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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)**

**SUPPLEMENTAL ANNOUNCEMENT  
AND COMPLETION OF  
THE DISCLOSEABLE TRANSACTION  
IN RELATION TO THE ACQUISITION OF  
55% EQUITY INTEREST IN THE TARGET COMPANY**

Reference is made to the announcement of Arts Optical International Holdings Limited (the “**Company**”) dated 24th March, 2021 (the “**Announcement**”) in relation to a discloseable transaction for the acquisition of 55% equity interest in the Target Company. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

**COMPLETION OF THE ACQUISITION**

The Board is pleased to announce that all the conditions precedent set out in the Equity Transfer Agreement have been fulfilled and Completion took place on 26th April, 2021.

The Company would also like to provide supplemental information to the Announcement as follows:

**THE VALUATION**

The independent valuer, Jiangsu Lixin Huiyuan Real Estate Land Resources Valuation Company Limited\* (江蘇立信慧源房地產土地資產評估有限公司) (the “**Valuer**”), has conducted the Valuation on the Sellers which forms part of the basis for determining the Consideration. During its preliminary valuation, the Valuer considered the cost-based approach (which is similar to an asset-based approach) and income approach which involves the use of discounted cash flows. Given the cost-based approach is a general way of determining the value of an individual asset by quantifying the amount of money required to replace the future servicing capability of that asset, and such approach could not capture the future earning potential of the business, the Valuer adopted the income approach for determining the value of the Sellers, being RMB106.9 million (equivalent to approximately HK\$127.4 million).

\* For identification purpose only

With respect to the income approach, the Valuer had taken into account the historical revenue and growth trend of Seller I, and the business operations of the Sellers (including Seller I, Seller II and Seller III) when preparing the profit forecast in performing the Valuation. Although the income approach could not be applied to Seller II and Seller III as both were operating at a loss for the years ended 2019 and 2020, the Sellers' assets (such as machines and equipment, factory interiors, intellectual properties and inventories but excluding the liabilities of the Sellers) will be injected into the Target Company to be operated thereunder.

Given the Valuation adopted an income approach involving the use of discounted cash flows, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. Accordingly, the requirements under Rules 14.60A and 14.62 of the Listing Rules apply.

Pursuant to the valuation report prepared by the Valuer (the "**Valuation Report**"), details of the principal assumptions, including the commercial assumptions upon which the profit forecast is based, are set out as follows:

1. there will be no material change in the relevant laws and policies currently in force and the macro-economic condition in the PRC; there will also be no material change to the existing political, economic and social environment in which the Sellers have operations;
2. the Sellers will continue to operate as a going concern;
3. the operator of the Sellers will act responsibly and the management is capable of assuming their duties;
4. the Sellers will comply with all the applicable laws and regulations;
5. the accounting policies to be adopted by the Sellers in the future are substantially consistent with those in preparing the Valuation Report in all material respects;
6. the Sellers will have steady cash inflows and outflows subsequent to the Valuation;
7. the scope and mode of business of the Sellers after the Valuation will remain the same as that currently adopted at the time of the Valuation and based on the same management approach and standard as currently in effect;
8. there will be no material change to the exchange rates, interest rates, taxes and other levies following the Valuation; and
9. there will be no force majeure or unforeseeable factor that could have a significant adverse impact on the Sellers.

## **Confirmations**

In accordance with Rule 14.62(2) of the Listing Rules, the Company has engaged its reporting accountant, RSM Hong Kong (“**RSM**”), to report on the calculations upon which the Valuation Report was based.

RSM confirms that they have reviewed the calculations of the discounted cash flows using the income approach upon which the Valuation prepared by the Valuer was based, which do not involve the adoption of accounting policies.

The Directors have reviewed the assumptions upon which the valuation of the Sellers was prepared and have considered the report from RSM. The Directors confirm that the valuation of the Sellers has been made after due and careful enquiry.

A report from RSM and a letter from the Board both dated 26th April, 2021 have been submitted to the Stock Exchange, the texts of which are included in Appendix I and Appendix II to this announcement.

## **Experts and consents**

The qualifications of the experts who have given their statements in this announcement are as follows:

<b>Name</b>	<b>Qualification</b>
Jiangsu Lixin Huiyuan Real Estate Land Resources Valuation Company Limited* (江蘇立信慧源房地產土地資產評估有限公司)	Valuer
RSM Hong Kong	Certified Public Accountants, Hong Kong

To the best of the Directors’ knowledge, information and belief and after having made all reasonable enquiries, each of the Valuer and RSM is a third party independent of the Group and its connected person(s).

To the best of the Directors’ knowledge, information and belief, as at the date of this announcement, none of the Valuer or RSM has any shareholding, directly or indirectly, in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

Each of the Valuer and RSM has given and has not withdrawn its written consent to the publication of this announcement with the inclusion of its name, statements and all references to its name (including its qualification) in the form and context in which they appear in this announcement.

