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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this document, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold** all your shares in Elegance Optical International Holdings Limited, you should at once hand this document, together with the accompanying proxy form, to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Elegance Optical International Holdings Limited.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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)**

**(1) POSSIBLE MAJOR AND CONNECTED TRANSACTION IN RELATION  
TO THE DISPOSAL OF ALL ISSUED SHARES IN AND  
LOANS DUE FROM MILLION WAVE LIMITED;**

**(2) POSSIBLE CONTINUING CONNECTED TRANSACTION**

**AND**

**(3) NOTICE OF SGM**

**Joint financial advisers to the Company**



**建泉融資有限公司**  
VBG Capital Limited

 **KINGSTON CORPORATE FINANCE**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



**VC CAPITAL LIMITED**  
**滙盈融資有限公司**

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Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the context requires otherwise. A letter from the Board is set out on pages 6 to 16 of this circular. A letter from the Independent Board Committee is set out on pages 17 to 18 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 35 of this circular.

A notice convening a SGM of Elegance Optical International Holdings Limited to be held at 3:00 p.m. at 18/F, Prosperity Tower, 39 Queen's Road Central, Hong Kong on Monday, 12 December 2016 is set out on pages SGM-1 to SGM-2 of this circular.

Whether or not you are able to attend the meeting, please complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and, in any event, not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

24 November 2016

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## DEFINITIONS

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*In this circular, the following expressions shall have the meanings set out below unless the context otherwise requires:*

“Annual Caps”	means the proposed annual aggregate maximum amounts payable by Elegance Manufactory to Million Wave pursuant to the Leaseback Agreement as set out in the section headed “Annual Caps” in the letter from the Board contained in this circular
“associate”	has the meaning set out in the Listing Rules
“Board”	the board of Directors
“business day”	means a day (other than a Saturday or Sunday or public holiday) when commercial banks are open for ordinary banking business in Hong Kong
“BVI”	means the British Virgin Islands
“Company”	means Elegance Optical International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange (Stock code: 907)
“connected person”	has the meaning set out in the Listing Rules
“Continuing Connected Transaction”	means the Leaseback Agreement and the transactions contemplated thereunder (including the proposed Annual Caps in relation thereto)
“Directors”	the directors of the Company
“Disposal”	means the proposed disposal by the Disposal Vendor of the Disposal Shares and the Disposal Loan to the Disposal Purchaser pursuant to the Disposal Agreement
“Disposal Agreement”	means the agreement in respect of the Disposal entered into between the Disposal Vendor and the Disposal Purchaser on 14 October 2016 (after trading hours)
“Disposal Company” or “Million Wave”	means Million Wave Limited, a company incorporated in Hong Kong with limited liability and is indirectly wholly-owned by the Company

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## DEFINITIONS

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“Disposal Completion Date”	means the date of Disposal Completion, being within 3 business days after the fulfillment or waiver as the case may be of the Disposal Conditions
“Disposal Completion”	means completion of the Disposal
“Disposal Condition(s)”	means the condition(s) precedent to the Disposal Completion, further details of which are set out in the section headed “Disposal Conditions” in the letter from the Board contained in this circular
“Disposal Consideration”	means the total consideration payable by the Disposal Purchaser for the Disposal Shares and Disposal Loan pursuant to the Disposal Agreement in the amount of HK\$187,000,000
“Disposal Loan”	means the intra-group accounts payable due and owing from the Disposed Company to the Disposal Vendor in the aggregated principal amount of HK\$45,584,000, which is non-interest bearing, unsecured and repayable on demand
“Disposal Long Stop Date”	means 30 April 2017 or such other date as may be agreed in writing by the parties to the Disposal Agreement
“Disposal Purchaser” or “Tycoon New Investments”	Tycoon New Investments Limited, an investment holding company incorporated in the BVI with limited liability and wholly-owned by Mr. Hui
“Disposal Shares”	means all the issued shares in the Disposed Company
“Disposal Vendor” or “Elegance Optical”	means Elegance Optical Investments Limited, a wholly-owned subsidiary of the Company and incorporated in Hong Kong with limited liability
“Disposed Properties”	the properties located at Zone A Factory, Zone A Dormitory, Zone B Factory, Zone B Dormitory, Zone C Factory and Zone C Dormitory, No. 1 Road Three, Jin Quan Ind. District, Liuyue Village, Heng Gang Town, Long Gang District, Shenzhen, PRC (中國深圳市龍崗區橫崗鎮六約社區金泉三路1號A區廠房、A區宿舍、B區廠房、B區宿舍、C區廠房及C區宿舍), owned by Million Wave
“Elegance Manufactory”	means Elegance Optical Manufactory Limited, a wholly-owned subsidiary of the Company and incorporated in Hong Kong with limited liability

