry of such fourteen day period until the date of full payment thereof.

INFORMATION ABOUT THE PARTIES TO THE SALE AND PURCHASE AGREEMENT

The Purchaser

Arts Optic Property (M) Sdn. Bhd., an indirectly wholly-owned subsidiary of the Company, which is incorporated in Malaysia with limited liability. It is principally engaged in property holding.

The Company is a company incorporated in Bermuda with limited liability and is an investment holding company operating its business through its principal subsidiaries, associate and joint ventures. The Group is principally engaged in the manufacture of, and trading in prescription frames, sunglasses and optical lens as well as property holding.

The Vendor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is a company incorporated in Malaysia. The Vendor is principally engaged in chemicals trading. The ultimate beneficial owner of the Vendor is Mr. Teoh Weng Chai, an Independent Third Party.

REASONS FOR AND BENEFITS OF THE ACQUISITION

During the year, the Group established its optical lens business in Malaysia through Arts Optic Lab (M) Sdn. Bhd., an indirect non-wholly-owned subsidiary of the Company. The Group rented the Property from the Vendor for use as production facilities for optical lenses and to supply optical lenses to Southeast Asia region. The Property to be acquired is intended for self-use.

Owning the Property secures better business prospects by eliminating uncertainties such as the termination or non-renewal of the tenancy agreement by the Vendor, which could significantly disrupt the Group's business operations. The Acquisition is expected to improve the Group's long-term operating cash flow by eliminating rental expenses for the Property and potential relocation costs in the event of lease expiration. Furthermore, the Acquisition would broaden the Group's fixed asset base and provide an opportunity to benefit from the capital appreciation potential of the Property.

Taking into account of the above, the Directors consider that the terms of the Sale and Purchase Agreement are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition are greater than 5% but all are less than 25%, as calculated under Rule 14.07 of the Listing Rules, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Property by the Purchaser from the Vendor pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors of the Company
“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”	completion of the Acquisition
“Developer”	Worldcapital Development Sdn. Bhd., a company incorporated in Malaysia who is, and whose ultimate beneficial owner(s) are, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Independent Third Parties
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Property”	a unit of semi-detached factory with two storey office held under Individual Title HSM 20729, PT 18962, Mukim Telok Panglima Garang, Daerah Kuala Langat, Negeri Selangor bearing postal address at No. 6, Lorong Jalak, Kawasan Perusahaan Kebun Baru, Batu 9, 42500 Teluk Panglima Garang, Selangor Darul Ehsan
“Purchaser”	Arts Optic Property (M) Sdn. Bhd., a company incorporated in Malaysia with limited liability and an indirect wholly-owned subsidiary of the Company

“RM”	Malaysian Ringgit, the lawful currency of Malaysia
“Sale and Purchase Agreement”	the sale and purchase agreement dated 25 November 2024 entered into by and among the Purchaser and the Vendor in relation to the Acquisition of the Property
“Shareholder(s)”	the registered holder(s) of the issued ordinary share(s) in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenant”	Arts Optic Lab (M.) Sdn. Bhd., a company incorporated in Malaysia and an indirect non-wholly-owned subsidiary of the Company
“Total Purchase Price”	RM12,880,000 being the total purchase price of the Property (equivalent to approximately HK\$22,797,600)
“Unconditional Date”	the date on which the Purchaser's solicitors receive the Direct Transfer and the Approval of State Authority
“Vendor”	WWRC Ingredients Sdn. Bhd., a company incorporated in Malaysia
“%”	per cent

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RM1.00 = HK\$1.77 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

By Order of the Board
Arts Optical International Holdings Limited
Ng Hoi Ying, Michael
Chairman

Hong Kong, 25 November 2024

As at the date of this announcement, the Board comprises eight directors, four of whom are executive directors, namely Mr. Ng Hoi Ying, Michael, Ms. Ng Yat Shan, Mr. Ng Kim Ying and Ms. Wu Zhihong, and four are independent non-executive directors, namely Mr. Wong Chi Wai, Mr. Chung Hil Lan Eric, Mr. Lam Yu Lung and Dr. Fong Kin Kiu.