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ELEGANCE OPTICAL INTERNATIONAL HOLDINGS LIMITED

高雅光學國際集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 907)

SUPPLEMENTAL AGREEMENT IN RELATION TO THE ACQUISITION OF 60% OF ALL THE ISSUED SHARES OF FILMKO CULTURE LIMITED AND SHAREHOLDER'S LOAN OWING BY FILMKO ENTERTAINMENT LIMITED INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

Financial adviser to the Company



英皇融資有限公司
Emperor Capital Limited

Reference is made to (i) the announcement of Elegance Optical International Holdings Limited (the “**Company**”) dated 22 January 2018 in relation to the acquisition of 60% of all the issued shares of Filmko Culture Limited and shareholder’s loan owing by Filmko Entertainment Limited, and (ii) the announcement of the Company dated 27 March 2018 in respect of the delay in despatch of circular ((i) and (ii) collectively the “**Announcements**”). Unless otherwise stated herein, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

THE SUPPLEMENTAL AGREEMENT

The Board wishes to announce that on 11 April 2018 (after trading hours), the Purchaser, the Vendor and the Guarantor entered into a supplemental agreement (the “**Supplemental Agreement**”) to the S&P Agreement to amend certain terms of the S&P Agreement. The material amendments are set out below:

(1) **Consideration**

The Consideration shall be reduced from HK\$330,000,000 to HK\$264,000,000 (the “**Revised Consideration**”), comprising (a) the Sale Shares Consideration in the sum of HK\$174,665,893 for sale and purchase of the Sale Shares; and (b) the Shareholder’s Loan Consideration in the sum of HK\$89,334,107 for sale and purchase of the Shareholder’s Loan, being the dollar-to-dollar

equivalent of the amount of the Shareholder's Loan. The Revised Consideration shall be settled by the Purchaser to the Vendor in the following manner:

- (a) as to HK\$64,000,000 by cash to be paid to the Vendor as follows: (i) the sum of HK\$46,600,000 shall be payable to the Vendor upon Completion; and (ii) the sum of HK\$17,400,000 shall be held by the Purchaser as retention money and shall be released to the Vendor upon full payment in relation to all liabilities in respect of the tax undertaking provided by the Vendor (details of which are set out in the paragraph headed "**Tax Undertaking of the Vendor**" in the Announcements) or utilized or otherwise applied to settle any liabilities of the Vendor if the relevant tax undertaking is not fulfilled; and
- (b) as to HK\$200,000,000 by the issue and allotment of 80,000,000 Shares (the "**Revised Consideration Shares**") to the Vendor at an Issue Price of HK\$2.50 per Revised Consideration Share at Completion.

(2) Consideration adjustment mechanism

Under the Supplemental Agreement, the amount of, and the period covered by, the guaranteed profit of the Target Group are amended, so that in the event that the Audited Profit for 2018, the Audited Profit for 2019, the Audited Profit for 2020 and the Audited Profit for 2021 shall be less than HK\$40,000,000, HK\$40,000,000, HK\$44,000,000 and HK\$44,000,000 respectively, the Revised Consideration shall be adjusted by deducting the sum(s) calculated as follows (subject to a maximum deduction/adjustment of the aggregate sum of HK\$264,000,000), and the Vendor shall pay an amount (the "**Revised Reduced Amount**") to the Purchaser in cash within fifteen (15) days after the relevant financial statements and the certificate certifying the amount of the Audited Profit for 2018, the Audited Profit for 2019, the Audited Profit for 2020 and the Audited Profit for 2021 (as the case may be) issued by the auditors of the Target Company are delivered to the Vendor:

- (a) **Revised Reduced Amount for 2018 = (HK\$40,000,000 – W) × 60% × 11**

Where: W = HK\$40,000,000 or the amount of the Audited Profit for 2018 whichever is the less (if for the twelve (12) months ending on the Post Completion Date for 2018, the Target Group records an audited consolidated net loss after taxation, the Audited Profit for 2018 shall be HK\$ nil)

