
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.

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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**

AND

NOTICE OF SPECIAL GENERAL MEETING

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

 **SOMERLEY LIMITED**

Your attention is drawn to a letter from the Independent Board Committee to the Independent Shareholders and a letter from Somerley Limited to the Independent Board Committee and the Independent Shareholders, as set out on pages 10 to 20 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 Wednesday, 29 February 2012 at 3:00 p.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.

8 February 2012

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Accompanying document: Form of proxy

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 13 January 2012 in respect of the Safint SP Agreement
“associate”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“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, the shares of which are 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” or “Sommerley”	Sommerley 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

DEFINITIONS

“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
“Latest Practicable Date”	3 February 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“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 circular, excludes the Hong Kong, 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 circular 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 the Announcement and the Latest Practicable Date

DEFINITIONS

”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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 Wednesday, 29 February 2012 at 3:00 p.m., the notice of which is set out at the end of this circular, for the purpose of considering and, where appropriate, approving the Safint SP Agreement and the transactions contemplated thereunder
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto in the Listing Rules
“%”	per cent

LETTERS 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. Barbara Lissi

Ms. Paola Marchisio

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*

8 February 2012

To the Shareholders

Dear Sir or Madam,

PROPOSED DISPOSAL OF EQUITY INTERESTS IN SAFINT OPTICAL INVESTMENTS LIMITED

DISCLOSEABLE AND CONNECTED TRANSACTION

1. Background

- 1.1 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.
- 1.2 On 13 January 2012, the Company announced that 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.

LETTERS FROM THE BOARD

- 1.3 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.
- 1.4 An Independent Board Committee comprising the Independent Non-Executive Directors who had no material interests in the Safint SP Agreement and the transactions contemplated thereunder has been established to advise the Independent Shareholders. Somerley Limited has also been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Safint SP Agreement and the transactions contemplated thereunder in accordance with the Listing Rules.
- 1.5 This circular is to give you further information in relation to the Safint SP Agreement and the transactions contemplated thereunder and to set out the letters of advice of the Independent Board Committee and Somerley in respect of the Safint SP Agreement and the transactions contemplated thereunder. This circular also contains a notice of SGM, at which the ordinary resolution to approve the Safint SP Agreement and the transactions contemplated thereunder will be proposed to the Independent Shareholders for consideration and approval in accordance with the Listing Rules, and a form of proxy for the SGM.

2. Safint SP Agreement

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 the Announcement and the Latest Practicable Date.

LETTERS FROM THE BOARD

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.

LETTERS FROM THE BOARD

- 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 (inclusive of the pro-rata shareholder's loan) 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. The Disposal would also 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.
- 3.7 The Board has considered other alternatives available to the Group in the management of the 10% equity interests retained in Safint otherwise than by way of sale to SFEL. At the forefront of the alternatives considered by the Board is a proposition to continue to hold such investment interests for a longer period of time, anticipating a better return given the prospect of the potential of the eyewear distribution market in Mainland China. Whilst the proceeds from the Disposal will strength the cash reserve of the Group as mentioned above, it is recognized by the Group that the urge to divest such investment does not seem to exist as far as the Group is concerned given its strong cash reserve which stood at about HK\$114.18 million as at 30 September 2011. The Board has, however, considered the particular circumstances in which the Group has been holding its minority stake in Safint. Under the shareholders' agreement signed between, inter alia, Elegance Optical and SFEL in 1998 in respect of the establishment of Safint as joint venture, the minority stake held

