
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Elegance International Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

**ELEGANCE INTERNATIONAL HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

Stock Code: 907

**CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF TRADING ARRANGEMENTS WITH THE SÀFILO GROUP
AND
NOTICE OF SPECIAL GENERAL MEETING**

**Independent financial adviser to
the Independent Board Committee and the Independent Shareholders**

Nuada Limited

Corporate Finance Advisory

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 10 of this circular. A letter from Nuada Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 18 of this circular.

A notice to convene a special general meeting of Elegance International Holdings Limited at B2 & B4, 8th Floor, Block B, Mai Hing Industrial Building, 16-18 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong on Friday, 26 March 2010 at 11:00 a.m. is set out at the end of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's principal place of business at B2 & B4, 8th Floor, Block B, Mai Hing Industrial Building, 16-18 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of such meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so desire.

9 March 2010

CONTENTS

	<i>Page</i>
DEFINITIONS	1
 LETTER FROM THE BOARD	
Introduction	4
Background	5
The Supplemental Agreement	5
New Cap proposed	6
Reasons for, and basis of, the Supplemental Agreement and the New Cap proposed	7
Special general meeting	9
Recommendation	9
Additional Information	9
 LETTER FROM THE INDEPENDENT BOARD COMMITTEE	
	10
 LETTER FROM THE IFA	
	11
 APPENDIX – GENERAL INFORMATION	
	19
 NOTICE OF THE SPECIAL GENERAL MEETING	
	24

Accompanying document: Form of proxy

DEFINITIONS

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

“2007 Circular”	the circular of the Company dated 9 March 2007
“associate”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Elegance International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Existing Cap”	the annual cap for the Transactions for the three financial years ending 31 March 2010 as approved by the Independent Shareholders at the special general meeting held on 30 March 2007, further particulars of which are set out in the 2007 Circular
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IFA”	Nuada Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, being a licensed corporation permitted to engage in type 6 (advising on corporate finance) regulated activity under the SFO
“Independent Board Committee”	a board committee comprising Mr. Poon Kwok Fai, Ronald, Dr. Tam Hok Lam, Tommy, PhD, JP and Mr. Wong Chung Mat, Ben, JP, being the independent non-executive Directors of the Company, constituted to advise and make recommendations to the Independent Shareholders in respect of the Supplemental Agreement, the Transactions under it and the New Cap
“Independent Shareholders”	the Shareholders other than SFEL and its associates
“Latest Practicable Date”	Friday, 5 March 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“New Cap”	the maximum annual amount of Transactions for each of the three financial years ending 31 March 2013 during the New Term
“New Term”	the three financial years of the Company ending 31 March 2011, 2012 and 2013
“PRC”	the People’s Republic of China and, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Products”	optical frames, sunglasses and other products
“Sàfilo”	Sàfilo S.p.A., a company incorporated in Italy with limited liability
“Sàfilo Group”	Sàfilo and its subsidiaries
“SFEL”	Sàfilo Far East Limited, a wholly-owned subsidiary of Sàfilo and a substantial Shareholder holding approximately 23.05% of the issued share capital of the Company as at the Latest Practicable Date
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGM”	the special general meeting of the Company to be convened at B2 & B4, 8th Floor, Block B, Mai Hing Industrial Building, 16-18 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong on Friday, 26 March 2010 at 11:00 a.m. for the purpose of considering and, where appropriate, approving the Supplement Agreement, the Transactions under it and the New Cap, the notice of which is set out at the end of the circular
“Shareholder(s)”	holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto in the Listing Rules

DEFINITIONS

“Substantial Shareholder”	has the meaning ascribed to the terms “substantial shareholder” in the Listing Rules
“Supplemental Agreement”	the supplemental agreement entered into between the Company and Sàfilo on 12 February 2010 which is supplemental to the Supply Agreement
“Supply Agreement”	the supply agreement entered into between the Company and Sàfilo on 18 April 1997 as amended by amendment agreements made between the same parties on 7 July 1998, 15 February 2007 and the Supplemental Agreement (subject to approval by the Independent Shareholders)
“Transactions”	the sales of optical frames, sunglasses and other products by the Group to the Sàfilo Group pursuant to the Supply Agreement
“%”	per cent

LETTER FROM THE BOARD



ELEGANCE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 907

Executive Directors:

Mr. Hui Leung Wah (*Chairman*)

Mr. Poon Sui Hong

Mr. Leung Shu Sum

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Non-executive Directors:

Ms. Lissi Barbara

Ms. Marchisio Paola

Principal office:

B2 & B4, 8th Floor, Block B

Mai Hing Industrial Building

16-18 Hing Yip Street

Kwun Tong, Kowloon

Hong Kong

Independent Non-executive Directors:

Mr. Poon Kwok Fai, Ronald

Dr. Tam Hok Lam, Tommy, PhD, JP

Mr. Wong Chung Mat, Ben, JP

9 March 2010

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS RENEWAL OF TRADING ARRANGEMENTS WITH THE SÀFILO GROUP

INTRODUCTION

In an announcement dated 17 February 2010, the Company announced that it entered into the Supplemental Agreement dated 12 February 2010 with Sàfilo to renew the Supply Agreement for the New Term, of three years ending 31 March 2013, for continuation of the Transactions involving the sale of optical frames, sunglasses and other products to the Sàfilo Group. The New Cap for the Transactions for the financial years ending 31 March 2011, 2012 and 2013 are proposed to be HK\$225 million, HK\$244 million and HK\$279 million respectively.

The Transactions under the Supplemental Agreement arising from time to time will constitute non-exempt continuing connected transactions for the Company under the Listing Rules. The Company proposes to seek Independent Shareholders' approval of the Supplemental Agreement, the Transactions under it and the New Cap. The Independent Board Committee has been formed to consider the

LETTER FROM THE BOARD

Supplemental Agreement, the Transactions under it and the New Cap and to make a recommendation to the Independent Shareholders in relation thereto. The IFA has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to such matters.

