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ELEGANCE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

website: <http://www.elegance-group.com>

(Stock Code: 907)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

The Company entered into the Supplemental Agreement dated 8 February 2013 with Safilo in relation to the Transactions involving sale of optical frames, sunglasses and other products to the Safilo Group. The Supplemental Agreement will apply to the Transactions for the next three financial years ending 31 March 2014, 2015 and 2016, for which the New Cap are proposed to be HK\$152 million, HK\$184 million and HK\$218 million respectively.

SFEL, a wholly-owned subsidiary of Safilo, is a substantial Shareholder of the Company. Safilo is therefore a connected person of the Company. Based on the New Cap, the Transactions will constitute non-exempt continuing connected transactions for the Company under the Listing Rules. Pursuant to the Listing Rules, the Supplemental Agreement, the Transactions and the New Cap are conditional on approval by the Independent Shareholders.

A circular containing, among other things, details of the Supplemental Agreement, the Transactions and the New Cap, the advice of the IFA and the recommendations of the Independent Board Committee, together with a notice convening a special general meeting of the Company to approve the Supplemental Agreement, the Transactions and the New Cap will be despatched to the Shareholders on or before 6 March 2013.

THE SUPPLEMENTAL AGREEMENT

The Company entered into the Supplemental Agreement dated 8 February 2013 with Safilo. The material terms are summarized below.

1. Date

8 February 2013

2. Parties

(1) The Company; and

(2) Safilo

Safilo was established in Italy in 1934 and is a worldwide leader in the premium eyewear sector. As at the date of this announcement, SFEL, a wholly-owned subsidiary of Safilo, is interested in approximately 23.05% of the issued share capital of the Company.

3. Term

The Supplemental Agreement will apply to the Transactions for the next three financial years from 1 April 2013 to 31 March 2016 (both days inclusive).

4. Transactions covered

The Transactions comprise sale of optical frames, sunglasses and other products to the Safilo Group.

5. Pricing

Under the Supplemental Agreement, the Transactions shall be on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties as appropriate. Further details of the pricing policy of the Group for the Transactions are set out below.

NEW CAP PROPOSED

The aggregate maximum annual amount of the Transactions for the financial years ending 31 March 2014, 2015 and 2016 are proposed to be HK\$152 million, HK\$184 million and HK\$218 million respectively. The Supplemental Agreement states that if and to the extent that the aggregate consideration received by the Group has reached the amounts of the New Cap, any further Transactions will be subject to compliance with requirements of the Listing Rules by the Company. It also states that Safilo is not obliged to purchase any Products to the full amount of the New Cap.

The aggregate values of the Transactions for the past two years ended 31 March 2011 and 2012, and for the six months ended 30 September 2012 are set out below. As at the date hereof, the Group has not exceeded any of the Existing Cap.

	Year ended 31 March 2011 <i>(HK\$ million)</i>	Amount Year ended 31 March 2012 <i>(HK\$ million)</i>	Year ending 31 March 2013 <i>(HK\$ million)</i>
Existing Cap	225	244	279
Actual value of Transactions	157	110	57.6 <i>(Note)</i>

Note: It is based on the unaudited consolidated interim financial statements of the Group for the six months ended 30 September 2012.

The New Cap is determined by the Company based on the expected amount of purchase orders to be placed by the Safilo Group to the Group for such period. Further details are set out below.

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

The Group is principally engaged in the businesses of design, manufacture and sale of metal and plastic optical frames and sunglasses.

Safilo is a subsidiary of Safilo Group S.p.A., a company incorporated in Italy with limited liability, the shares of which are listed on the Milan Stock Exchange. According to its 2011 annual report, Safilo Group S.p.A. together with its subsidiaries are the world's second largest manufacturer of sunglasses and prescription eyewear with over 75 years of experience in the eyewear industry. It is engaged in the design, production, wholesale and retail distribution of products for the eyewear market. The Group has been supplying in its ordinary and usual course of business the Products to the Safilo Group since 1997 when the parties first entered into the Supply Agreement for such Transactions to comply with the requirements of the Listing Rules.

Presently, these Transactions are governed by the terms of the Supply Agreement last supplemented by the supplemental agreement dated 12 February 2010 between the Company and Safilo, which also set out the Existing Cap amounts of Products the Safilo Group proposed to purchase from the Group. The Independent Shareholders' approval has been obtained for these Transactions. The details are set out in the circular of the Company dated 9 March 2010. As the current Supply Agreement is due to expire on 31 March 2013, the Company proposes to seek Independent Shareholders' approval of the Supplemental Agreement to allow the Group continue to make the Transactions for an additional term of three financial years ending 31 March 2016 subject to the New Cap.

Under the Supplemental Agreement, the Transactions shall be on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties, as appropriate. The price of each purchase order will be determined by the Group on an order-by-order basis after having taken into account, among other things, the quantity and specifications of each order and the lead time allowed in accordance with the pricing practices that the Group has adopted with respect to other independent third party customers of the Group.

