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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 CONTRACT**

#### **CONSTRUCTION CONTRACT**

On 6 February 2024 (after trading hours), Yajun Optical, an indirect wholly-owned subsidiary of the Company, entered into the Construction Contract with the Contractor, pursuant to which the Contractor was appointed as the contractor responsible for the construction and engineering of factory plant and ancillary facilities located at the Construction Area at the contract price, subject to the Adjustments (if any).

#### **LISTING RULES IMPLICATIONS**

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

#### **INTRODUCTION**

The Board is pleased to announce that on 6 February 2024 (after trading hours), Yajun Optical (an indirect wholly-owned subsidiary of the Company), entered into the Construction Contract with the Contractor, pursuant to which the Contractor will provide Yajun Optical with construction and engineering services for the Project located at the Construction Area at a total contract price of RMB67,264,000 (equivalent to approximately HK\$73,250,496).

\* *For identification purpose only*

## THE CONSTRUCTION CONTRACT

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

**Date:** 6 February 2024

**Parties:** (i) Yajun Optical  
(ii) the Contractor

**Scope of construction:** The Contractor is appointed as the contractor responsible for the construction and engineering works of factory plant and ancillary facilities located at the Construction Area. The scope of construction works mainly include earthworks and foundation construction, masonry, concrete works, fenestration, roofing and waterproofing works, flooring, fitting-out works, fireproofing works, building services installation and other ancillary works.

**Construction period:** The construction period is expected to be 228 days, commencing on 15 February 2024 and ending on 30 September 2024.

**Consideration:** The Consideration is RMB67,264,000 (equivalent to approximately HK\$73,250,496), subject to adjustments (the “**Adjustments**”) based on the actual amount of work undertaken, which should be calculated in accordance with the costing policy documents issued by the costing-governing department in Guangdong Province and certain customary price adjustment mechanism with reference to, among others, the relevant policy and standard documents issued by various departments in Shenzhen, Guangdong Province.

In the event that there is any change in PRC laws and regulations which would affect the Consideration, the Consideration shall be adjusted accordingly with reference to the actual impact of such change in laws and regulations. The Company will make further announcement (at the time if any material adjustments are made) if and as required under the Listing Rules.

**Payment terms:** The Consideration, subject to the Adjustments (if any), shall be settled by Yajun Optical in cash in the following manner:

- (i) upon signing of the Construction Contract, Yajun Optical shall pay 15% of the Consideration amounting to a total of RMB10,089,600 (equivalent to approximately HK\$10,987,574);
- (ii) on or before 15 March 2024, Yajun Optical shall pay 45% of the Consideration amounting to a total of RMB30,268,800 (equivalent to approximately HK\$32,962,723);

- (iii) on or before 15 June 2024, Yajun Optical shall pay 30% of the Consideration amounting to a total of RMB20,179,200 (equivalent to approximately HK\$21,975,149); and
- (iv) within 6 months upon completion of the Project and Yajun Optical having accepted the same, the remaining balance of the Consideration, including any Adjustments, shall be paid and settled.

**Warranties:**

The warranty period is two (2) years from the date of the parties' signing of the acceptance report issued by the relevant government authority.

During the warranty period, the Contractor shall be responsible for handling quality issues of the Project and conduct repair and maintenance works as agreed under the Construction Contract. Where the construction quality issue is not caused by the Contractor, the Contractor agrees to conduct repair and maintenance works with costs incurred to be borne by Yajun Optical.

**BASIS OF THE CONSIDERATION**

The Consideration was determined based on the bidding price offered by the Contractor, which has been selected through a tendering 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 and the complexity of the construction of the Project, the Company 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 of the Project.

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

It is currently expected that the Consideration will be satisfied in cash through internal resources of the Group and external loans from bank. The Company will make further announcement if and as required under the Listing Rules.

**REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION CONTRACT**

The Group regularly reviews its production capability and the state and capacity of its factories and related facilities as part of its business development planning in order to determine whether new production facilities and related facilities may be required from time to time.

In order to facilitate the Group business strategy to provide a one-stop solution for customers to purchase eyewear frame with lens via online order processing system, the Directors believe that the existing manufacturing facilities are not suitable to support the new business which requires a massive customer services team to support the distributors as well as the end customers. In addition, the Project would also make available to accommodate a set of fully automated manufacturing line of lens to meet the customers' demand for the Southern part of China as the Group's business grows in the future.

Based on the above, the Directors (including the independent non-executive directors) consider that the transaction contemplated under the Construction Contract is on normal commercial terms, the terms of the Construction Contract are fair and reasonable, and the entering into of the Construction Contract is in the interests of the Company and its Shareholders as a whole.

## **INFORMATION ABOUT THE COMPANY**

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

## **INFORMATION ABOUT THE PARTIES**

### **Yajun Optical**

Yajun Optical Manufacturing (Huizhou) Co., Ltd.\* (雅駿眼鏡製造(惠州)有限公司), an indirectly wholly-owned subsidiary of the Company, which was established in the PRC with limited liability. It is principally engaged in the business of manufacturing and trading in, prescription frames, sunglasses and optical lens.

### **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, Zeng Zefeng\* (曾澤鋒) is the ultimate beneficial owner of the Contractor.

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

## **LISTING RULES IMPLICATION**

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transaction contemplated under the Construction Contract exceeds 5% but is less than 25%, such transaction constitutes a discloseable transaction of the Company under the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Adjustments”	the adjustments to the Consideration as set out in the paragraph headed “The Construction Contract – 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 RMB67,264,000 (equivalent to approximately HK\$73,250,496) under the Construction Contract
“Construction Area”	the land situated at Xinxu Town, Huiyang District, Huizhou City, Guangdong Province, the PRC* (廣東省惠州市惠陽區新圩鎮), with a total construction area of approximately 28,675 square meters
“Construction Contract”	the construction contract dated 6 February 2024 entered into between the Yajun Optical and the Contractor in respect of the Project
“Contractor”	Guangdong Bainian Fengze Construction Engineering Co., Ltd.* (廣東百年豐澤建築工程有限公司), a company established in the PRC with limited liability
“Directors”	the directors of the Company
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Project”	the construction of factory plant on the Construction Area pursuant to the Construction Contract
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Yajun Optical” Yajun Optical Manufacturing (Huizhou) Co., Ltd.\* (雅駿眼鏡製造(惠州)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“%” per cent

*For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.089 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.*

*The English translation of Chinese names or words in this announcement, where indicated by “\*”, are included for information only, and should not be regarded as the official English translation of such Chinese names or words.*

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

Hong Kong, 6 February 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.*