This circular is to give you further information in relation to the Supplemental Agreement, the Transactions under it and the New Cap, the opinion and recommendations of the Independent Board Committee and IFA. It also gives you notice of the SGM at which the ordinary resolution to approve the above matters set out therein will be proposed. SFEL and its associates will abstain from voting at the SGM.

BACKGROUND

The Group is principally engaged in the manufacture and trading of optical frames, sunglasses and optical cases.

On 18 April 1997, the Company and Sàfilo had entered into the Supply Agreement pursuant to which the Group agreed to supply the Products to the Sàfilo Group. Each sale and purchase of such Products are made subject to purchase orders placed by the Sàfilo Group with the Group from time to time, at prices agreed between them on an arm's length basis based on market conditions. A discount based on a formula will be given if the aggregate invoiced amount reaches a certain level. The consideration for each sale and purchase of the Products will be settled (and received by the Group) in cash after the expiry of the credit term.

Sàfilo was established in Italy in 1934 and is a well-known eyewear producer in the premium eyewear market segment. SFEL, a wholly-owned subsidiary of Sàfilo, is a substantial Shareholder, holding approximately 23.05% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, the Transactions under the Supplemental Agreement will constitute continuing connected transactions of the Company under the Listing Rules.

In 2007, the Company obtained Independent Shareholders' approval in relation to the Transactions for the period up to 31 March 2010 based on the Existing Cap. As the Directors expect the Transactions to continue, the Company proposes to seek Independent Shareholders' approval of the Supplemental Agreement, the Transactions under it and the New Cap.

THE SUPPLEMENTAL AGREEMENT

To comply with the requirements of the Listing Rules, the Company and Sàfilo had entered into the Supplemental Agreement dated 12 February 2010 incorporating the terms of the Supply Agreement and setting out the expected maximum annual amounts of Products the Sàfilo Group proposes to purchase from the Group for the New Term, subject to Independent Shareholders' approval.

LETTER FROM THE BOARD

Under the Supplemental Agreement, the Transactions shall be on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties. In general, the Sàfilo Group will request quotations from the Group and other independent suppliers in respect of the Products which the Sàfilo Group are sourcing. Following the receipt of quotations from the Group and other independent suppliers, the Sàfilo Group will compare and negotiate the terms of the quotations with the suppliers and determine the selection of suppliers taking into account factors such as price quotations, quality of the Products and the ability of the suppliers in meeting delivery schedules. Accordingly, the Group may or may not be awarded the orders. On the other hand, the Group is not contractually bound before acceptance of the purchase orders where the Group considers that the terms of the orders offered by the Sàfilo Group are not commercially acceptable.

During the past two financial years ended 31 March 2009 and for the current financial year ending 31 March 2010, each Transaction has been determined, on an order-by-order basis, with reference to the size of the order, and the terms upon which the Products have been sold to the Sàfilo Group were no less favourable than those sold to other independent purchasers. The Group usually allows average credit terms ranging from 45 days to 120 days to its customers, which the Group believes is in line with the market practice. The Group has taken into consideration the creditability of the customer, payment track record, volume of the sales and the market condition in determining the credit terms for each customer. Credit terms of 120 days have been granted to two existing customers of the Group, including the Sàfilo Group, and 45 days to 90 days have been granted to other independent customers. The credit terms to the Sàfilo Group were not favourable than other existing customers of the Group. The credit term of 120 days is agreed after arm's length negotiations between the Group and the Sàfilo Group after considering, among other things, the good long term business relationship, its creditability, past payment record, the sales volume and the market condition.

The aggregate expected maximum annual amount of the Transactions set out in the Supplemental Agreement for the next three financial years ending 31 March 2011, 2012 and 2013 are proposed to be HK\$225 million, HK\$244 million and HK\$279 million respectively. The Supplemental Agreement states that if and to the extent that the aggregate consideration received by the Group has reached the amounts of the New Cap, any further Transactions will be subject to compliance with requirements of the Listing Rules by the Company.

Save for the renewal of the Supply Agreement for the New Term and setting the New Cap, there is no other material change made by the Supplemental Agreement to the terms of the Supply Agreement.

NEW CAP PROPOSED

The aggregate values of the Transactions for the two years ended 31 March 2009 (based on the audited consolidated financial statements of the Group) and for the six months ended 30 September 2009 (based on the unaudited consolidated financial statements of the Group) are set out below. As at the date hereof, the Group has not exceeded any of the Existing Cap.

LETTER FROM THE BOARD

	Amount (in HK\$'000)					
	Year ended 31.03.2008	Year ended 31.03.2009	Year ending 31.03.2010	Year ending 31.03.2011	Year ending 31.03.2012	Year ending 31.03.2013
Existing Cap/New Cap	390,000	470,000	565,000	225,000	244,000	279,000
Actual Annual Value of Transactions	232,053	189,405	73,410	–	–	–

(Note)

Note: It is based on the unaudited consolidated interim financial statements of the Group for the six months ended 30 September 2009.

REASONS FOR, AND BASIS OF, THE SUPPLEMENTAL AGREEMENT AND THE NEW CAP PROPOSED

The New Cap for the New Term is primarily determined by the Company based on the expected amount of purchase orders placed by the Sàfilo Group to the Group for such period to come.

As set out in the Company's 2009 annual report and 2009/2010 interim report, the Group's business performance and operations, especially in Europe and North America which are the Group's two largest geographical markets, have been adversely affected by the financial tsunami spreading globally since the last quarter of 2008. Under the global financial crisis, customers are more cautious when placing orders. The Group's turnover over these years have decreased significantly, and with it the actual annual value of the Transactions with the Sàfilo Group during such period.