LETTERS FROM THE BOARD

by Elegance Optical, then being 24.5%, was already subject to significant pre-emptive restrictions. The prospect to find a ready or willing third party buyer, other than SFEL, for the Group's minority stake held in Safint is extremely slim. If the Disposal, as proposed by SFEL in December last year, was not agreed by the Group, there is no assurance when another opportunity could be presented to the Group allowing it to realize such stake in the future, if at all. Nor is there any guarantee that the sale price that the Group could extract in the future will be higher or better than the consideration agreed under the Safint SP Agreement, given the fast and ever changing market conditions and circumstances. As mentioned above, the Group has always considered its investment in Safint as a passive one. The Group has not been involved in the operational decision making of Safint Group for many years, in particular after 1 January 2009 as the Group could no longer exert significant influence over Safint Group as a result of the re-designation of the board representative of the Group in Safint from an executive role to non-executive. With the percentage shareholding reduced further from 24.5% to 10% after the exercise of the Call Option, the Group expects that its influence, if any, on matters in Safint Group including, for instance, dividend policy, expansion plan, transfer pricing arrangement, requirement and deployment of financial resources, will diminish considerably further. It would eventually affect the Group adversely in any divestment of its stake in Safint in the future.

- 3.8 The views of the Independent Non-Executive Directors in respect of the Safint SP Agreement and the transactions contemplated thereunder are set out in its letter set out immediately after this letter from the Board. The other Directors, 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.
- 3.9 Ms. Barbara Lissi and Ms. Paola Marchisio, both being non-executive Directors, are appointed to the Board by SFEL and Safilo. Other than the said two Directors, none of the Directors had material interests in the Safint SP Agreement and the transactions contemplated thereunder. Ms. Barbara Lissi and Ms. Paola Marchisio abstained from voting on the resolutions passed at the meeting of the Board approving the Safint SP Agreement and the transactions contemplated thereunder.

4. Listing Rules implications and the SGM

- 4.1 SFEL has interest in approximately 23.05% of the issued share capital of the Company as at the Latest Practicable Date. 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.

LETTERS FROM THE BOARD

- 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.
- 4.3 The SGM will be held at B2 & B4, 8th Floor, Block B, Mai Hing Industrial Building, 16-18 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong on Wednesday, 29 February 2012 at 3:00 p.m. The notice convening the SGM, at which resolutions will be proposed to the Shareholders to consider and approve the Safint SP Agreement and the transactions contemplated thereunder are set out at the end of this circular.
- 4.4 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 you so wish.
- 4.5 In accordance with the Listing Rules, SFEL and its associates will be required to abstain from voting on the ordinary resolution approving the Safint SP Agreement and the transactions contemplated thereunder at the SGM. So far as the Directors are aware and as at the Latest Practicable Date, there are no other Shareholders with material interests or have to abstain from voting on such resolution. Votes of the Independent Shareholders in the SGM will be taken by poll. The poll result will be announced by the Company by way of an announcement issued in accordance with the Listing Rules.

5. Recommendation

- 5.1 The letter of advice from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Safint SP Agreement and the transactions contemplated thereunder is set out immediately after this letter from the Board.
- 5.2 The letter of advice from Somerley to Independent Board Committee and the Independent Shareholders in relation to the Safint SP Agreement and the transactions contemplated therein is set out immediately after the letter from the Independent Board Committee.
- 5.3 Your attention is drawn to the general information set out in the appendix to this circular and the notice of SGM at the end of 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)

8 February 2012

To the Independent Shareholders

Dear Sir and Madam,

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

DISCLOSEABLE AND CONNECTED TRANSACTION

We refer to the circular dated 8 February 2012 of Elegance International Holdings Limited (the “Circular”), of which this letter forms part. Terms in this letter shall have the same meanings ascribed to them in the Circular, unless the context otherwise requires.

We have been appointed to constitute the Independent Board Committee to advise the Independent Shareholders in relation to the Safint SP Agreement and the transactions contemplated therein, as described in the “Letter from the Board” set out immediately before this letter in the Circular.

We wish to draw your attention to the letter from Somerley, as the Independent Financial Adviser, to us and the Independent Shareholders which contains its opinion in respect of the Safint SP Agreement and the transactions contemplated therein, as set out immediately after this letter in the Circular.

Having considered, amongst other things, the principal factors and reasons considered by, and the recommendations of, Somerley as stated in their aforementioned letter of advice, we, the Independent Board Committee, are of the view that the terms of the Safint SP Agreement and the transactions contemplated therein are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Safint SP Agreement and the transactions contemplated therein.

