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## **ELEGANCE INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 907)**

### **PROPOSED DISPOSAL OF EQUITY INTERESTS IN SAFINT OPTICAL INVESTMENTS LIMITED**

#### **DISCLOSEABLE AND CONNECTED TRANSACTION**

The Board is pleased to announce that on 13 January 2012, Elegance Optical, a wholly-owned subsidiary of the Company, as seller and SFEL as purchaser entered into the Safint SP Agreement pursuant to which, Elegance Optical would sell and SFEL would purchase the Sale Equity for a total consideration of approximately HK\$28.50 million, to be paid in cash on completion of the Disposal under the Safint SP Agreement.

Safint Group is engaged in the distribution of optical frames and sunglasses in the PRC. After completion of the Disposal, the Group will cease to have any interest in Safint Group.

SFEL has interest in approximately 23.05% of the issued share capital of the Company as at the date of this announcement. Accordingly, SFEL is a substantial shareholder of the Company and hence a connected person of the Company under the Listing Rules.

The Disposal constitutes a discloseable and connected transaction for the Company under the Listing Rules. Completion of the Disposal under the Safint SP Agreement is subject to the Independent Shareholders passing a resolution by poll, approving the Safint SP Agreement (and the transactions contemplated thereunder) at the SGM in accordance with the Listing Rules. In accordance with the Listing Rules, SFEL and its associates will be required to abstain from voting on the ordinary resolution at the SGM.

An Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Safint SP Agreement are fair and reasonable and whether they are in the interests of the Company and its Shareholders as a whole and to advise the Independent Shareholders on how to vote on the ordinary resolution to approve the Safint SP Agreement (and the transactions contemplated thereunder) at the SGM, taking into account the recommendations of the Independent Financial Adviser. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders with respect to the Safint SP Agreement pursuant to the Listing Rules.

A circular containing, among other things, further particulars of the Safint SP Agreement and other information required under the Listing Rules and a notice convening the SGM will be despatched on or before 8 February 2012.

## **1. Background**

The Board refers to the Company's announcement dated 28 December 2011, in which it was announced that SFEL had exercised the Call Option to acquire from Elegance Optical 14.5% of the equity interests in Safint in accordance with the terms of the grant of the Call Option. The exercise of the Call Option was completed on 6 January 2012 and as a result, Elegance Optical's percentage holding of equity interests in Safint was reduced from 24.5% to 10%. As indicated in that announcement, the Group was in discussion with SFEL in respect of its proposal to purchase the remaining 10% equity interests held by Elegance Optical in Safint.

## **2. Safint SP Agreement**

The Board is pleased to announce that on 13 January 2012, Elegance Optical as seller and SFEL as purchaser entered into the Safint SP Agreement for sale and purchase of the Sale Equity. The material terms of the Safint SP Agreement are summarized below:

(a) Date:

13 January 2012

(b) Parties:

- (i) the seller is Elegance Optical, a wholly-owned subsidiary of the Company; and
- (ii) the purchaser is SFEL, a substantial shareholder and a connected person of the Company.

(c) Assets involved:

Elegance Optical would sell and SFEL would purchase 10% of the issued shares of Safint and SFEL would be assigned the outstanding shareholder's loans in the aggregate amount of approximately HK\$6.72 million advanced by Elegance Optical to Safint, which are unsecured, interest free and have no fixed terms of repayment. The shareholder's loans to be assigned to SFEL represent 10% of the entire outstanding shareholders' loans owed by Safint to its shareholders as at the date of this announcement.

Based on the audited consolidated financial statements of Safint for the two years ended 31 December 2009 and 2010 prepared under the Hong Kong generally accepted accounting principles and practice (being the latest audited financial statements of Safint Group), the audited consolidated profit of Safint Group for the year ended 31 December 2010 was approximately HK\$34.07 million (before taxation) and HK\$26.22 million (after taxation) and the audited consolidated profit of Safint Group for the year ended 31 December 2009 was approximately HK\$15.60 million (before taxation) and HK\$12.72 million (after taxation). No extraordinary items were recorded by Safint Group for these two financial years. The total equity of Safint Group as at 31 December 2010 was approximately HK\$177.57 million.