It is, however, anticipated that full economic recovery will take some time, though market sentiment has improved and signs of economic upturn have been seen in the third quarter of 2009. Barring unforeseen circumstances, the Group is cautiously optimistic about its business operation for the rest of this financial year ending 31 March 2010. The Company is hopeful that the upward economic trend will continue, and the Group is satisfied with Sàfilo Group's positive projection of increased orders in the years to come.

The New Cap is based on the proposal made by the Sàfilo Group. In setting the above New Cap, the historical actual values of the Transactions for 2009 and 2010 financial years are found to offer limited, if any, guidance nor solid precedent value to the management of the Company. While it is accepted that historical data under normal market conditions should provide starting point of any comparison, what is apparent is that the economic conditions have deteriorated markedly over 2008 to 2009 when the extreme effects of the financial tsunami were still hitting the consumer market in the North America and Europe and hence the revenue of the Group earned from the Transactions. In the context of setting the New Cap, the Company believes that a fundamental distinction should be drawn in relation to the assessment of the different economic environment in the difficult times in 2008 and 2009 on the one hand and the New Term in the way forward on the other hand. With such factors in mind, the Company emphasizes the pre-financial tsunami data, the latest being in 2007/2008, in weighing the New Cap for the financial year 2011 and onwards in the New Term with the actual value recorded in a time when conditions were still before the financial tsunami. Compared to the HK\$232 million annual value of the Transactions recorded for the financial year ended 31 March 2008, the New Cap of the HK\$225 million, HK\$244 million and HK\$279 million set for the three financial years ending 31 March 2013 represent a drop of 3% and increase of 5% and 20% respectively.

LETTER FROM THE BOARD

In reviewing the forecast figures, the Group has based on, amongst many factors, historical turnovers over the past three years as affected by the unprecedented global financial tsunami since the last quarter of 2008, recent initial signs of economic recovery trend suggesting the expected continued economic recovery and improvement in consumer sentiments, possible price trend in the time to come, possible mix of product categories and the market condition. In relation to the forecasts provided by the Sàfilo Group for the New Term, the Group has performed assessment and comparisons with reference to the quantities, mix, specifications and pricing range of the Products concerned. In comparing such factors, the Group has weighed the forecasts against the actual historical revenue of the Transactions before the financial tsunami as mentioned above, and also considered the latest actual revenue from the Transactions for the third quarter of 2009, when the signs of economic upturn have been shown.

In the latter half of 2009, the Sàfilo Group announced its board approval of a recapitalisation plan and introduction of a new strategic investor. With new and strengthened financial resources and a new shareholder in Sàfilo, Sàfilo is now in an even better position to capture the market recovery. As far as the Group is concerned, it has manifestly bolstered confidence in the credit-worthiness of the Sàfilo Group as a customer to the Group, which underlines the very assumption of viability of the forecasts for the sales of the Products. After consideration of the above factors, the New Cap is considered by the Directors to be a reasonable projection into the future, and the Transactions are fair and beneficial to the Group and the Group should take advantage of such growth opportunities.

The Independent Shareholders' approval of these Transactions and the Existing Cap is only up to 31 March 2010. The continuing business between the Group and the Sàfilo Group has contributed positively to the Group's results over the past 14 years and the Directors consider that the Transactions with the Sàfilo Group has been an important part and source of business for the Group. The Directors expect that in view of the good long term working relationship which it has established with the Sàfilo Group, the Group's business with the Sàfilo Group will continue to grow and will contribute to the growth prospects of the Group's business as a whole.

The Directors believe that it is in the interest of the Company to seek Independent Shareholders' approval for the continuation of the Transactions up to the limits specified in the New Cap as set out above. The Directors (other than the independent non-executive Directors whose opinion is set out in the "Letter from the Independent Board Committee" in this circular) are of the view that the terms of the Supplemental Agreement and the Transactions under it (including the New Cap) are fair and reasonable and in the interests of the Shareholders as a whole and that the Supplemental Agreement and the Transactions under it are on normal commercial terms.

As certain percentage ratios in respect of the New Cap for the Transactions on an annual basis exceed 2.5%, the Transactions will constitute non-exempt continuing connected transactions of the Company under the Listing Rules. Accordingly, the Transactions as contemplated under the Supplemental Agreement and the New Cap are subject to Independent Shareholders' approval.

LETTER FROM THE BOARD

SPECIAL GENERAL MEETING

The notice of the SGM is set out at the end of this circular. A form of proxy for use at the SGM is enclosed. If you are not able to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof in person, if they so wish.

In accordance with the Listing Rules, SFEL and its associates, holding 23.05% shareholding interest in the Company with a material interest in the Transactions, will abstain from voting at the SGM. So far as the Directors were aware as at the Latest Practicable Date, there are no other Shareholder with a material interest and have to abstain from voting in relation to the Transactions. The votes of the Independent Shareholders in the SGM will be taken by poll and the poll results will be published by way of an announcement issued in accordance with the Listing Rules.

RECOMMENDATION

The Independent Board Committee has been set up to advise the Independent Shareholders on the Supplemental Agreement, the Transactions under it and the New Cap. As set out in its letter to the Independent Shareholders, based on the advice of the IFA, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Supplemental Agreement, the Transactions and the New Cap.

The Board also recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Supplemental Agreement, the Transactions under it and the New Cap.

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter from the IFA, the notice of the SGM and the general information set out in the appendix to this circular.

By Order of the Board
Elegance International Holdings Limited
Hui Leung Wah
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



ELEGANCE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 907

9 March 2010

To the Independent Shareholders

Dear Sir and Madam,

**CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF TRADING ARRANGEMENTS WITH THE SÀFILO GROUP**

We refer to the circular dated 9 March 2010 of Elegance International Holdings Limited (the “Circular”), of which this letter forms part. Terms defined in the Circular bear the same meanings herein, unless the context otherwise requires.