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 SOMERLEY

The following is the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY LIMITED

10th Floor
The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

8 February 2012

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

Dear Sirs,

**PROPOSED DISPOSAL OF EQUITY INTERESTS IN
SAFINT OPTICAL INVESTMENTS LIMITED
DISCLOSEABLE AND CONNECTED TRANSACTION**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders on the terms of the Safint SP Agreement. Details of the Disposal are set out in the letter from the Board contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 8 February 2012, of which this letter forms a part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As stated in the letter from the Board in the Circular, 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 for sale and purchase of the Sale Equity, for a total consideration of approximately HK\$28.50 million, which shall be satisfied in cash by SFEL on completion of the Disposal under the Safint SP Agreement.

The investment of the Group in the Safint Group is accounted for as available-for-sale financial assets in the financial statements of the Group. According to the applicable percentage ratios, the disposal of Sale Equity constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. As SFEL, being a substantial shareholder of the Company, is a connected person of the Company under the Listing Rules, the Disposal also constitutes a connected transaction for the Company.

LETTER FROM SOMERLEY

The Independent Board Committee, comprising all of the Independent Non-Executive Directors, namely Mr. Poon Kwok Fai, Ronald, Dr. Tam Hok Lam, Tommy, PhD, JP and Mr. Wong Chung Mat, Ben, JP, has been established to make a recommendation to the Independent Shareholders as to the Disposal. We, Somerley, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on these matters.

We are not associated with the Company, SFEL or their respective substantial shareholders or associates and, accordingly, are considered eligible to give independent advice on the Safint SP Agreement and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, SFEL or their respective substantial shareholders or associates.

In formulating our opinion, we have reviewed, among other things, the Safint SP Agreement, the annual reports of the Company for each of the financial years ended 31 March 2009 (the “**2009 Annual Report**”), 31 March 2010 and 31 March 2011 (the “**2011 Annual Report**”) and the interim report of the Company for the six months ended 30 September 2011 (the “**Interim Report**”) (collectively, the “**Reports**”), the audited consolidated financial statements of the Safint Group for the two years ended 31 December 2009 and 2010 (the “**Safint Audited Accounts**”) and the information contained in the Circular.

In addition, we have relied on the information and facts supplied, and the opinions expressed, by the Company and have assumed that the information and facts provided, and the opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and will remain true, accurate and complete up to the date of the SGM. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied and that the opinions expressed to us are not misleading in any material respect. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, nor to doubt the truth or accuracy of the information provided to us. We have not, however, conducted any independent investigation into the business and affairs of the Group or the Safint Group, nor have we carried out any independent verification of the information supplied.

LETTER FROM SOMERLEY

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion with regard to the Disposal, we have taken into account the following principal factors and reasons:

1. Information on the Group

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

Set out below is a summary of the financial performance of the Group for each of the three financial years ended 31 March 2011 and the six months ended 30 September 2011 (the “**Review Period**”) extracted from the relevant Reports:

	For the year ended			For the six months ended	
	2009	31 March 2010	2011	30 September 2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>(Unaudited) HK\$'000</i>	<i>(Unaudited) HK\$'000</i>
Revenue	510,083	429,143	505,402	268,147	229,264
Gross profit	71,290	62,239	57,559	42,288	10,802
Net profit/(loss) for the year/ period attributable to the owners of the Company	17,611	11,758	2,653	13,555	(15,465)

The Group has reported total revenue of over HK\$500.00 million annually during the Review Period except for the drop in total revenue in 2010 as a result of the slow economic recovery in Europe and North America which have been the two largest geographical target markets of the Group during the Review Period. Due to the recovery in sales to Europe and North America as well as the increase in sales to the PRC, the Group’s revenue for the year ended 31 March 2011 recovered to approximately HK\$505.40 million, representing an increase of approximately 17.77% as compared with the corresponding period in 2010. Although the Group recorded an increase in sales for the year ended 31 March 2011, according to the 2011 Annual report, the soared production costs, which were mainly attributable to the significant increase in labour costs due to the further increase of minimum wage in the PRC, the high inflation rate and the continued appreciation of Renminbi, made the financial year 2011 a difficult year of the Group. In order to sustain its competitive advantage in the market, the Group chose not to pass all of the increased costs to its customers through price increase. As a result, the gross profit margin of the Group for the financial year ended 31 March 2011 decreased to approximately 11.39% as compared with the gross profit margin of approximately 13.98% and 14.50% for each of the corresponding period in 2009 and 2010 respectively. Profit attributable to owners of the Company reduced to approximately HK\$2.65 million for the year ended 31 March 2011 from approximately HK\$11.76 million for the corresponding period in 2010.

