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ELEGANCE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 907)

EXERCISE OF CALL OPTION CONNECTED TRANSACTION

AND

POTENTIAL DISPOSAL

Exercise of the Call Option

Elegance Optical, a wholly-owned subsidiary of the Company, holds 24.5% of the equity interests in Safint. SFEL and another investor, Omegaoptik, hold 51% and the remaining 24.5% of the equity interests in the Safint respectively. Safint, through its subsidiaries incorporated in the PRC, engages in distribution of optical frames and sunglasses in the PRC.

On 25 July 2003, Elegance Optical granted SFEL the Call Option. The Call Option, exercisable at the sole discretion of SFEL, will result in Elegance Optical selling up to 14.5% of the equity interests in Safint to SFEL. On 28 December 2011, SFEL exercised the Call Option to acquire from Elegance Optical 14.5% of the equity interests in Safint in accordance with the terms of grant of the Call Option. The total consideration for such interests is approximately HK\$37.57 million. The consideration will be paid in cash to Elegance Optical against its delivery of the relevant transfer documents of the 14.5% equity interests in Safint.

As SFEL is a substantial shareholder of the Company, it is a connected person of the Company. The exercise of the Call Option therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The exercise of the Call Option, which is made in accordance with the terms of its grant agreed by the parties on 25 July 2003, is only subject to the announcement requirements in the Listing Rules.

Potential Disposal

On 28 December 2011, SFEL notified Elegance Optical that SFEL proposed to acquire from Elegance Optical its remaining 10% equity interests in Safint. The proposed total consideration for such 10% equity interests in Safint is approximately HK\$28.50 million. The Potential Disposal, if it materializes, will constitute a notifiable and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules respectively. If and when the Potential Disposal materializes, the Company will comply with the applicable requirements, including the applicable announcement, reporting and independent shareholders approval requirements, in accordance with Listing Rules.

As at the date of this announcement, no definitive or legally binding agreement or contract has been signed or entered into by Elegance Optical or the Group in respect of the Potential Disposal. The Potential Disposal may or may not proceed. Shareholders of the Company and the investing public should exercise caution when dealing in the shares of the Company.

1. Exercise of the Call Option

1.1 Elegance Optical, a wholly-owned subsidiary of the Company, holds 24.5% of the equity interests in Safint. SFEL and another investor, Omegaoptik hold 51% and the remaining 24.5% of the equity interests in Safint respectively.

1.2 On 25 July 2003, Elegance Optical granted SFEL the Call Option, the exercise of which shall require Elegance Optical to sell up to 14.5% of the equity interests in Safint to SFEL. The exercise of the Call Option is a unilateral right of SFEL, and it is exercisable at the sole discretion of SFEL. On 28 December 2011, SFEL exercised the Call Option, by a written notice to each of Elegance Optical and Safint, to acquire from Elegance Optical 14.5% of the equity interests in Safint in accordance with the terms of grant of the Call Option. A summary of the key particulars of the terms of grant and exercise of the Call Option is set out below:

(i) Date of grant :

25 July 2003

(ii) Parties :

The grantor of the Call Option is Elegance Optical and the grantee is SFEL.

Elegance Optical is a wholly-owned subsidiary of the Company. Elegance Optical is a shareholder of Safint and holds 24.5% of the equity interests in Safint. SFEL is also a shareholder of Safint and holds 51% of the equity interests in Safint. SFEL is also a substantial shareholder of the Company and is therefore a connected person of the Company.

(iii) Subject matter:

If and when the Call Option is exercised, up to 14.5% of the equity interests in Safint as held by Elegance Optical shall be sold to SFEL. Exercise of the Call Option is at the sole discretion of SFEL and may be made by a unilateral notice from SFEL to Elegance Optical.

(iv) Date of exercise :

On 28 December 2011, SFEL exercised the Call Option in respect of 14.5% of the equity interests held in Safint by giving a written notice to each of Elegance Optical and Safint.

(v) Consideration :

The consideration payable by SFEL to Elegance Optical following the exercise of the Call Option (the “**Consideration**”) shall be ascertained by the auditors of Safint in accordance with the formula set out as part of the terms of grant of the Call Option agreed by the parties on 25 July 2003, which is determined by reference to Safint’s share capital and reserves as at the end of the financial year immediately preceding the date of the Call Option exercise notice (i.e. 31 December 2010), its average consolidated net earnings before interest and tax for the two previous financial years immediately preceding the date of the Call Option exercise notice (i.e. 31 December 2009 and 2010) multiplied by 1.5 and its average financial debts in the last three months of the financial year immediately preceding the date of the Call Option exercise notice (i.e. 31 December 2010), in each case as pro-rated according to the percentage of the equity interests of Safint to be sold to SFEL and based on the relevant audited consolidated financial statements of Safint. On such basis, the Consideration is determined to be approximately HK\$37.57 million. The Consideration will be paid in cash by SFEL to Elegance Optical against delivery of the relevant transfer documents of the 14.5% equity interests to Safint.

(vi) Completion of the transfer

The Company expects to complete the transfer on or around 3 January 2012. Following completion of the Call Option exercise process, Elegance Optical will hold 10% of the equity interests in Safint, subject to the Potential Disposal, if it materializes.

