IMPORTANT

If you are in any doubt as to any aspect of this document or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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 election 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.

No Shareholder receiving a copy of this circular or the enclosed form of election in any territory outside Hong Kong may treat the same as an invitation to elect for new Shares unless in that relevant territory such invitation could lawfully be made to that Shareholder without the Company having to comply with any registration or other legal requirements, governmental or regulatory procedures or any other similar formalities. It is the responsibility of any Shareholder outside Hong Kong who wishes to receive new Shares under the Scrip Dividend Scheme to comply with the laws of the relevant jurisdiction including any applicable procedures or any other similar formalities.

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)

SCRIP DIVIDEND SCHEME IN RELATION TO THE SPECIAL DIVIDEND FOR THE SIX MONTHS ENDED 30TH JUNE, 2018

If you wish to receive your Special Dividend wholly or partly in the form of new Shares instead of in cash, the enclosed form of election should be completed in accordance with the instructions printed thereon, returned to and received by the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 19th October, 2018.

* *For identification purpose only*

3rd October, 2018

CONTENTS

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

"Board"	the board of Directors of the Company
"Business Day"	any day in which banks in Hong Kong are generally open for business, other than a Saturday or Sunday
"Company"	Arts Optical International Holdings Limited
"Directors"	the directors of the Company
"Excluded Shareholder(s)"	the Overseas Shareholder(s) to whom the Board, based on legal advice, considers it necessary or expedient to exclude from the Scrip Dividend Scheme on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"HK$" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of The People's Republic of China
"Latest Practicable Date"	21st September, 2018, 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
"Overseas Shareholder(s)"	Shareholders whose registered addresses appearing on the register of members of the Company on the Record Date are outside Hong Kong
"Record Date"	17th September, 2018, being the date for determining Shareholders' respective entitlements to the Special Dividend
"Scrip Dividend Scheme"	the scheme under which eligible Shareholders have a scrip alternative to elect to receive the Special Dividend wholly or partly by allotment of Scrip Shares in lieu of cash
"Scrip Shares"	new Shares to be allotted, issued and credited as fully paid up Shares under the Scrip Dividend Scheme
"Shareholder(s)"	holders of the Shares

"Share(s)"	ordinary shares of HK$0.10 each in the capital of the Company
"Special Dividend"	the special dividend of the Company for the six months ended 30th June, 2018 of 5.0 HK cents per Share to be paid to Shareholders whose names appear on the register of members of the Company on the Record Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent

A timetable summarising the events in relation to the Special Dividend is set out below:

Event	**Date**
Last date cum-Special Dividend	Tuesday, 11th September, 2018
Ex-Special Dividend date	Wednesday, 12th September, 2018
Closure of the Company's register of members for the purpose of determining Shareholders' entitlements to the Special Dividend and the Scrip Dividend Scheme	Friday, 14th September, 2018 to Monday, 17th September, 2018 (both days inclusive)
Record Date	Monday, 17th September, 2018
Latest time for submission of the election form *(Note 1)*	4:30 p.m. on Friday, 19th October, 2018
Despatch of dividend warrants and/or definitive certificates for the new Shares	Wednesday, 31st October, 2018
Expected first day of dealings in the Scrip Shares	Thursday, 1st November, 2018 (subject to the receipt of definitive certificates for the new Shares by the relevant Shareholders)

Notes:

(1) If there is a tropical cyclone warning signal no. 8 or above or a "black" rainstorm warning signal in force at any time prior to 4:30 p.m. on Friday, 19th October, 2018, the closing time for returning the election form will be extended. Further information is set out in paragraph 5 of the Letter from the Board of this circular.

(2) References to time and dates in this circular are to Hong Kong time and dates.

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#
Mr. CHUNG Hil Lan Eric#
Mr. LAM Yu Lung#

(# 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:
Unit 308, 3rd Floor
Sunbeam Centre
27 Shing Yip Street
Kwun Tong
Kowloon
Hong Kong

To Shareholders

Dear Sir or Madam,

1. INTRODUCTION

On 30th August, 2018, the Board declared the Special Dividend of 5.0 HK cents per Share for the six months ended 30th June, 2018. It was also announced that Shareholders might elect to receive the Special Dividend wholly or partly in Scrip Shares. Accordingly, Shareholders may exercise their option to receive an allotment of Scrip Shares in lieu of cash dividend.

The purpose of this document is to set out information relating to the Scrip Dividend Scheme, the procedures which apply in relation to the election of Scrip Shares and the actions which Shareholders should take in relation thereto.

* *For identification purpose only*

2. PARTICULARS OF THE SCRIP DIVIDEND SCHEME

Under the Scrip Dividend Scheme, each Shareholder whose name appears on the register of members of the Company on the Record Date has the following choices in respect of the Special Dividend:-

(1) to receive the Special Dividend of 5.0 HK cents per Share in cash;

(2) to be allotted Scrip Shares having an aggregate market value (as described below), save for adjustment for fractions, equal to the total amount of the Special Dividend which such Shareholder would otherwise receive in cash; or

(3) to receive the Special Dividend partly in cash and partly in Scrip Shares.