LETTER FROM SOMERLEY

The Group's revenue dropped by 14.50% from approximately HK\$268.15 million for the six months ended 30 September 2010 to approximately HK\$229.26 million for the corresponding period in 2011. As disclosed in the Interim Report, despite the management's continuous effort in cost control, the decrease in revenue together with the jump in production costs further eroded the Group's gross profit margin to approximately 4.71% for the six months ended 30 September 2011 as compared to the approximately 15.77% for the corresponding period in 2010. As a result, the Group recorded a loss of approximately HK\$15.47 million for the six months ended 30 September 2011 in contrast to a profit of approximately HK\$13.56 million attributable to owners of the Company for the corresponding period in 2010.

As disclosed in the respective Reports, sales of the Group to the Safint Group amounted to approximately HK\$351,000, HK\$59,000 and HK\$481,000 for each of the financial years ended 31 March 2009, 2010 and 2011, representing approximately 0.069%, 0.014% and 0.095% of the total revenue in the respective financial year. As disclosed in the letter from the Board, the Group has not received any dividend declared or paid by Safint, even though Safint recorded decent profits for the recent two financial years ended 31 December 2010.

Set out below is a summary of the financial position of the Group for the Review Period extracted from the relevant Reports:

	As at 31 March		
	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Total assets			
– Available-for-sale financial assets:			
Unlisted equity investment & loan to an unlisted equity investment	31,629	31,629	31,629
Other available-for-sale financial assets	650	520	520
	32,279	32,149	32,149
– Other assets	586,485	593,261	587,022
	618,764	625,410	619,171
Total liabilities	83,487	90,736	89,396
Total equity			
– Equity attributable to equity holders of the Company	516,086	517,866	512,331
– Non-controlling interests	19,191	16,808	17,444
	535,277	534,674	529,775

LETTER FROM SOMERLEY

Prior to January 2009, the Group had recorded its investment in the Safint Group as interests in associates and had accounted for the profits and losses of the Safint Group under equity accounting. As disclosed in 2009 Annual Report, the Group has ceased to account for the profits and losses of the Safint Group under equity accounting since January 2009 as the management of the Company was of the view that the Group can no longer exercise significant influence over the members of the Safint Group due to the change of role of a director of the Company from an executive to a non-executive director in those companies since January 2009. Following the adoption of such reclassification, as at 31 March 2009 and prior to the exercise of the Call Option by SFEL, the total carrying amounts of the Group's 24.5% interests in the Safint Group of approximately HK\$31.63 million were recorded as "unlisted equity investment, at cost" and "loan to an unlisted equity investment" under available-for-sale financial assets, which comprised the Group's book cost of the Sale Equity of approximately HK\$16.46 million (which includes the cost of investment in 24.5% of the share capital of Safint at par of HK\$2,450, plus the shareholder's loan advanced by Elegance Optical to Safint of approximately HK\$16.46 million) and the profit of Safint accounted for by the Group during years prior to January 2009 of approximately HK\$15.17 million. As disclosed in the Reports, the shareholder's loan to Safint by the Group is considered, in the opinion of the Directors, as quasi-equity investment in the unlisted equity investment.

As announced by the Board on 28 December 2011, Elegance Optical transferred 14.5% of the equity interests (inclusive of the pro-rata shareholder's loan) in Safint to SFEL for a total consideration of approximately HK\$37.57 million pursuant to SFEL's exercise of the Call Option. As disclosed in the Company's announcement dated 28 December 2011, the total carrying amount of the Group's 14.5% interests in Safint was approximately HK\$18.72 million as at 31 March 2011, which comprised the Group's book cost of the investment in the 14.5% equity interests in Safint of approximately HK\$9.74 million (which, according to the Company, includes the cost of investment in 14.5% of the share capital of Safint at par of HK\$1,450, plus the shareholder's loan advanced by Elegance Optical to Safint of approximately HK\$9.74 million) and the profit of Safint accounted for by the Group in prior years for such 14.5% equity interests of approximately HK\$8.98 million.