- (b) **Revised Reduced Amount for 2019 = (HK\$40,000,000 – X) × 60% × 11**

Where: X = HK\$40,000,000 or the amount of the Audited Profit for 2019 whichever is the less (if for the twelve (12) months ending on the Post Completion Date for 2019, the Target Group records an audited consolidated net loss after taxation, the Audited Profit for 2019 shall be HK\$ nil)

(c) Revised Reduced Amount for 2020 = (HK\$44,000,000 – Y) × 60% × 11

Where: Y = HK\$44,000,000 or the amount of the Audited Profit for 2020 whichever is the less (if for the twelve (12) months ending on the Post Completion Date for 2020, the Target Group records an audited consolidated net loss after taxation, the Audited Profit for 2020 shall be HK\$ nil) and

(d) Revised Reduced Amount for 2021 = (HK\$44,000,000 – Z) × 60% × 11

Where: Z = HK\$44,000,000 or the amount of the Audited Profit for 2021 whichever is the less (if for the twelve (12) months ending on the Post Completion Date for 2021, the Target Group records an audited consolidated net loss after taxation, the Audited Profit for 2021 shall be HK\$ nil)

(3) Lock-up undertaking

The parties agreed in the Supplemental Agreement except for the transactions contemplated thereunder or otherwise with the prior written consent of the Purchaser, the Vendor thereby warranted and undertook it shall not sell or transfer or otherwise dispose of, or create or allow or suffer to be created any encumbrances on, its direct or indirect legal or beneficial interest or any other right, title, benefit or interest of whatsoever nature therein or thereto in respect of any of the Revised Consideration Shares, or enter into any agreement or commitment to give or create any of the foregoing, save and except that:

- (i) the above restrictions shall not apply to 4,000,000 Revised Consideration Shares (representing five (5)% of all the Revised Consideration Shares) after (a) the date of issue of the certificate certifying the amount of the Audited Profit for 2018 by the auditors confirming no adjustment to the Revised Consideration is required or (b) the Vendor has fully discharged and settled the Revised Reduced Amount for 2018 (if any) absolutely (as the case may be) but not otherwise;
- (ii) the above restrictions shall not apply to a further 8,000,000 Revised Consideration Shares (representing ten (10)% of all the Revised Consideration Shares) after (a) the date of issue of the certificate certifying the amount of the Audited Profit for 2019 by the auditors confirming no adjustment to the Revised Consideration is required or (b) the Vendor has fully discharged and settled the Revised Reduced Amount for 2018 and the Revised Reduced Amount for 2019 (if any) absolutely (whichever is the later) but not otherwise;
- (iii) the above restrictions shall not apply to a further 12,000,000 Revised Consideration Shares (representing fifteen (15)% of all the Revised Consideration Shares) after (a) the date of issue of the certificate certifying the amount of the Audited Profit for 2020 by the auditors confirming no adjustment to the Revised Consideration is required or (b) the Vendor has fully discharged and settled the Revised Reduced Amount for 2018, the Revised Reduced Amount for 2019 and the Revised Reduced Amount for 2020 (if any) absolutely (whichever is the later) but not otherwise; and

(iv) the above restrictions shall not apply to a further 56,000,000 Revised Consideration Shares (representing seventy (70)% of all the Revised Consideration Shares) after (a) the date of issue of the certificate certifying the amount of the Audited Profit for 2021 issued by the auditors confirming no adjustment to the Revised Consideration is required or (b) the Vendor has fully discharged and settled the Revised Reduced Amount for 2018, the Revised Reduced Amount for 2019, the Revised Reduced Amount for 2020 and the Revised Reduced Amount for 2021 (if any) absolutely (whichever is the later) but not otherwise.