After completion of the Disposal under the Safint SP Agreement, the Group will cease to have any interest in Safint Group.

(d) Consideration:

The total consideration for the Sale Equity is approximately HK\$28.50 million. It will be paid in cash by SFEL on completion of the Disposal under the Safint SP Agreement.

The consideration was determined after arm's length negotiations between Elegance Optical and SFEL. The Group agreed to the consideration after taking into account, inter alia, the latest financial information and results of Safint Group, the carrying amount of the Sale Equity and assessment of the other relevant circumstances and factors mentioned in paragraph 3 headed "Further information of Safint and reasons for, and benefits of, the Disposal" below.

(e) Condition for completion:

Completion of the Disposal under the Safint SP Agreement is subject to the Independent Shareholders passing a resolution approving the Safint SP Agreement (and the transactions contemplated thereunder) at the SGM in accordance with the Listing Rules. Completion will occur within 10 business days after fulfilment of such condition precedent (or such other date as may be agreed between Elegance Optical and SFEL).

If the condition precedent is not fulfilled on or before 31 March 2012 (or such other date as mutually agreed by Elegance Optical and SFEL in writing), the Safint SP Agreement will automatically terminate, and the Disposal will not proceed.

### **3. Further information of Safint and reasons for, and benefits of, the Disposal**

- 3.1 The Group is engaged in the manufacture and trading of optical frames, sunglasses and optical cases.
- 3.2 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.
- 3.3 Safint Group is engaged in the distribution of optical frames and sunglasses in the PRC.
- 3.4 The investment of the Group in Safint is currently accounted for as available-for-sale financial assets in the financial statements of the Group. The gain expected to accrue to the Group from the Disposal would be approximately HK\$15.08 million, subject to auditing of the consolidated financial statements of the Group for the financial year ending 31 March 2012. The estimated gain represents the difference between the consideration for the Sale Equity and the carrying amount of the Sale Equity of approximately HK\$12.91 million in the financial statements of the Group as at 31 March 2011 and after deducting the relevant costs and fees incurred and payable by the Group. The carrying amount of the Sale Equity comprises the book cost of the Sale Equity of approximately HK\$6.72 million and the profit of Safint accounted for by the Group in prior years of approximately HK\$6.19 million. The book cost of the Sale Equity represents its cost of investment in 10% of the share capital of Safint at par plus the shareholder's loans in an aggregate amount of approximately HK\$6.72 million advanced by Elegance Optical to Safint. The Group intends to use the net proceeds, estimated to be approximately HK\$27.99 million, from the Disposal for general working capital of the Group.
- 3.5 As announced in the Company's announcement dated 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 the grant of the Call Option. Accordingly, Elegance Optical transferred 14.5% of the equity interests in Safint to SFEL on 6 January 2012. After the transfer of such 14.5% equity interests in Safint to SFEL, Elegance Optical's percentage holdings of equity interests in Safint was reduced from 24.5% to 10%.

- 3.6 The Disposal will not have any adverse impact on the principal business of the Group as the Sale Equity is a passive investment of the Group. The Group has not received any dividend declared or paid by Safint. The Disposal offers an exit opportunity for the Group to realise its remaining 10% minority stake in Safint, for a price proportionately higher than that for the 14.5% equity interests transferred pursuant to the Call Option exercised by SFEL in December last year. Furthermore, the Disposal would enhance the Group's cash reserves and strengthen its liquidity position, and enable the Group to reallocate more resources in its principal business or for deployment in other investments should such opportunity arises in the future. Accordingly, the Board considers the Disposal under the Safint SP Agreement to be in the interests of the Company and the Shareholders as a whole.
- 3.7 The Directors (other than the Independent Non-Executive Directors who will express their views after taking into consideration the advice of the Independent Financial Adviser), after having considered all the relevant circumstances and factors including those mentioned above, are of the view that the terms of the Safint SP Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **4. Listing Rules implications**