The Scrip Shares to be issued pursuant to the Scrip Dividend Scheme will rank *pari passu* in all respects with the existing Shares except that they will not be entitled to the Special Dividend, and will rank in full for all future dividends and distributions which may be declared, made or paid. Special Dividend in cash will be paid out in Hong Kong dollars regardless of the place of residence of Shareholders on the Record Date.

3. BASIS OF ALLOTMENT OF THE SCRIP SHARES

For the purposes of calculating the number of Scrip Shares to be allotted, the market value of the Scrip Shares has been fixed at HK$1.92, being the average of the closing prices of one Share traded on the Stock Exchange for the three consecutive trading days up to and including the Record Date, rounded down to the nearest two decimal places. Accordingly, the number of Scrip Shares which Shareholders will receive in respect of the existing Shares registered in their names on the Record Date and for which elections to receive the Scrip Shares are lodged with the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited, at the address and before the time set out in paragraph 5 below will be calculated as follows:-

$$\textbf{Number of Scrip Shares to be received} = \textbf{Number of existing Shares held on the Record Date for which election is made under the Scrip Dividend Scheme} \times \frac{\textbf{5.0 HK cents (Special Dividend per Share)}}{\textbf{HK\$1.92}}$$

If all eligible Shareholders elect to receive their Special Dividend in Scrip Shares, based on 383,650,000 Shares in issue on the Record Date, not more than 9,990,885 Scrip Shares (representing approximately 2.60% of the issued share capital of the Company as at the date hereof) will be issued under the Scrip Dividend Scheme. The number of Scrip Shares to be issued to each Shareholder will be rounded down to the nearest whole number. Fractional entitlements to Scrip Shares will be disregarded and the benefit thereof will accrue to the Company. If elections to receive the Special Dividend in cash were received in respect of all the Shares registered on the Record Date, the total cash dividend payable by the Company would be HK$19,182,500.

4. ADVANTAGES OF THE SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme will enable Shareholders to increase their investment in the Company at market value without incurring brokerage fees, stamp duty and related dealing costs. The Scrip Dividend Scheme will also be to the advantage of the Company because, to the extent that Shareholders elect to receive the Special Dividend in scrip, in whole or in part in lieu of a cash dividend, such cash as would otherwise have been paid to such Shareholders will be retained for use as working capital of the Company or to fund new investments. The Directors therefore consider that the Scrip Dividend Scheme is in the best interests of the Company and Shareholders as a whole.

5. FORM OF ELECTION

If you wish to receive your Special Dividend in cash only and do not elect to receive any of your Special Dividend in Scrip Shares, you do not need to take any action.

If you elect to receive your Special Dividend in Scrip Shares, or partly in cash and partly in Scrip Shares, you should use the enclosed form of election. If you complete the form of election but do not specify the number of Shares in respect of which you wish to receive Scrip Shares, or if you elect to receive Scrip Shares in respect of a greater number of Shares than your registered holding on the Record Date, you will be deemed to have exercised your election to receive Scrip Shares in respect of all the Shares of which you were then registered as the holder.

The enclosed form of election should be completed in accordance with the instructions printed thereon, returned to and received by the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 19th October, 2018. No acknowledgment of receipt of the form of election will be issued.

The latest time for submission of the election forms will not be valid if there is a tropical cyclone warning signal no. 8 or above, or a "black" rainstorm warning:-

(i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Friday, 19th October, 2018. Instead, the deadline for the submission of the election forms will be 5:00 p.m. on the same Business Day; or

(ii) in force in Hong Kong at any local time between 12:00 noon and 4:30 p.m. on Friday, 19th October, 2018. Instead, the deadline for the submission of the election forms will be rescheduled to 4:30 p.m. on the next Business Day which does not have either of those warnings in force at any local time between 9:00 a.m. and 4:30 p.m.

No elections in respect of the Special Dividend may, after the relevant election forms are signed and returned to the Hong Kong branch share registrar of the Company, be in any way withdrawn, revoked, superseded or altered.

If the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited does not receive your completed and signed election form by Friday, 19th October, 2018, you will receive the whole of your Special Dividend in cash.

6. DISCLOSURE OF INTERESTS

Shareholders should note that an acquisition of Scrip Shares may give rise to notification requirements under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). Shareholders who are in any doubt as to how these provisions may affect them are recommended to seek their own professional advice.

7. BOOK CLOSURE

The register of members of the Company has been closed from Friday, 14th September, 2018 to Monday, 17th September, 2018 (both days inclusive) in order to determine entitlements of Shareholders to the Special Dividend and the Scrip Dividend Scheme, during which period no transfer of Shares was registered. The latest time for lodging share transfers was 4:30 p.m. on Thursday, 13th September, 2018 in order to qualify for the Special Dividend.