2. Background of the Call Option

- 2.1 On 15 December 1998, SFEL, Elegance Optical and Omegaoptik entered into the Shareholders' Agreement for the incorporation and establishment of Safint. The Call Option was granted by Elegance Optical to SFEL on 25 July 2003 by way of an agreement to amend certain terms of the then Shareholders' Agreement. According to the terms of grant of the Call Option (as set out in such amendment agreement), the exercise of the Call Option is a unilateral right of SFEL, and is not subject to any discretion of Elegance Optical. That is, the exercise of the Call Option is at the sole discretion of SFEL.
- 2.2 Safint, through its subsidiaries incorporated in the PRC, engages in distribution of optical frames and sunglasses in the PRC. The Group is engaged in the manufacture and trading of optical frames, sunglasses and optical cases. Safilo Group is engaged in the manufacture and distribution of eyeglasses, sunglasses and sports glasses. Through its subsidiaries, of which SFEL is one, Safilo Group distributes its products in more than 100 countries worldwide.
- 2.3 SFEL was at the time of grant of the Call Option, and still is, a substantial shareholder of the Company. Accordingly, SFEL is a connected person of the Company and the grant of the Call Option constituted a connected transaction for the Company. Under the then Listing Rules and based on the relevant facts and circumstances at the time, including the respective financial information of Safint and the Group, the Company was not required to make any announcement in respect of the grant of the Call Option under the Listing Rules nor was the grant of the Call Option required to be made subject to approval by the independent shareholders of the Company. The Company has accordingly complied with the relevant requirements of the Listing Rules at the time of the grant of the Call Option.
- 2.4 As SFEL is a substantial shareholder of the Company, it is a connected person of the Company. The exercise of the Call Option therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The exercise of the Call Option, which is made in accordance with the terms of its grant agreed by the parties on 25 July 2003, is only subject to the announcement requirements in the Listing Rules.

- 2.5 The gain expected to accrue to the Group as a result of the exercise of the Call Option is approximately HK18.85 million, subject to auditing of the consolidated financial statements of the Group for the financial year ending 31 March 2012. The estimated gain represents, among other things, the difference between the Consideration to be received from the exercise of the Call Option and the carrying amount of the Group's interest in the 14.5% equity interests of Safint of approximately HK\$18.72 million as at 31 March 2011, which comprises the Group's book cost of the investment in the 14.5% equity interest in Safint of approximately HK\$9.74 million and the profit of Safint accounted for by the Group in prior years of approximately HK\$8.98 million. The Group intends to use the net proceeds, estimated to be approximately HK\$37.57 million for its general working capital.

3. Potential Disposal

- 3.1 On 28 December 2011, SFEL notified Elegance Optical that SFEL proposed to acquire Elegance Optical's remaining 10% equity interests held in Safint. The proposed consideration for such 10% equity interests in Safint is approximately HK\$28.50 million.
- 3.2 The Potential Disposal, if it materializes, will constitute a notifiable and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules respectively. Furthermore, the Company expects that the Potential Disposal will be required to be made subject to independent shareholders approval under the Listing Rules. If and when the Potential Disposal materializes, the Company will comply with the applicable requirements, including the applicable announcement, reporting and independent shareholders' approval requirements, in accordance with the Listing Rules.
- 3.3 The Board is prepared to positively consider the proposal and continue negotiations with SFEL with a view to finalizing the terms and related details of the Potential Disposal mutually agreed by both parties as soon as practicable.

As at the date of this announcement, no definitive or legally binding agreement or contract has been signed or entered into by Elegance Optical or the Group in respect of the Potential Disposal. The Potential Disposal may or may not proceed. Shareholders of the Company and the investing public should exercise caution when dealing in the shares of the Company.

4. Definitions

The following expressions in this announcement have the meanings set out below unless the context requires otherwise:

“Board”	the board of directors of the Company, including the independent non-executive directors
“Business Day”	a day (other than a Saturday or Sunday) on which banks are generally open in Hong Kong for normal business
“Call Option”	the right granted by Elegance Optical to SFEL on 25 July 2003, entitling SFEL to purchase from Elegance Optical up to 14.5% of the equity interests in Safint in accordance with the terms of grant
“Company”	Elegance International Holdings Limited, a company incorporated in Bermuda with limited liability and listed on the Stock Exchange
“Directors”	the directors of the Company
“Elegance Optical”	Elegance Optical Investments Limited, a company incorporated in Hong Kong with limited liability and an indirect, wholly-owned subsidiary of the Company
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Omegaoptik”	Omegaoptik Limited, a company incorporated in Hong Kong with limited liability
“Potential Disposal”	the potential disposal of 10% of equity interests in Safint, as proposed by SFEL to Elegance Optical on 28 December 2011, as referred to in this announcement.
“PRC”	the People’s Republic of China, which, for the purposes of this announcement, excludes the Hong Kong and Macau Special Administrative Regions and Taiwan

“Safilo”	Safilo S.p.A., a company incorporated in Italy with limited liability, the shares of which are listed on the Milan Stock Exchange
“Safilo Group”	Safilo and its subsidiaries
“Safint”	Safint Optical Investments Limited, a company incorporated in Hong Kong with limited liability, which is owned as to 24.5%, 24.5% and 51% by Elegance Optical, Omegaoptik and SFEL, respectively prior to completion of the exercise of the Call Option. References in this announcement to equity interests in Safint include interests in the share capital and shareholder’s loan extended to Safint
“Safint Shareholders”	Elegance Optical, Omegaoptik and SFEL
“SFEL”	Safilo Far East Limited, a company incorporated in Hong Kong with limited liability and an indirect, wholly-owned subsidiary of Safilo
Shareholders’ Agreement	the shareholders’ agreement between Safint, Elegance Optical, Omegaoptik and SFEL dated 15 December 1998 (as amended and restated from time to time)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board
ELEGANCE INTERNATIONAL HOLDINGS LIMITED
Hui Leung Wah
Chairman

Hong Kong, 28 December 2011

As at the date of this announcement, 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. Barbara Lissi and Ms. Paola Marchisio 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.