After the transfer of such 14.5% equity interests (inclusive of the pro-rata shareholder's loan) in Safint to SFEL pursuant to its exercise of the Call Option, the Group's percentage holdings of equity interests in Safint was reduced from 24.5% to 10%. Following the completion of the exercise of the Call Option and as disclosed in the letter from the Board, the total carrying amount of the Sale Equity shall amount to approximately HK\$12.91 million which comprises the Group's book cost of the Sale Equity of approximately HK\$6.72 million (which includes the cost of investment in 10% of the share capital of Safint at par of HK\$1,000, plus the shareholder's loan of approximately HK\$6.72 million advanced by Elegance Optical to Safint) and the profit of Safint accounted for by the Group in prior years for such 10% equity interests of approximately HK\$6.19 million.

LETTER FROM SOMERLEY

2. Information on Safint

Following the completion of the exercise of the Call Option on 6 January 2012 and as at the Latest Practicable Date, Elegance Optical, a wholly-owned subsidiary of the Company, holds 10% of the equity interests in Safint. The Safint Group is engaged in the distribution of optical frames and sunglasses in the PRC.

As disclosed in the letter from the Board, 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 the Safint Group), the audited consolidated profit of the Safint Group for the year ended 31 December 2010 was approximately HK\$34.07 million (before taxation) and approximately HK\$26.22 million (after taxation). The audited consolidated profit of the Safint Group for the year ended 31 December 2009 was approximately HK\$15.60 million (before taxation) and approximately HK\$12.72 million (after taxation). No extraordinary items were recorded by the Safint Group for these two financial years. Despite the decent profits recorded by the Safint Group for the two financial years ended 31 December 2010, according to the Board, Safint has not declared or paid any dividend since its establishment.

The total equity (including the total outstanding shareholders' loan owing by Safint to its shareholders of approximately HK\$67.16 million which has been classified under equity in the Safint Audited Accounts) of the Safint Group as at 31 December 2010 was approximately HK\$177.57 million. Since the establishment of Safint, each of the shareholders of Safint including SFEL, Omegaoptik Limited and Elegance Optical, has contributed shareholders' loan to Safint in proportion to their equity interests of 51%, 24.5% and 24.5% respectively in Safint. Prior to the exercise of the Call Option and as at 31 December 2010, the total amount of the shareholder's loan advanced by Elegance Optical to Safint was approximately HK\$16.46 million, which represent approximately 24.5% of the total outstanding balance of the shareholders' loan due from Safint to its shareholders as at 31 December 2010. Following the transfer of 14.5% of the equity interests (inclusive of the pro-rata shareholder's loan) in Safint by Elegance Optical to SFEL pursuant to SFEL's exercise of the Call Option, Elegance Optical's percentage holdings of equity interests in Safint was reduced from 24.5% to 10%, and accordingly the outstanding balance of the shareholder's loan due from Safint to Elegance Optical became approximately HK\$6.72 million.

3. The Disposal

(i) *Background to and reasons for the Disposal*

As disclosed in the letter from the Board, the Sale Equity is a passive investment of the Group and the Disposal will not have material adverse impact on the principal business of the Group. Safint has not declared or paid any dividend since Elegance Optical participated in such joint venture. The Disposal, as proposed by SFEL to Elegance Optical in December 2011, offers an opportunity for the Group to realise its remaining 10% minority stake in Safint, for a price being proportionately higher than that for the 14.5% equity interests transferred pursuant to the exercise of the Call Option by SFEL in December 2011. The Disposal would also 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.