We have been appointed to constitute the Independent Board Committee to make a recommendation to the Independent Shareholders in relation to the Supplemental Agreement, the Transactions under it and the New Cap.

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 9 of the Circular, which provides details of the Supplemental Agreement, the Transactions under it and the New Cap. Your attention is also drawn to the letter from the IFA to the Independent Board Committee and the Independent Shareholders which contains their advices in respect of the Supplemental Agreement, the Transactions under it and the New Cap, as set out on pages 11 to 18 of the Circular.

Having considered, amongst other things, the principal factors and reasons considered by, and the recommendations of, the IFA as stated in their aforementioned letter of advice, the Independent Board Committee concurs with the views of the IFA that the Supplemental Agreement and the Transactions under it are on normal commercial terms and in the ordinary and usual course of business of the Group, and that the New Cap and the terms of the Supplemental Agreement and the Transactions under it are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Supplemental Agreement, the Transactions under it and the New Cap.

Yours faithfully,
For and on behalf of
Poon Kwok Fai, Ronald
Tam Hok Lam, Tommy, PhD, JP
Wong Chung Mat, Ben, JP
Independent Board Committee

LETTER FROM THE IFA

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited, the independent financial adviser, dated 9 March 2010 in relation to the Supplemental Agreement for the purpose of this circular.

Nuada Limited

Corporate Finance Advisory

Nuada Limited
17th Floor, BLINK, 111 Bonham Strand
Sheung Wan, Hong Kong

9 March 2010

*To the Independent Board Committee and
the Independent Shareholders of
Elegance International Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS RENEWAL OF TRADING ARRANGEMENTS WITH THE SÀFILO GROUP

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the New Cap (the “**Transactions**”), details of which have been set out in the letter from the Board (the “**Letter**”) in the circular to the Shareholders dated 9 March 2010 (the “**Circular**”), of which this letter forms part. Unless otherwise stated, terms used in this letter have the same meanings as those defined in the Circular.

The Company announced on 17 February 2010 that the Company and Sàfilo entered into the Supplemental Agreement, pursuant to which, the Sàfilo Group will purchase optical frames, sunglasses and other products (the “**Products**”) and the Group will supply the exact quantity, specifications and quality of the Products in accordance with the terms as stipulated under the Supplemental Agreement for a term of three years from 1 April 2010 up to 31 March 2013.

Sàfilo, through its wholly-owned subsidiary, SFEL, is a substantial Shareholder holding approximately 23.05% of the issued share capital of the Company. Sàfilo is a connected person of the Company within the meaning of the Listing Rules. Accordingly, any continuing transactions between any members of the Group on the one part and the Sàfilo Group on the other part will constitute continuing connected transactions subject to the requirements under Chapter 14A of the Listing Rules. As certain percentage ratios in respect of the New Cap for the Transactions on an annual basis exceed 2.5%, the Transactions will constitute non-exempt continuing connected transactions of the Company under the Listing Rules. Accordingly, the Transactions as contemplated under the Supplemental Agreement are subject to Independent Shareholders’ approval.

LETTER FROM THE IFA

SFEL and its associates, which have material interest in the Transactions, will abstain from voting on the resolutions in relation to the Supplemental Agreement and the transaction(s) contemplated thereunder including the New Cap at the SGM. The resolutions to approve the Supplemental Agreement will be taken by way of poll. No other Shareholder, other than SFEL and its associates, is required to abstain from voting in respect of the Transactions.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether the Supplemental Agreement is in the interest of the Company and the Shareholders as a whole and whether its terms are fair and reasonable. We have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the Supplemental Agreement is in the interest of the Company and the Shareholders as a whole and whether its terms are fair and reasonable.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Circular and provided to us by the Company, the Directors and management of the Company (the “**Management**”), which we have assumed to be true, accurate and complete at the time when they were made and continued to be true, accurate and complete continued to be made the date hereof. We have also assumed that all statements of belief, opinion and intention made by the board of Directors (the “**Board**”) in the Circular were reasonably made after due enquiries and considerations. We have no reason to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstances which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading.

We consider that we have reviewed sufficient information, including the relevant information and documents provided by the Company, the Directors and the Management and the information published by the Company, to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations. We have assumed that the information and documents reviewed and relied on by us in formulating our opinions are true, accurate and complete at the time when they were made and continued to be true, accurate and complete continued to be made the date hereof. Having made all reasonable enquiries, the Board has confirmed that, to the best of its knowledge, there are no other facts or representations and the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the Management, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group or the Sàfilo Group.

In formulating our advices, our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations and opinions made available to us as of the Latest Practicable Date.

PRINCIPAL FACTORS CONSIDERED

In formulating our opinion regarding the Transactions, we have taken into consideration the following principal factors:

LETTER FROM THE IFA

Background

The Group is principally engaged in the manufacture and trading of optical frames, sunglasses and optical cases.

Sàfilo is a company listed on Milan Stock Exchange. The Sàfilo Group is second-largest manufacturer of eyewear products worldwide in terms of turnover and the world leader in the luxury eyewear segment. It is also one of the top three sports eyewear manufacturers and distributors. According to the annual results of the Sàfilo Group for the financial year ended 2008, 47.4% of its total net sales was attributed to Europe, 36.8% was attributed to America, 12.9% was attributed to Asia and the remaining was attributed to the other countries of the world. In 1994, a sales branch was established by the Sàfilo Group in Hong Kong to penetrate the Asian markets.