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## DEFINITIONS

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“encumbrance”	means any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), equities, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“Fair Rent Opinion”	means the fair rent opinion letter of Roma, issued on 18 November 2016 in relation to the rental payable on the Leaseback Properties
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	means the independent board committee comprising of all the independent non-executive Directors (save for Mr. Poon Kwok Fai, Ronald, who has informed the Board that due to illness, he is not available to participate in the Independent Board Committee) established pursuant to the Listing Rules to give recommendation to the Independent Shareholders in respect of the Disposal and the transactions contemplated thereunder (including the Continuing Connected Transaction)
“Independent Financial Adviser” or “VC Capital”	means VC Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Disposal and the transactions contemplated thereunder
“Independent Shareholders”	means Shareholders other than Mr. Hui and his associates
“Leaseback”	means the conditional lease of the Leaseback Properties by Elegance Manufactory from the Disposed Company pursuant to the Leaseback Agreement
“Leaseback Agreement”	means the lease agreement entered into between the Tycoon New Investments and Elegance Manufactory on 14 October 2016 (after trading hours)

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## DEFINITIONS

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“Leaseback Properties”	means the properties located at Zone B Factory, Zone B Dormitory, Zone C Factory and Zone C Dormitory, No. 1 Road Three, Jin Quan Ind. District, Liuyue Village, Heng Gang Town, Long Gang District, Shenzhen, PRC (中國深圳市龍崗區橫崗鎮六約社區金泉三路1號B區廠房、B區宿舍、C區廠房及C區宿舍), which forms part of the Disposed Properties and of which 31,000 sq.m. of the total gross combined floor space of 46,669 sq.m. is the subject of the Leaseback
“Latest Practicable Date”	18 November 2016, 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, as amended from time to time
“Mr. Hui”	means Mr. Hui Leung Wah, an executive Director, the chairman of the Board and a Substantial Shareholder
“PRC”	means the People’s Republic of China which, for the purposes of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property Valuation Report”	means the report on the market value of the Disposed Properties issued by Roma
“Roma”	means Roma Appraisals Limited, an independent property valuer
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	means a special general meeting of the Company to be convened for the purpose of, amongst other things, approving the Disposal Agreement and the transactions contemplated thereunder (including the Continuing Connected Transaction), by the Independent Shareholders, the notice of which is set out on pages SGM-1 to SGM-2 of this circular, or any adjournment thereof
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holders of Share(s) in issue

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning set out in the Listing Rules
“Substantial Shareholder”	has the meaning set out in the Listing Rules
“sq.m.”	means square metres
“RMB”	means renminbi, the lawful currency of the PRC
“%”	per cent.

*For illustration purposes only and unless otherwise stated, all amounts denominated in RMB in this circular has been converted into HK\$ at the exchange rate of RMB1 = HK\$1.16.*

- \* *For reference purposes only, the Chinese names of the PRC entities, addresses or terms have been translated into English in this circular. In the event of any discrepancies between the Chinese names of these PRC entities, addresses or terms and their respective English translations, the Chinese version shall prevail.*

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Hui Leung Wah (*Chairman*)  
Mr. Poon Sui Hong  
Mr. Hui Chun Yuen

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Independent non-executive Directors:*

Mr. Poon Kwok Fai, Ronald  
Mr. Pang Sung Yuen  
Mr. Kwong Ping Man

*Head Office and 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

24 November 2016

*To the Shareholders*

Dear Sirs or Madams,

**(1) POSSIBLE MAJOR AND CONNECTED TRANSACTION IN RELATION  
TO THE DISPOSAL OF ALL ISSUED SHARES IN AND  
LOANS DUE FROM MILLION WAVE LIMITED;  
(2) POSSIBLE CONTINUING CONNECTED TRANSACTION  
AND  
(3) NOTICE OF SGM**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 14 October 2016 in relation to the possible major and connected transaction in relation to the disposal of all issued shares in and loans due from Million Wave and the possible Continuing Connected Transaction in relation to the Leaseback.