(4) Amendment to the conditions precedent

The parties agreed in the Supplemental Agreement to add the following condition precedent:

“The authorisation letter to be executed by Khorgas Anshi in favour of Jiangsu Anshi in respect of the distribution rights in the PRC to be granted by Khorgas Anshi to Jiangsu Anshi of the film known as “The Monkey King 3” 《西游記女兒國》 in form and substance reasonably satisfactory to the Purchaser having been executed and taken effect, and remaining valid and binding on the parties thereto and enforceable in accordance with its terms as at Completion.”

The Purchaser may waive in writing the above condition precedent at its sole and absolute discretion.

(5) Amendment to the Exclusive Distribution Agreement

In accordance with the Supplemental Agreement, the definition of “Exclusive Distribution Agreement” shall be deleted in its entirety and substituted therefore by the following:

“Exclusive Distribution Agreement” the distribution agreement to be entered into between Filmko China and Jiangsu Anshi in respect of the exclusive film distribution rights in the PRC to be granted to Jiangsu Anshi for all films in respect of which Filmko China (and/or its associated parties) is the lead-presenter (主導出品方).

(6) Extension of Long Stop Date

As disclosed in the Announcements, pursuant to the S&P Agreement, Completion is conditional upon fulfillment or waiver in writing of the conditions precedent of the S&P Agreement at or before 5:00 p.m. on 21 April 2018. As additional time is required for the fulfillment of the conditions precedent of the S&P Agreement, the parties agreed in the Supplemental Agreement to extend the long stop date to 29 June 2018 or such other date as the Vendor and the Purchaser may agree in writing.

Save as disclosed in this announcement, all the material terms and conditions under the S&P Agreement remain unchanged and in full force and effect.

CHANGES ON SHAREHOLDING STRUCTURE

Set out below is the summary of the shareholding structure of the Company (i) as at the date of this announcement; and (ii) upon Completion (assuming no further Shares will be issued or repurchased between the date of this announcement and the Completion Date)

	As at the date of this announcement		Upon Completion	
	No. of shares	Approx. %	No. of shares	Approx. %
Wealth China Worldwide Limited (Note 1)	94,199,123	24.26	94,199,123	20.11
Ms. Ma Yilin (Note 2)	1,100,000	0.28	1,100,000	0.24
Vendor	—	—	80,000,000	17.08
Public Shareholders	<u>293,070,000</u>	<u>75.46</u>	<u>293,070,000</u>	<u>62.57</u>
Total	<u>388,369,123</u>	<u>100.00</u>	<u>468,369,123</u>	<u>100.00</u>

Notes:

- (1) Wealth China Worldwide Limited is a company incorporated in the BVI with limited liability and beneficially owned by Ms. Sin Yuk Hung and Ms. Ma Yilin, and accordingly, Ms. Sin Yuk Hung and Ms. Ma Yilin are deemed to be interested in the relevant shares under the SFO.
- (2) Ms. Ma Yilin is one of the Directors.

As Completion is subject to the fulfillment or waiver (as the case may be) of various conditions precedent as set out in the S&P Agreement (as supplemented by the Supplemental Agreement), the Acquisition and the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

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

“Audited Profit for 2020”	the audited consolidated net profit after taxation of the Target Group for the twelve (12) months ending on the Post Completion Date for 2020
“Audited Profit for 2021”	the audited consolidated net profit after taxation of the Target Group for the twelve (12) months ending on the Post Completion Date for 2021
“Post Completion Date for 2020”	the 3rd anniversary of the last day of the month in which Completion shall take place

“Post Completion Date
for 2021”

the 4th anniversary of the last day of the month in which Completion
shall take place

On behalf of the Board
Elegance Optical International Holdings Limited
Liu Shufeng
Executive Director

Hong Kong, 11 April 2018

As at the date of this announcement, the executive Directors are Ms. Wong Chi Yan, Mr. Chan Wai Kit, Ms. Liu Shufeng and Ms. Ma Yilin and the independent non-executive Directors are Mr. Chan Wei, Mr. Chan Ming Kei, Mr. Wan Kin Man, Tony and Mr. Chen Youchun.