According to the annual report of the Company for the financial years ended on 31 March 2009, the total revenue of the Group was mainly derived from three geographic areas: Europe, North America and Asia, representing approximately 58.25%, 32.92% and 8.09% of the total revenue of the Group for the year ended 31 March 2009. The Group recorded an audited revenue of approximately HK\$510.08 million and the cost of sales amounted to approximately HK\$438.79 million for the financial years ended on 31 March 2009. The profit of the Group for the year ended 31 March 2009 recorded approximately HK\$16.16 million, representing approximately 68.55% lower than that of the previous year. According to the Board's representation, the decrease was mainly due to the increase in manufacturing cost which include high inflation rate in the PRC and the appreciation of Renminbi, increase of PRC labour costs caused by the newly implemented Labour Contract Law in the PRC and the decrease in sales caused by the outbreak of global financial tsunami leading to a plunge in spending from two largest geographical markets of the Group, European market and North America market. Although the sales to the Asian market recorded an increase for the year ended 31 March 2009 as compared with that of the previous year, the total sales of the Group recorded a decrease from HK\$551.78 million for the year ended 31 March 2008 to HK\$510.08 million for the year ended 31 March 2009 resulting from the drop of sales to European market and North America market.

According to the interim report of the Company for the period ended 30 September 2009, the financial results of the Group for the six months ended 30 September 2009 was still affected by the global economy downturn caused by the financial tsunami, the Group recorded an unaudited revenue of approximately HK\$208.78 million, representing approximately 26.06% lower than that of the previous corresponding period. The profit after tax for the six months ended 30 September 2009 of the Group recorded approximately HK\$9.15 million, representing approximately 36.15% lower than that of the previous year.

Reasons for entering into the Supplemental Agreement

According to the Board, business relationship between the Group and Sàfilo Group commenced in 1996 and the first supply agreement was entered into between parties in April 1997. Pursuant to the supplemental agreement dated 15 February 2007 (the "**2007 Supplemental Agreement**") entered into between parties, the Existing Cap was approved by the Independent Shareholders at the special general meeting of the Company on 30 March 2007.

LETTER FROM THE IFA

Prior to entering into of the Supplemental Agreement, the Group had regularly supplied optical frames, sunglasses and other products to the Sàfilo Group with terms in accordance to the purchase orders placed by the Sàfilo Group on an order-by-order basis pursuant to the terms as stipulated under the 2007 Supplemental Agreement. Based on past 14 years experience of trade relationship with Sàfilo Group, the Company is satisfied with the collection of sale proceeds from the Sàfilo Group and Sàfilo is satisfied with the quality of products provided by the Group and timely delivery of the products to meet Sàfilo's needs. The Board considered that the continuing business between the Group and the Sàfilo Group has contributed positively to the Group's results over the past 14 years and the Directors consider that the Transactions with the Sàfilo Group has been an important part and source of business for the Group. As the 2007 Supplemental Agreement will be expired on 31 March 2010, the Group will extend the term of the 2007 Supplemental Agreement by entering into the Supplemental Agreement. We considered that, by entering into the Supplemental Agreement, the Group will be able to capture the maximum orders of the Products to be purchased from the Sàfilo Group and to secure the source of business for the Group for the next three years. We considered that the Supplemental Agreement is in the interest of the Company and the Shareholders as a whole.

Having considered the above factors, we are of the view that the business co-operations with Sàfilo Group by entering into Supplemental Agreement is in the ordinary course of business of the Group, and the terms of the Supplemental Agreement which extend the term of the 2007 Supplemental Agreement is in the interest of and is beneficial to the Group and the Independent Shareholders as a whole.

Principal terms of the Supplemental Agreement

Pursuant to the Supplemental Agreement, the Group agreed to supply the Products to the Sàfilo Group for the next three year ending 31 March 2011, 2012 and 2013. The Transactions shall be on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties and shall be determined by the Group and Sàfilo Group on an order-by-order basis with reference to the market conditions at the relevant time. A discount based on a formula will be given if the aggregate invoiced amount reaches a certain level.

As disclosed in the Letter, each purchase order of the sale and purchase of the Products shall be determined and agreed from time to time after arm's length negotiations between the Group and the Sàfilo Group based on the market conditions at the relevant time. Having discussed with the Management, we are given to understand that, in general, the Sàfilo Group will request quotations from the Group and other independent suppliers in respect of the Products which the Sàfilo Group are sourcing. Following the receipt of quotations from the Group and other independent suppliers, the Sàfilo Group will compare and negotiate the terms of the quotations with the suppliers and determine the selection of suppliers taking into account factors such as price quotations, quality of the products and the ability of the suppliers in meeting delivery schedules. Accordingly, the Group may or may not be awarded the orders. On the other hand, the Group is not contractually bound before acceptance of the purchase orders where the Group considers that the terms of the orders offered by the Sàfilo Group are not commercially acceptable.

In accordance with the Rule 14A.37 of the Listing Rule, the independent non-executive directors of the issuer must review and confirm each year that the continuing connected transactions under the relevant agreement (i) is in the ordinary and usual course of business of the group; (ii) is either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the issuer than terms available to independent third parties; and (iii) is in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interest of the shareholders of the issuer as a whole.

LETTER FROM THE IFA

Based on the annual reports of the Company for the year ended 31 March 2008 and 31 March 2009, the Directors, including independent non-executive Directors, have reviewed and confirmed that the above criteria for the Transactions under the 2007 Supplemental Agreement have been fulfilled and the auditor of the Company has confirmed that the Transactions in the years reported (i) have been reviewed by the Board; (ii) have been entered into in accordance with the 2007 Supplemental Agreement; and (iii) have not exceeded the Existing Caps. Based on the audit work done by auditors of the Company on the Transactions for the two financial years ended 31 March 2009, we have no reason to doubt that the Transactions for the financial year ending 31 March 2010 are not entered into in accordance with the 2007 Supplemental Agreement or the pricing policy of the Group.