- 4.1 SFEL has interest in approximately 23.05% of the issued share capital of the Company as at the date of this announcement. Accordingly, SFEL is a substantial shareholder of the Company and hence a connected person of the Company under the Listing Rules. All of the applicable percentage ratios, other than profits ratio, in respect of the Disposal are below 5% or fall within the range of 5% and 25% whilst the profits ratio exceeds 25%. Since the Sale Equity to be disposed of is accounted for as available-for-sale financial assets in the financial statements of the Group, the profits ratio in respect of the Disposal will produce an anomalous result. Confirmation has been given by the Stock Exchange to disregard the profits ratio and substitute an alternative test calculated by reference to dividends from Safint Group. On that basis, the Disposal constitutes a discloseable and connected transaction of the Company under the Listing Rules.
- 4.2 Completion of the Disposal under the Safint SP Agreement is subject to approval by the Independent Shareholders at the SGM in accordance with the Listing Rules. Votes on an ordinary resolution to approve the Safint SP Agreement (and the transactions contemplated thereunder) will be taken by poll. In accordance with the Listing Rules, SFEL and its associates will be required to abstain from voting on the ordinary resolution with respect to the Disposal at the SGM.

- 4.3 An Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Safint SP Agreement are fair and reasonable and whether they are in the interests of the Company and its Shareholders as a whole and to advise the Independent Shareholders on how to vote on the ordinary resolution to approve the Safint SP Agreement (and the transactions contemplated thereunder) at the SGM, taking into account the recommendations of the Independent Financial Adviser. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders pursuant to the Listing Rules.
- 4.4 A circular containing, among other things, further particulars of the Safint SP Agreement and other information required under the Listing Rules and a notice convening the SGM will be despatched to the Shareholders on or before 8 February 2012.

## 5. 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
“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, which has been fully exercised as set out in the announcement of the Company dated 28 December 2011
“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
“Disposal”	the conditional sale of the Sale Equity by Elegance Optical to SFEL under the Safint SP Agreement
“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
“Independent Board Committee”	the independent board committee established under the Board (which consists only of Independent Non-Executive Directors) to give advice to the Independent Shareholders in respect of the Safint SP Agreement pursuant to the Listing Rules
“Independent Financial Adviser”	Somerley Limited, the independent financial adviser of the Company appointed to give advice to the Independent Board Committee and the Independent Shareholders in respect of the Safint SP Agreement pursuant to the Listing Rules
“Independent Non-Executive Directors”	Mr. Poon Kwok Fai, Ronald, Dr. Tam Hok Lam, Tommy, PhD, JP and Mr. Wong Chung Mat, Ben, JP, the independent non-executive directors of the Company
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the SGM on the ordinary resolution approving the Safint SP Agreement (and the transactions contemplated thereunder) under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 Group 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. References in this announcement to equity interests in Safint refer to interests in the issued share capital of Safint and outstanding shareholders’ loans owed by Safint to its shareholders

“Safint Group”	Safint and its two wholly-owned subsidiaries in the PRC
“Safint SP Agreement”	the share purchase agreement dated 13 January 2012 between Elegance Optical as the seller and SFEL as the purchaser for the sale and purchase of the Sale Equity
“Sale Equity”	1,000 ordinary shares of Safint, representing ten per cent (10%) of its entire issued share capital, and outstanding shareholder’s loans of approximately HK\$6.72 million advanced by Elegance Optical to Safint, representing 10% of the entire outstanding shareholders’ loans owed by Safint to its shareholders as at the date of this announcement
“SFEL”	Safilo Far East Limited, a company incorporated in Hong Kong with limited liability and an indirect, wholly-owned subsidiary of Safilo. SFEL is engaged in the trading of optical products and sunglass eye frames
“SGM”	a special general meeting of the Company to be convened at which an ordinary resolution to approve the Disposal and transactions contemplated under the Safint SP Agreement will be proposed
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 13 January 2012

*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.*