8. OVERSEAS SHAREHOLDERS

None of this circular, the form of election and the Scrip Shares will be registered or filed under the securities laws or equivalent legislation of any jurisdiction other than, if applicable, Hong Kong and Bermuda.

If you are resident outside Hong Kong, this circular and/or the form of election only constitute(s) an invitation to subscribe for Scrip Shares if such an invitation can be legally made to you without the Company having to meet any legal or registration requirements outside Hong Kong. Shareholders residing in a jurisdiction where it would be illegal for the Company to make such an invitation will be deemed to have received this circular and/or the form of election for information only.

As at the Record Date, there was one Overseas Shareholder residing in Switzerland, who held 19,000,000 Shares, representing approximately 4.95% of the entire issued share capital of the Company. The amount of the Special Dividend to which this Overseas Shareholder is entitled is approximately HK$950,000.

The Company has been advised by its legal adviser on the laws of Switzerland that either there is no legal restriction or there are exemptions available to the Company under the applicable legislation of Switzerland or requirement of any relevant regulatory body or stock exchange in Switzerland with respect to the offer of the Scrip Shares to the Overseas Shareholders with registered addresses in Switzerland on the Record Date.

The Company has also been advised that Shareholders with registered addresses in Switzerland may be lawfully allowed to participate in the Scrip Dividend Scheme without registration and/or formalities under the laws of Switzerland.

Save for the above, according to the register of members of the Company, the Company does not have any other Overseas Shareholders on the Record Date. Therefore, there is no Excluded Shareholder for the purpose of the Scrip Dividend Scheme.

For the avoidance of doubt, the Scrip Shares are not offered to the public (other than Shareholders) and the forms of election are non-transferable. Notwithstanding the legal advice taken by the Company, it is the responsibility of anyone wishing to participate in the Scrip Dividend Scheme to satisfy themselves as to full observance of the laws of any relevant territory, including obtaining any governmental or other consents which may be required. Overseas Shareholders who are in doubt as to their position should consult their own professional advisers.

9. STOCK EXCHANGE LISTING AND DEALINGS AND DESPATCH OF DIVIDEND WARRANTS AND/OR SHARE CERTIFICATES FOR SCRIP SHARES

The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Scrip Shares on the Stock Exchange.

Application has been made to the Stock Exchange for the granting of the listing of, and permission to deal in, the Scrip Shares. The dividend warrants in relation to the Special Dividend and/or share certificates with respect to the Scrip Shares are expected to be despatched at the risk of those entitled thereto on Wednesday, 31st October, 2018. On this basis, dealings in the Scrip Shares are expected to commence on Thursday, 1st November, 2018 after the due despatch of the share certificates with respect to the Scrip Shares to the relevant Shareholders. In the unlikely event that the Scrip Shares are not admitted to listing by the Stock Exchange before Wednesday, 31st October, 2018, the election forms will be disregarded and the Special Dividend will be paid wholly in cash to the entitled Shareholders according to their registered shareholdings.

The Shares are only listed on the Stock Exchange. No part of the equity or debt securities of the Company is listed or dealt in on any other stock exchange and the Company is not currently seeking to list its securities on any other stock exchange.

Subject to the granting of the listing of, and permission to deal in, the Scrip Shares on the Stock Exchange, the Scrip Shares will be accepted as eligible securities by Hong Kong Securities Clearing Company Limited for deposit, clearance and settlement in the Central Clearing and Settlement System with effect from the commencement date of dealings in the Scrip Shares on the Stock Exchange or such other date as determined by Hong Kong Securities Clearing Company Limited. Dealings in Shares may be settled through the Central Clearing and Settlement System and you should seek the advice of your stockbroker or other professional adviser for details of these settlement arrangements and how such arrangements will affect your rights and interests.

10. RECOMMENDATION AND ADVICE

It is the responsibility of Shareholders to decide in this regard whether or not to exercise their rights to receive Scrip Shares in lieu of cash. Whether or not it is to your advantage to receive cash or the Scrip Shares, in whole or in part, depends upon your own individual circumstances and the decision in this regard and all effects resulting therefrom are the responsibility of each Shareholder. If you are in any doubt as to what to do, you should consult your professional advisers as to whether or not you are permitted to receive the Special Dividend in scrip form or if any governmental or other consent is required. Shareholders who are trustees are recommended to take professional advice as to whether the choice of the Scrip Shares is within their powers and as to its effects having regard to the terms of the relevant trust instrument.

11. GENERAL

Scrip Shares issued to a Shareholder pursuant to an election to receive some or all of their Special Dividend in Scrip Shares may be allocated in odd lots. No special dealing arrangements will be put in place by the Company to facilitate the trading or disposal of Scrip Shares issued in odd lots. Shareholders should be aware that odd lots usually trade at a discount to the price of board lots.

By Order of the Board
Ng Hoi Ying, Michael
Chairman

Hong Kong, 3rd October, 2018