Furtherance, we are confirmed that each Transaction was determined by the Management, on an order-by-order basis, with reference to the size of the order and the terms upon which the Products sold to the Sàfilo Group were no less favourable than those sold to other independent purchaser. The Group usually allows average credit terms ranging from 45 days to 120 days to its customers, which the Management believes is in line with the market practice. As advised by the Management, the Group has taken into consideration the creditability of the customer, payment track record, volume of the sales and the market condition in determining the credit terms for each customer. We are advised that credit terms of 120 days have been granted to two existing customers of Group (the “Customers”), including the Sàfilo Group, where 45 days to 90 days have been granted to other independent customers. Having discussed with the Management in this regard, the credit term of 120 days is agreed after arm’s length negotiations between the Group and the Customers after considering, among other things, their good business relationship, their creditability, and their past payment record. We have reviewed sample of the invoices, which randomly selected by us, issued by the Group. We confirmed that the credit terms of 120 days were granted to the Customers while other existing customers of the Group were granted not more than 90 days. As disclosed in the annual report of the Company for the financial years ended on 31 March 2009, the Sàfilo Group has been making timely settlement of the balance relating on each sales invoice due to the Group. Therefore, we confirmed that the credit term to the Sàfilo Group was not favourable than those granted to other independent customers.

In view of (i) the Supplemental Agreement is entered into in the ordinary and usual course of business of the Group; (ii) the terms of the Supplemental Agreement offer to the Sàfilo Group will not be less favourable than those offer to other independent customers of the Group for the same or similar products; (iii) the price of each purchase order is determined by the Group and the Sàfilo Group on an order-by-order basis with reference to the market price at the relevant time; and (iv) the Group is not contractually bound before acceptance of the purchase orders where the Group considers that the terms of the orders offered by the Sàfilo Group are not commercially acceptable, we are of the view that the terms as stipulated in the Supplemental Agreement, including price of the Products and payment terms of the Transactions, are fair and reasonable so far as the Company and the Independent Shareholders are concerned, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

The New Cap

As stated in the Letter, the New Cap contemplated under the Supplemental Agreement will not be more than HK\$225 million, HK\$244 million and HK\$279 million for each of the three years ending 31 March 2013. The New Cap is determined based on the proposal made by the Sàfilo Group. The Board, however, agreed the New Cap taking into account the historical turnovers over the past three years as

LETTER FROM THE IFA

affected by the unprecedented global financial tsunami since the last quarter of 2008, recent initial signs of economic recovery trend suggesting the expected continued economic recovery and improvement in consumer sentiments, possible price trend in the time to come, possible mix of product categories and the market conditions.

As disclosed in the following table, the annual amount of the Transactions sold to Sàfilo Group for the two financial years ended on 31 March 2008 and 2009 amounted to approximately HK\$232.05 million and approximately HK\$189.41 million respectively and the amount of the Transactions sold to Sàfilo Group for the six months ended 30 September 2009 amounted to approximately HK\$73.41 million (the “Actual Values”).

The Actual Values of the Transactions sold to the Sàfilo Group compared to the annual revenue of the Group for the past five years are set out at the table (the “Table”) below:

	For the six months ended 30 September		For the financial year ended 31 March				
	2009 <i>(Unaudited)</i>	2008 <i>(Unaudited)</i>	2009	2008	2007	2006	2005
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>in HK\$'000</i> <i>(approximately)</i>				
Revenue of the Group	208,775	282,369	510,083	551,783	572,467	432,164	405,477
Actual Values of the Transactions	73,410	108,040	189,405	232,053	271,991	214,886	214,773
The Actual Values to the annual revenue of the Group	35.16%	38.26%	37.13%	42.06%	47.51%	49.72%	52.97%

Notes:

1. It is based on the unaudited consolidated interim financial statements of the Group for the six months ended 30 September 2009.
2. It is based on the unaudited consolidated interim financial statements of the Group for the six months ended 30 September 2008.

We noted that the Actual Values of the Transactions decreased from approximately HK\$271.99 million for the year ended 31 March 2007 to approximately HK\$232.05 million for the year ended 31 March 2008 and further dropped to approximately HK\$189.41 million for the year ended 31 March 2009. In addition, the Actual Values of the Transactions for the six months ended 30 September 2009 also recorded a decrease as compared to that of the previous corresponding period. In light of this, we have reviewed the annual report of Sàfilo Group for the year ended 31 December 2008 and the 3rd quarterly report of the Sàfilo Group for the nine months ended 30 September 2009. We noted that the financial results of the Sàfilo Group were also affected by the global financial crisis. The aggregate net sales of the Sàfilo Group had also been dropped from approximately Euro 1,190.4 million for the year ended 31 December 2007 to approximately Euro 1,147.8 million for the year ended 31 December 2008. As disclosed in for the nine months ended 30 September 2009, being the latest financial information published by the Sàfilo Group, the aggregate net sales dropped from approximately Euro 865.7 million for the nine months ended 30 September 2008 to approximately Euro 774.7 million for the nine months ended 30 September 2009.

LETTER FROM THE IFA

As disclosed in the 3rd quarterly report of the Sàfilo Group, a recapitalisation plan for the Sàfilo Group was approved by the board of directors. Through the recapitalisation plan, the capital and financial structure of the Sàfilo Group will be strengthened by introduced a new strategic investor. With new and strengthened financial resources and a new shareholder in Sàfilo, the Directors considered Sàfilo is now in an even better position to capture the market recovery. In accepting the New Cap proposed by the Sàfilo Group, the Group has performed assessment and comparison with reference to the quantities, mix, specifications and pricing range of the Products concerned. The Group has also weighed the forecasts against the Actual Values of the Transactions before the financial tsunami and considered the latest revenue from the Transactions for the third quarter of 2009, when the signs of economic upturn have been shown.

