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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 CONSTRUCTION AGREEMENT**

#### **INTRODUCTION**

The Board is pleased to announce that on 25 March 2022 (after trading hours), the Customer, an indirect wholly-owned subsidiary of the Company, and the Contractor entered into the Construction Agreement, 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 Construction Area at the Consideration, subject to Adjustments (if any).

#### **LISTING RULES IMPLICATIONS**

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

#### **INTRODUCTION**

The Board is pleased to announce that on 25 March 2022 (after trading hours), the Customer, an indirect wholly-owned subsidiary of the Company, and the Contractor entered into the Construction Agreement, pursuant to which the Contractor has agreed to construct factories and ancillary facilities on the Construction Area at the total consideration of RMB32,690,122.87 (equivalent to approximately HK\$40,156,547).

\* *For identification purpose only*

## **THE CONSTRUCTION AGREEMENT**

The principal terms of the Construction Agreement are set out below:

### **Date**

25 March 2022

### **Parties**

- (i) the Customer
- (ii) the Contractor

### **Subject Matter**

The Contractor was appointed as the contractor responsible for the construction and engineering of factory plant, dormitories and ancillary facilities located at the Construction Area.

### **Term**

The construction period is expected to be 11 months, commencing on 31 March 2022 and ending on 28 February 2023.

### **Consideration**

The Consideration is RMB32,690,122.87 (equivalent to approximately HK\$40,156,547), which is subject to adjustments (“**Adjustments**”) based on the actual amount of work performed by the Contractor and certain customary price adjustment mechanism with reference to, among others, market price of raw materials necessary for the construction. The mechanisms for calculating the Adjustments are generally as follows:

- (i) For adjustment based on the actual amount of work performed by the Contractor, such actual amount of work performed by the Contractor should be calculated in accordance with to the policy documents issued by the construction administrative department of Jiangxi Province, PRC and the relevant government departments during the construction process; and
- (ii) the Consideration shall be adjusted when the price fluctuations of the major building materials, namely steel, cement, sand and gravel, commercial concrete, electrical wire and electrical cable, exceeds  $\pm 5\%$ , calculated based on the base price as quoted in the “Jiangxi Province Cost Information” (《江西省造價信息》) as published in September 2021.

## **Payment Terms**

The Consideration (subject to Adjustments) shall be satisfied in cash by the Customer in the following manner:

- (i) monthly working progress payment, equal to 80% of the value of completed construction work during the corresponding month shall be made to the Contractor;
- (ii) an amount representing 90% of the Consideration less the aggregate amount already paid in (i) above shall be paid to the Contractor after the completion and the acceptance of the construction works;
- (iii) an amount representing 97% of the Consideration less the aggregate amount already paid in (i) and (ii) above shall be paid to the Contractor after completion of the settlement audit of the construction works; and
- (iv) the remaining 3% of the Consideration shall be withheld by the Customer as a quality assurance fee and shall be released to the Contractor one year after the completion and the acceptance of the construction works.

The Consideration was based on the bidding price offered by the Contractor, which has been selected by the Customer through a tender process. After thorough evaluation of the bids and considering factors including but not limited to the experience and capability of the bidders, the expected scope of work and the expected cost of the Construction Project, the Customer considers that the Contractor is able to provide related construction and engineering services so as to satisfy the construction and engineering requirements of the Construction Project.

The Directors consider that the Consideration (including the Adjustments) and other terms of the Construction Agreement are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

## **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 Customer**

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

### **The Contractor**

The Contractor is a company established in the PRC with limited liability and is principally engaged in construction and engineering works.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, the Contractor is owned as to 40% equity interest by Yu Hanping<sup>^</sup> (余漢平), 30% equity interest by Liu Guonv<sup>^</sup> (劉國女) and 30% equity interest by Yu Qidong<sup>^</sup> (余期棟).

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Contractor and its ultimate beneficial owners are third parties independent of the Company and their respective connected persons.

## **REASONS FOR AND BENEFITS OF THE CONSTRUCTION PROJECT**

It is the Group's long-term strategy to relocate a portion of its production facilities to the Jiangxi Province for benefits of more stable labour supply and lower labour costs as compared to the supply and costs in the Guangdong Province. The Group regularly reviews its production capability and the state and capacity of its dormitories and related facilities for its staff and their family members as part of its business development planning in order to determine whether new production facilities, staff dormitories and related facilities may be required from time to time. The Directors believe the Construction Project would centralise the Group's production facilities, dormitories and related facilities in the Jiangxi Province, which would enhance supply chain process and facilitate efficient management by the Group. The Construction Project would also provide dormitories and related facilities which better suit the needs of the Group's staff and their family members, which would optimise the Group's ability to retain its staff and recruit new staff and would also reduce the Group's production costs.

Taking into account of the above, the Directors consider that the terms of the Construction 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 Construction Project are greater than 5% but all are less than 25%, as calculated under Rule 14.07 of the Listing Rules, the Construction Project 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:

“Adjustments”	the adjustments to the Consideration as set out in paragraph “The Construction Agreement – Consideration” above
“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)
“Consideration”	the total consideration of RMB32,690,122.87 (equivalent to approximately HK\$40,156,547)
“Construction Agreement”	the construction agreement ( 建設工程施工合同 ) dated 25 March 2022 entered into by and among the Customer and the Contractor in relation to the Construction Project
“Construction Area”	the piece of land situated at Junhui Industrial Park, Jingqi Road, Zhongtong Town, Yujiang District, Yingtian City, Jiangxi Province <sup>^</sup> ( 江西省鷹潭市余江區中童鎮經七路駿匯工業園區 )
“Construction Project”	the construction and engineering of factory plant, dormitories and ancillary facilities on the Construction Area
“Contractor”	Jiangxi Hanyu Construction Group Company Limited <sup>^</sup> ( 江西省漢宇建設集團有限公司 ), a company established in the PRC with limited liability
“Customer”	Hongjun Optical Manufactory (Yingtian) Company Limited <sup>^</sup> ( 宏駿眼鏡製造(鷹潭)有限公司 ), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the registered holder(s) of the issued ordinary share(s) in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

*In this announcement, unless otherwise stated, amounts denominated in RMB are translated, for the purpose of illustration only, into HK\$ at the exchange rate of HK\$1.2284 to RMB1.*

<sup>^</sup> *The English translation of the Chinese name of the relevant entity included in this announcement is for identification and reference only, and such translation may not be accurate and such entity may not have an official English translation/version of its Chinese name.*

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

Hong Kong, 25 March 2022

*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.*