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

Hong Kong, 26th April, 2021

*As at the date of this announcement, the Board comprises five directors, two of whom are executive directors, namely Mr. Ng Hoi Ying, Michael and Mr. Ng Kim Ying, and three are independent non-executive directors, namely Mr. Wong Chi Wai, Mr. Chung Hil Lan Eric and Mr. Lam Yu Lung.*

## APPENDIX I — REPORT FROM RSM HONG KONG

*The following is the text of a report from the Company’s reporting accountant, RSM Hong Kong, Certified Public Accountants, Hong Kong, for inclusion in this announcement.*



**RSM Hong Kong**  
29th Floor, Lee Garden Two, 28 Yun Ping Road  
Causeway Bay, Hong Kong

T +852 2598 5123  
F +852 2598 7230

[www.rsmhk.com](http://www.rsmhk.com)

羅申美會計師事務所  
香港銅鑼灣恩平道二十八號  
利園二期二十九字樓

電話 +852 2598 5123  
傳真 +852 2598 7230

[www.rsmhk.com](http://www.rsmhk.com)

26 April 2021

### **The Board of Directors**

#### **Arts Optical International Holdings Limited**

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

**REPORT ON CALCULATIONS OF THE DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF 丹陽市五彩光學眼鏡有限公司 (DANYANG COLORFUL OPTICAL GLASS COMPANY LIMITED) (“SELLER I”), 丹陽市中江光學眼鏡有限公司 (DANYANG ZHONGJIANG GLASSES COMPANY LIMITED) (“SELLER II”) AND 丹陽中洋光學眼鏡有限公司 (DANYANG ZHONGYANG GLASSES COMPANY LIMITED) (“SELLER III”) (COLLECTIVELY REFERRED TO AS THE “SELLERS”)**

**TO THE BOARD OF DIRECTORS OF ARTS OPTICAL INTERNATIONAL HOLDINGS LIMITED**

Dear Sirs,

We have examined calculations of the discounted future estimated cash flows on which the valuation report dated 31 March 2021 prepared by 江蘇立信慧源房地產土地資產評估有限公司 (Jiangsu Lixin Huiyuan Real Estate Land Resources Valuation Company Limited) (the “**Independent Valuer**”) in respect of the appraisal of the fair value of Sellers’ assets and business, which will be injected into 五彩司徠柏光學科技 (江蘇) 有限公司 (Stepper & Colors Opti Technology (Jiangsu) Company Limited) (the “**Target Company**”), as at 31 December 2020 (the “**Valuation**”) is based. The Valuation is set out in the announcement of Arts Optical International Holdings Limited (the “**Company**”) dated 26 April 2021 (the “**Supplemental Announcement**”) in connection with the acquisition of a 55% equity interest in the Target Company by the Company. The Valuation, based

on an income approach involving the use of discounted future estimated cash flows, is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

### **Responsibilities of directors of the Company**

The directors of the Company (the “**Directors**”) are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions (the “**Assumptions**”) determined by the Directors and as set out on page 2 of the Supplemental Announcement. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountant’s Responsibilities**

Our responsibility is to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by paragraph 14.62(2) of the Listing Rules, and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work. We are not reporting on the appropriateness and validity of the Assumptions on which the Valuation is based and our work does not constitute any valuation of the Sellers.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the second paragraph and the Assumptions as set out under “The Valuation” section on page 2 of the Supplemental Announcement. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the Assumptions adopted by the Directors.

Because the Valuation relates to the discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from those used in the Valuation and the variation may be material. Accordingly we have not reviewed, considered or conducted any work on the completeness, reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

### **Opinion**

In our opinion, based on the foregoing, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled, in all material respects, in accordance with the Assumptions made by the Directors.

Yours faithfully,

**RSM Hong Kong**  
*Certified Public Accountants*  
Hong Kong

## APPENDIX II — LETTER FROM THE BOARD

26th April, 2021

Listing Division

The Stock Exchange of Hong Kong Limited

12/F, Two Exchange Square

8 Connaught Place, Central, Hong Kong

Dear Sirs,

We refer to the announcement of the Company dated 24th March, 2021 (the “**Announcement**”), of which this letter forms part. Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

Reference is made to the valuation report (the “**Valuation Report**”) dated 31st March, 2021 prepared by Jiangsu Lixin Huiyuan Real Estate Land Resources Valuation Company Limited\* (江蘇立信慧源房地產土地資產評估有限公司), an independent valuer (the “**Valuer**”), in relation to the valuation of Danyang Colorful Optical Glass Company Limited\* (丹陽市五彩光學眼鏡有限公司), Danyang Zhongjiang Glasses Company Limited\* (丹陽市中江光學眼鏡有限公司) and Danyang Zhongyang Glasses Company Limited\* (丹陽中洋光學眼鏡有限公司) (collectively, the “**Companies**”). As the Valuation adopted an income approach which is based on the discounted future estimated cash flows of the Companies, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules.

We have reviewed the bases and assumptions upon which the Valuation has been prepared, and has reviewed the Valuation prepared by the Valuer. We have also considered the report from the reporting accountant of the Company, RSM Hong Kong, regarding their report on the calculation of the discounted future estimated cash flows in connection with the Valuation.

Based on the aforesaid, we confirm that the profit forecast as contained in the Valuation Report have been made after due and careful enquiry.

Yours faithfully,

For and on behalf of the board of directors  
**Arts Optical International Holdings Limited**

**Ng Hoi Ying, Michael**

*Chairman*

\* *For identification purpose only*