The substantial declined in Actual Values of the Transactions for the financial year ended 31 March 2009 and the six months period ended 30 September 2009 was mainly due to the outbreak of global financial tsunami which we had discussed under the sub-section headed "Background" above. Although the Actual Values of the Transactions has declined for the last two financial years ended 31 March 2009, the sales of the Products to the Sàfilo Group recorded in an amount with not less than 35% of the total revenue of the Group as shown in the Table above. As the global leader in the high-end eyewear segment of the market, we concur with the view of the Directors that the Sàfilo Group will increase the demand of the Products from the Group shortly after the economic recovery.

As disclosed in the Letter, in the context of setting the New Cap, the Company emphasizes the pre-financial tsunami data, the latest being in 2007/2008, in weighing the New Cap for the financial year 2011 and onwards in the New Term with the actual value recorded in a time when conditions were still before the financial tsunami. Compared to the HK\$232 million annual value of the Transactions recorded for the financial year ended 31 March 2008, the New Cap of the HK\$225 million, HK\$244 million and HK\$279 million set for the three financial years ending 31 March 2013 represent a drop of 3% and increase of 5% and 20% respectively. In view of the assessment of the New Cap made by the Management, we accept that historical data under normal market conditions should provide starting point to the Company in assessing the New Cap. Taking into account the Group recorded the historical high of approximately HK\$271.99 million, being the total amount sold to the Sàfilo Group for the financial year ended 31 March 2007, we considered that the Group, as one of the principal suppliers of the Sàfilo Group and for the interest of the Company and Shareholders, should facilitate the positive projection of increased orders of the Products made by the Sàfilo Group and to prepare itself in meeting with the projected demand of the Sàfilo Group or its customers, on an on-going basis. The New Cap, which can maximize the revenue base of the Group and the Shareholders' interests in the Company, is in the interest of the Company and the Shareholders as a whole.

Based on the foregoing, we are of the view that the New Cap proposed by the Sàfilo Group and the assessment on the New Cap made by the Group is fair and reasonable so far as the Group and the Independent Shareholders as a whole are concerned.

LETTER FROM THE IFA

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the entering into the Supplemental Agreement and the New Cap are in the interest of the Company and the Shareholders as a whole, on normal commercial terms, in the ordinary course of business of the Group and the terms of which are fair and reasonable so far as the Company and the Independent Shareholders are concerned. As such, we recommend the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolutions for the approval of the Supplemental Agreement and the Transactions under it and the New Cap at the SGM.

Yours faithfully,
For and on behalf of
Nuada Limited
Po Chan
Executive Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement contained in this circular misleading.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long position in the ordinary shares of the Company:

Name of director	Number of shares held and capacity in which the shares are held			Percentage of the issued share capital of the Company
	Beneficial owner	Other interests	Total	
Hui Leung Wah ("Mr. Hui") (<i>Note</i>)	8,308,000	141,316,000	149,624,000	46.23
Poon Sui Hong	7,000,000	–	7,000,000	2.16
Leung Shu Sum	6,000,000	–	6,000,000	1.85
Marchisio Paola	198,000	–	198,000	0.06
	<u>21,506,000</u>	<u>141,316,000</u>	<u>162,822,000</u>	<u>50.30</u>

Note: The 141,316,000 shares held as other interests of Mr. Hui comprised 141,116,000 shares held by Best Quality Limited and 200,000 shares held by Deluxe Concept Limited. The entire issued share capital of both Best Quality Limited and Deluxe Concept Limited is held by Wahyee Limited as trustee for a unit trust, which, in turn, is beneficially owned by Docater Trust, a discretionary trust with LGT Trustees Limited as trustee, the beneficiaries of which include the spouse and children of Mr. Hui Leung Wah (Mr. Hui himself is not a beneficiary of the discretionary trust).

Long position in ordinary shares in the subsidiaries:

Mr. Hui Leung Wah is beneficially interested in 200,000 non-voting deferred shares in the capital of Elegance Optical Investments Limited. The rights and restrictions of such non-voting deferred shares are disclosed in the audited financial statements of the Company for the year ended 31 March 2009.

In addition to the above, certain directors of the Company have non-beneficial personal equity interests in certain subsidiaries of the Group held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed herein and as at the Latest Practicable Date, none of the Director or chief executive of the Company had any interest in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities, together with particulars of any option in respect of such capital:—

The Company:

Name	Number of issued ordinary shares held	Capacity in which the shares are held	Percentage of issued share capital of the Company
Poon Yuk Yee (<i>Note 1</i>)	149,624,000	Beneficiary of a trust	46.23
LGT Trustees Limited (<i>Note 2</i>)	141,316,000	Trustee	43.66
Wahyee Limited (<i>Note 2</i>)	141,316,000	Trustee	43.66
Sãfilo Far East Limited (“SFEL”) (<i>Note 3</i>)	74,599,123	Beneficial owner	23.05
Sãfilo S.p.A. (<i>Note 3</i>)	74,599,123	Controlled corporation	23.05

Notes:

1. Ms. Poon Yuk Yee is the spouse of Mr. Hui Leung Wah and is deemed to be interested in shares held by and shares taken to be interested by Mr. Hui Leung Wah.
2. Details are stated in the above section headed "DIRECTORS' INTERESTS".
3. SFEL is a wholly-owned subsidiary of Sàfilo S.p.A.