LETTER FROM SOMERLEY

The Board has considered other alternatives available to the Group in the management of the 10% equity interests retained in Safint otherwise than by way of sale to SFEL. At the forefront of the alternatives considered by the Board is a proposition to continue to hold such investment interests for a longer period of time, anticipating a better return given the prospect of the potential of the eyewear distribution market in Mainland China. Whilst the proceeds from the Disposal will strength the cash reserve of the Group as mentioned above, it is recognised by the Group that the urge to divest such investment does not seem to exist as far as the Group is concerned given its strong cash reserve which stood at about HK\$114.18 million as at 30 September 2011. The Board has, however, considered the particular circumstances in which the Group has been holding its minority stake in Safint. Under the shareholders' agreement signed between, inter alia, Elegance Optical and SFEL in 1998 in respect of the establishment of Safint as joint venture, the minority stake held by Elegance Optical, then being 24.5%, was already subject to significant pre-emptive restrictions. The prospect to find a ready or willing third party buyer, other than SFEL, for the Group's minority stake held in Safint is extremely slim. If the Disposal, as proposed by SFEL in December 2011, was not agreed by the Group, there is no assurance when another opportunity could be presented to the Group allowing it to realise such stake in the future, if at all. Nor is there any guarantee that the sale price that the Group could extract in the future will be higher or better than the consideration agreed under the Safint SP Agreement, given the fast and ever changing market conditions and circumstances. As mentioned above, the Group has always considered its investment in Safint as a passive one. The Group has not been involved in the operational decision making of Safint Group for many years, in particular after January 2009 as the Group could no longer exert significant influence over the Safint Group as a result of the re-designation of the board representative of the Group in Safint from an executive role to non-executive. With the percentage shareholding reduced further from 24.5% to 10% after the exercise of the Call Option, the Group expects that its influence, if any, on matters in the Safint Group including, for instance, dividend policy, expansion plan, transfer pricing arrangement, requirement and deployment of financial resources, will diminish considerably further. It would eventually affect the Group adversely in any divestment of its stake in Safint in the future.

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.

Having considered, among other things, (i) Safint has not declared or paid any dividend to the Group since its establishment; (ii) given that the Sale Equity only represents a minority interest in Safint, the Group does not have any significant influence on the operations of the Safint Group or on any decisions made by the board of Safint including but not limited to, dividend policy, expansion plan, transfer pricing arrangement, requirement and deployment of financial resources; (iii) the Disposal will not have material adverse impact on the principal business of the Group and will reinforce the Group's cash reserve and liquidity upon completion of the Disposal; (iv) the premium represented by the consideration for the Disposal (the "**Consideration**") over, respectively, the total carrying amount of the Sale Equity as at 31 March 2011 and the price for the transfer of the 14.5% equity interests pursuant to the exercise of the Call Option by SFEL on a pro-rata basis (as further discussed in the section below); and (v) the prospect to find a ready or willing third party buyer, other than SFEL, for the Group's minority stake held in Safint is extremely slim owing to the significant pre-emptive restrictions imposed to the shareholders of Safint under the shareholders' agreement of Safint signed in 1998, we concur with the view of the Directors that the entering into of the Safint SP Agreement is in the interest of the Company and the Shareholders as a whole.

LETTER FROM SOMERLEY

(ii) *Consideration*

As disclosed in the letter from the Board, the Consideration was determined after arm's length negotiations between Elegance Optical and SFEL and agreed to by the Group after taking into account, among other things, the latest financial information and results of the Safint Group, the carrying amount of the Sale Equity of approximately HK\$12.91 million as at 31 March 2011 and assessment of the other relevant circumstances and factors mentioned in the section headed "Further information of Safint and reasons for, and benefits of, the Disposal" in the letter from the Board.

We noted that the Consideration represents a premium of (i) approximately 120.8% over the total carrying amount of the Sale Equity of approximately HK\$12.91 million as at 31 March 2011; and (ii) approximately 10.0% over the price, on a pro-rata basis, for the transfer of the 14.5% equity interests pursuant to the exercise of the Call Option by SFEL.

We have researched into companies listed on the Stock Exchange and have identified, based on selection criteria including such companies being engaged in business(es) similar to those of Safint, 2 companies (the "**Comparables**") listed on the Stock Exchange for comparison purposes.