The Group has been following its own internal control policy for continued compliance of the above policy. Before any quotation is given to the relevant members of Safilo Group, the designated officer of the Group would prepare and calculate the initial quotations independently. The pricing in the proposed quotations would be subject to review and evaluation by the sales management of the Group before they are sent out to the relevant members of Safilo Group for deliberation. In evaluating the validity of the proposed quotations, the sales management of the Group would ordinarily compare, among other things, the terms for other comparable products offered to Safilo Group on previous occasions and to other third party customers of the Group to the closest extent practicable having regard to the individual style and other different requirements of the customers. The ISO 9001 quality assurance system of the Group further complements the control system through consistency checks on the prices appeared on the sales orders with those stated in the quotations. In annual review of the Transactions, the Group's auditors will be engaged to report on these relevant continuing connected transactions with Safilo Group and issue a letter containing their findings and conclusions in respect of these Transactions made by the Group for the financial year concerned in accordance with Chapter 14A of the Listing Rules. Through its control system and policy, the Group has retained its autonomy in deciding on any purchase orders involving Safilo Group which are in the commercial interests of the Group. The prices of the purchase orders are concluded between the parties on an arm's length basis based on the prevailing market conditions.

The New Cap is based on the expected amount of purchase orders to be placed by the Safilo Group. In considering the expected figures, the Group has cross-checked historical turnovers over the past three years, as well as taken into account the possible price trend in the forthcoming years, the possible mix of product categories and the market conditions. In addition, the Group has also allowed certain flexibility for year on year increase in the expected purchase quantities during the three-year term of the Supplemental Agreement. The New Cap is considered by the Directors to be a reasonable projection and the Transactions are fair and beneficial to the Group and the Group should take advantage of such opportunities.

The Transactions with the Safilo Group are made in the ordinary and usual course of business of the Group. These Transactions form an integral part and source of business for the Group. The Directors expect that in view of the good long term working relationship which it has established with the Safilo Group, the Group's business with the Safilo Group will continue.

The Directors (other than the independent non-executive Directors whose opinion will be provided after consideration of the advice from the IFA) are of the view that the terms of the Supplemental Agreement, the Transactions and the New Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole. They also consider that the Supplemental Agreement and the Transactions are on normal commercial terms.

GENERAL

The highest applicable percentage ratio (other than profits ratio) in respect of the New Cap for the financial years ending 31 March 2014, 2015 and 2016 is not less than 5%. Furthermore, the other thresholds prescribed in Rule 14A.34 of the Listing Rules to qualify for exemption from independent shareholders' approval requirements are not met. Accordingly, the Transactions will constitute non-exempt continuing connected transactions for the Company and shall be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Pursuant to the Listing Rules, the Supplemental Agreement, the Transactions and the New Cap are conditional on approval by the Independent Shareholders.

An Independent Board Committee has been constituted to advise and make recommendation to the Independent Shareholders as to whether the terms of the Supplemental Agreement, the Transactions and the New Cap are fair and reasonable and whether they are in the interests of the Company and the Shareholders as a whole and in respect of the resolutions to approve the same. With the approval of the Independent Board Committee, the IFA has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in the same regard.

A circular containing, among other things, details of the Supplemental Agreement, the Transactions and the New Cap, the advice of the IFA and the recommendations of the Independent Board Committee, together with a notice convening a special general meeting of the Company to approve the Supplemental Agreement, the Transactions and the New Cap will be despatched to the Shareholders on or before 6 March 2013.

SFEL and its associates will abstain from voting at the special general meeting to be convened for this purpose. The votes of the Independent Shareholders in the special general meeting will be taken by poll.

DEFINITIONS

The following defined terms are used in this announcement:

“associate”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Elegance International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange

“Director(s)”	the director(s) of the Company
“Existing Cap”	the annual cap for the Transactions for the three financial years ending 31 March 2013 as approved by the Independent Shareholders at the special general meeting held on 26 March 2010, further particulars of which are set out in the circular of the Company dated 9 March 2010
“Group”	the Company and its subsidiaries
“IFA”	Altus Capital Limited, a corporation licensed to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement, the Transactions and the New Cap
“Independent Board Committee”	a board committee comprising the independent non-executive Directors of the Company constituted to advise and make recommendations to the Independent Shareholders in respect of the Supplemental Agreement, the Transactions and the New Cap
“Independent Shareholders”	Shareholders other than SFEL and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Cap”	the maximum annual amount of Transactions for each of the financial years ending 31 March 2014, 2015 and 2016 in the New Term
“New Term”	the entire three financial years of the Company ending 31 March 2014, 2015 and 2016
“Products”	optical frames, sunglasses and other products
“Safilo”	Safilo S.p.A., a company incorporated in Italy with limited liability

“Safilo Group”	Safilo and its subsidiaries
“SFEL”	Safilo Far East Limited, a wholly-owned subsidiary of Safilo and a substantial Shareholder holding approximately 23.05% of the issued share capital of the Company as at the date of this announcement
“Shareholder(s)”	holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto in the Listing Rules
“substantial Shareholder”	has the meaning ascribed thereto in the Listing Rules
“Supplemental Agreement”	the supplemental agreement entered into between the Company and Safilo on 8 February 2013 to supplement the Supply Agreement
“Supply Agreement”	the supply agreement entered into between the Company and Safilo on 18 April 1997 as amended by amendment agreements made between the same parties on 7 July 1998, 15 February 2007, 12 February 2010 and (subject to approval by the Independent Shareholders) the Supplemental Agreement
“Transactions”	the sales of optical frames, sunglasses and other products by the Group to the Safilo Group, as contemplated by the Supplemental Agreement to be made under the Supply Agreement

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

Hong Kong, 8 February 2013

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.