Other members of the Group

Name of other members of the Group	Name of substantial shareholder (other than the Group)	Number of issued shares held	Percentage of issued share capital held
(1) Grand Artic Limited	Mr. Chan Ki Shu, John	2,400	24%
(2) Gold Strong Industrial Limited	Fullrich Manufactory Limited	45	45%

Save as disclosed herein and as at the Latest Practicable Date, the Directors and the chief executive of the Company are not aware of any person, other than a Director or chief executive of the Company, who, as at the Latest Practicable Date, had any interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

As at the Latest Practicable Date, Ms. Lissi Barbara, a non-executive Director, is the Sourcing Director of Sàfilo and Ms. Marchisio Paola, a non-executive Director, is the Chief Financial Officer of SFEL. Save as disclosed herein and as at the Latest Practicable Date, none of the Directors is a director or employee of any of the Substantial Shareholders.

4. COMPETING INTEREST

As at the Latest Practicable Date, the interests of the Directors in competing businesses required to be disclosed pursuant to Rule 8.10 of the Listing Rules are as follows:

- (a) Ms. Lissi Barbara, a non-executive Director, is the Sourcing Director of Sàfilo.
- (b) Ms. Marchisio Paola, a non-executive Director, is the Chief Financial Officer of SFEL.

The Group is operated and managed by independent management and administration from the Sàfilo Group. The Board can exercise independent judgment and is always acting in the interests of the Company and the Shareholders as a whole. Accordingly, the Group is capable of carrying on its business independently of, and at arm's length from, the businesses of the Sàfilo Group.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or their respective associates had any interest in a business which competes or is likely to compete with the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contracts with any members of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation or claim of material importance are pending or threatened by or against any member of the Group.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2009, being the date up to which the latest published audited financial statements of the Group were made up.

8. EXPERT

- (a) The following is the qualification of the IFA, which has given its opinion or advice which is contained in this circular:

Name	Qualification
Nuada Limited	A licensed corporation permitted to engage in type 6 (advising on corporate finance) regulated activity under the SFO

- (b) As at the Latest Practicable Date, Nuada Limited did not have any shareholding, direct or indirect, in the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Group, nor did it have any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to the Group or were proposed to be acquired or disposed of by or leased to the Group since 31 March 2009, being the date to which the latest published audited financial statements of the Group were made up.
- (c) Nuada Limited has given and has not withdrawn its consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

9. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

- (a) None of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by or leased to any members of the Group or are proposed to be acquired or disposed of by or leased to any members of the Group since 31 March 2009, being the date up to which the latest published audited financial statements of the Group were made.
- (b) None of the Directors was materially interested in any contract or arrangement entered into by any members of the Group subsisting at the date of this circular which is significant in relation to the business of the Group.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company at B2 & B4, 8th Floor, Block B, Mai Hing Industrial Building, 16-18 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong on any business day up to and including the date of the SGM:-

- (a) the Supplemental Agreement; and
- (b) the Supply Agreement.

NOTICE OF THE SPECIAL GENERAL MEETING



ELEGANCE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 907

NOTICE IS HEREBY GIVEN that a special general meeting (“Meeting”) of Elegance International Holdings Limited (the “Company”) will be held on Friday, 26 March 2010 at 11:00 a.m. at B2 & B4, 8th Floor, Block B, Mai Hing Industrial Building, 16-18 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (i) the supplemental agreement (the “Supplemental Agreement”) entered into between the Company and Sàfilo S.p.A. (“Sàfilo”) on 12 February 2010 (which is supplemental to the supply agreement (the “Supply Agreement”) entered into between the Company and Sàfilo on 18 April 1997 as amended by amendment agreements made between the same parties on 7 July 1998 and 15 February 2007);
- (ii) the sale of optical frames, sunglasses and other products by the Company and its subsidiaries to Sàfilo and its subsidiaries contemplated under the Supply Agreement and the Supplemental Agreement (the “Transactions”); and
- (iii) the annual cap of HK\$225 million, HK\$244 million and HK\$279 million for each of the three years ending 31 March 2011, 2012 and 2013 in respect of the Transactions,

be and are hereby approved, confirmed and ratified and that the directors of the Company be and are hereby authorized to take all actions and execute all documents which they deem necessary, desirable or appropriate in order to implement and validate anything related to the Supply Agreement, the Supplemental Agreement and the Transactions.”

By Order of the Board
Elegance International Holdings Limited
Hui Leung Wah
Chairman

Hong Kong, 9 March 2010

NOTICE OF THE SPECIAL GENERAL MEETING

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:

B2 & B4, 8th Floor, Block B
Mai Hing Industrial Building
16-18 Hing Yip Street
Kwun Tong
Kowloon
Hong Kong

Notes:

1. Any member entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares of the Company may appoint one or more proxies to attend and vote instead of him/her.
2. A form of proxy for use at the Meeting is enclosed in the circular of the Company of the same date of this notice. The form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be under its seal or the hand of an officer, attorney or other person duly authorised.
3. The form of proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy thereof must be lodged at the Company's principal place of business at B2 & B4, 8th Floor, Block B, Mai Hing Industrial Building, 16-18 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong, no later than 48 hours before the time appointed for holding the Meeting or any adjourned meeting (as the case may be) and in default the proxy shall not be treated as valid. Completion and return of the form of proxy shall not preclude members from attending and voting in person at the Meeting or at any adjourned meeting (as the case may be) should they so wish.
4. Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, the vote of that one of the said persons so present whose name stands first on the register of members in respect of such share shall be accepted to the exclusion of the votes of the other joint holders.
5. As at the date hereof, the executive directors of the Company are Mr. Hui Leung Wah, Mr. Poon Sui Hong and Mr. Leung Shu Sum, the non-executive directors are Ms. Lissi Barbara and Ms. Marchisio Paola and the independent non-executive directors are Mr. Poon Kwok Fai, Ronald, Dr. Tam Hok Lam, Tommy, PhD, JP and Mr. Wong Chung Mat, Ben, JP.