The table below set out the price to earnings ratio (the "**P/E**") and the price to book ratio (the "**P/B**") of each of the Comparables and Safint:–

	Closing share price on the Latest Practicable Date <i>(Note 1)</i> <i>HK\$</i>	Market capitalisation as at the Latest Practicable Date <i>(Note 1)</i> <i>HK\$ million</i>	Consolidated profits attributable to equity holders <i>(Note 1)</i> <i>HK\$ million</i>	Unaudited consolidated net asset value attributable to equity holders <i>(Note 1)</i> <i>HK\$ million</i>	P/E <i>(Note 2)</i> <i>Times</i>	P/B <i>(Note 3)</i> <i>Times</i>
Sun Hing Vision Group Holdings Limited (stock code 00125)	2.70	709.50	98.24	906.06	7.22	0.78
Arts Optical International Holdings Limited (stock code 01120)	2.13	817.17	124.73	1,219.19	6.55	0.67
Mean					6.89	0.73
Max					7.22	0.78
Min					6.55	0.67
			Consolidated profit (after tax) <i>(Note 5)</i> <i>HK\$ million</i>	Total equity <i>(Note 6)</i> <i>HK\$ million</i>		
Safint		285.00 <i>(Note 4)</i>	26.22	177.57	10.87	1.61

LETTER FROM SOMERLEY

Notes:

1. The closing share price and market capitalisation of the Comparables as at the Latest Practicable Date are sourced from the website of the Stock Exchange. The market capitalisation of the Comparables is calculated based on their respective closing share price and the number of issued shares as at the Latest Practicable Date. The consolidated profit attributable to the equity holders of the Comparables are extracted from the latest annual reports of the Comparables, and the unaudited consolidated net asset value attributable to equity holders of the Comparables are extracted from the latest interim reports of the Comparables.
2. The P/E of the Comparables are calculated based on their respective market capitalisation as at the Latest Practicable Date divided by their respective consolidated profit attributable to the equity holders as extracted from the latest annual reports of the Comparables, while the P/E of Safint is calculated based on the theoretical market capitalisation of Safint (computed based on the Consideration of HK\$28.50 million) divided by the consolidated profit (after tax) for the year ended 31 December 2010 of approximately HK\$26.22 million as disclosed in the letter from the Board.
3. The P/B of the Comparables are calculated based on their respective market capitalisation as at the Latest Practicable Date divided by their respective unaudited consolidated net asset value attributable to equity holders as extracted from the latest interim reports of the Comparables, while the P/B of Safint is calculated based on the theoretical market capitalisation of Safint (computed based on Consideration of HK\$28.50 million) divided by the total equity of the Safint Group as at 31 December 2010 of approximately HK\$177.57 million as disclosed in the letter from the Board.
4. We have taken the Consideration of HK\$28.50 million for 10% of the equity interest in Safint for the purpose of determining the theoretical market capitalisation of Safint.
5. The consolidated profit after tax for the year ended 31 December 2010 of Safint is extracted from the letter from the Board.
6. The total equity of the Safint Group as at 31 December 2010 is extracted from the letter from the Board.

As shown in the table above, the P/E of the Comparables ranged from approximately 6.55 times to approximately 7.22 times with the average P/E being approximately 6.89 times. The P/E of Safint of approximately 10.87 times calculated with reference to the Consideration is, therefore, above the average figure of the Comparables.

As also shown in the table above, the P/B of the Comparables ranged from approximately 0.67 times to approximately 0.78 times with the average P/B being approximately 0.73 times. The P/B of Safint of approximately 1.61 times calculated with reference to the Consideration is above the average P/B of the Comparables.

Having taken into account the above, we consider that the Consideration is fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

LETTER FROM SOMERLEY

(iii) *Financial effect of the Disposal*

Earnings

In view of, among other things, that the Safint Group has not declared or paid any dividend to the Group since its establishment, and that the Group has ceased to account for the profits and losses of the Safint Group under equity accounting since January 2009, it is therefore expected that the Disposal would not have material adverse impacts on the earnings of the Group (excluding the Safint Group, the “**Remaining Group**”) immediately upon completion of the Disposal. On the other hand, given that the Consideration represents a premium over the total carrying value of the Group’s investment in Safint as at 31 March 2011, as disclosed in the letter from the Board in the Circular, the Remaining Group is expected to recognise a gain of approximately HK\$15.08 million as a result of the completion of the Disposal.

Net assets

Given that the Consideration, which represents a premium over the total carrying value of the Group’s investment in Safint as at 31 March 2011, will be satisfied in full in cash, it is expected that the Disposal would have enhancement on the net assets value of the Remaining Group immediately upon completion of the Disposal.

Working Capital

As reported in the Interim Report, the Group had cash and cash equivalents of approximately HK\$114.18 million as at 30 September 2011. Since the Consideration will be settled entirely in cash, it is expected that the cash position of the Remaining Group will be enhanced by the amount of the net proceeds received from the Disposal.

Based on the above, we are of the view that the Disposal will not have any material adverse effect on the Remaining Group’s earnings, net assets and working capital immediately upon completion of the Disposal.

4. Recommendation

Based on the above principal factors and reasons, we consider that the Disposal is on normal commercial terms which are fair and reasonable, and that the Disposal is in the interest of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM in relation to the Safint SP Agreement and the transactions contemplated thereunder.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED

Kenneth Chow
*Managing Director –
Corporate Finance*

Lyan Tam
Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or 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 Issuers to be notified to the Company and the Stock Exchange were as follows:

Name of director	Number of shares held and capacity in which the shares are held		Total	Percentage of the issued share capital of the Company
	Beneficial owner	Other interests		
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
Paola Marchisio	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).

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 Issuers to be notified to the Company and the Stock Exchange.

Ms. Barbara Lissi, a non-executive Director, is the Sourcing Director of Safilo and Ms. Paola Marchisio, a non-executive Director is the Chief Financial Officer of SFEL. As at the Latest Practicable Date, SFEL and Safilo had interests in approximately 23.05% of the issued Shares which were disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date. Save as aforesaid, none of the Directors is a director or employee of any company which had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

The Group is operated and managed by independent management and administration from the Safilo 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 Safilo 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.

4. 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).

5. 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 2011, being the date up to which the latest published audited financial statements of the Group were made up.

6. EXPERT

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

Name	Qualification
Somerley Limited	A licensed corporation permitted to engage in Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

- (b) As at the Latest Practicable Date, Somerley 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 2011, being the date to which the latest published audited financial statements of the Group were made up.
- (c) Somerley 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.

7. DIRECTOR'S 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 2011, 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.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Safint SP Agreement is 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 (other than any Saturday, Sunday and public holidays) up to and including the date of the SGM.

NOTICE OF 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 of Elegance International Holdings Limited (the “Company”) will be held at B2 & B4, 8th Floor, Block B, Mai Hing Industrial Building, 16-18 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong on Wednesday, 29 February 2012 at 3:00 p.m. 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** the share purchase agreement dated 13 January 2012 (“Safint SP Agreement”) entered into between Elegance Optical Investments Limited as seller (“Seller”) and Safilo Far East Limited as purchaser in respect of the sale and purchase of 1,000 ordinary shares of par value of HK\$1.00 each in the issued capital of Safint Optical Investments Limited (“Safint”) and the assignment of the rights and benefits of the Seller under the loan agreements relating to the shareholder loans advanced by the Seller to Safint for an aggregate amount of HK\$28,497,929 on and subject to the terms and conditions contained therein, a copy of which having been produced to this meeting and marked “A” and initialled by the chairman of this meeting for identification purposes, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified and any directors of the Company be and are hereby authorised to sign, execute and deliver any agreements, deeds, instruments and any other documents, under hand or under seal, and to do and take and enter into any actions and arrangements as they may deem necessary, desirable or appropriate to give effect to the Safint SP Agreement and the transactions contemplated under it.”

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

Hong Kong, 8 February 2012

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

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. Any member entitled to attend and vote at this special general meeting (“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. 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.