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## LETTER FROM THE BOARD

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On 14 October 2016 (after trading hours), the Disposal Vendor, a wholly-owned subsidiary of the Company and the Disposal Purchaser entered into the Disposal Agreement, pursuant to which the Disposal Vendor has conditionally agreed to sell and the Disposal Purchaser has conditionally agreed to purchase the Disposal Shares and the Disposal Loan at the Disposal Consideration of HK\$187,000,000.

As one or more of the applicable percentage ratios in respect of the Disposal are more than 25% but are less than 75%, the Disposal constitutes a major transaction of the Company and is subject to reporting, announcement and approval of Shareholders at the SGM by way of poll pursuant to Chapter 14 of the Listing Rules.

Mr. Hui is the chairman of the Company and an executive Director as well as the Substantial Shareholder. Accordingly, the Disposal Purchaser (being a company wholly-owned by Mr. Hui) is an associate of Mr. Hui and the transactions contemplated under the Disposal Agreement will constitute a connected transaction of the Company and hence, the Disposal is subject to reporting, announcement and approval of the Independent Shareholders at the SGM by way of poll pursuant to Chapter 14A of the Listing Rules.

The Independent Board Committee comprising of all the independent non-executive Directors (save for Mr. Poon Kwok Fai, Ronald who has informed the Board that due to illness, he is not available to participate in the Independent Board Committee) has been established in compliance with the Listing Rules to give recommendation to the Independent Shareholders in respect of the Disposal and the transactions contemplated thereunder (including the Continuing Connected Transaction). Mr. Poon Kwok Fai, Ronald, as result of his illness has not participated in any of the discussions of the Board or the Independent Board Committee in respect of the Disposal and the transactions contemplated thereunder (including the Continuing Connected Transaction).

The Company has, with the approval of the Independent Board Committee, appointed VC Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the transaction contemplated thereunder (including the Continuing Connected Transaction).

The purpose of this circular is to provide you with, amongst other things, (i) further details of the Disposal Agreement and transactions contemplated thereunder (including the Continuing Connected Transaction); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Disposal and the transactions contemplated thereunder (including the Continuing Connected Transaction); (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in the same regard; (iv) financial information of the Group and Disposed Company; (v) the Property Valuation Report on the Disposed Properties; and (vi) a notice of the SGM.

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## LETTER FROM THE BOARD

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### MAJOR AND CONNECTED TRANSACTION

#### Disposal Agreement

Details of the Disposal Agreement are set out below:

**Date:** 14 October 2016 (after trading hours)

**Parties:**

Disposal Vendor: Elegance Optical (a wholly-owned subsidiary of the Company)

Disposal Purchaser: Tycoon New Investments (an investment holding company wholly-owned by Mr. Hui)

#### Subject of the Disposal Agreement

The Disposal Shares represents all the issued shares in the Disposed Company, and the Disposal Loan represents all outstanding amounts owing by the Disposed Company to the Disposal Vendor and together they form the subject matter of the Disposal.

Upon the Disposal Completion, the Disposed Company will be wholly-owned by the Disposal Purchaser and cease to be a subsidiary of the Company.

#### Consideration

The Disposal Consideration payable by the Disposal Purchaser to the Disposal Vendor for the Disposal Shares and the Disposal Loan is in the aggregate amount of HK\$187,000,000, comprising the sum of HK\$141,416,000 for the Disposal Shares and the sum of HK\$45,584,000 for the Disposal Loan (which is equivalent to its face value) payable at the Disposal Completion.

The Disposal Consideration and the terms of the Disposal Agreement were arrived at, after arm's length negotiations between the parties thereto based on normal commercial terms and with reference to the Property Valuation Report.

The valuation of the Disposed Properties as at 30 September 2016 as provided in the Property Valuation Report was in a total aggregate amount of RMB159,800,000 (approximately HK\$185,368,000). The Disposal Consideration represents a premium of approximately 0.880% to the said valuation.

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## LETTER FROM THE BOARD

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### Disposal Conditions

The Disposal Completion is subject to the following Disposal Conditions being fulfilled (or being waived by the Disposal Purchaser if applicable):

- (a) the approval by the Independent Shareholders at the SGM approving the Disposal Agreement and all transactions contemplated thereunder having been obtained in accordance and compliance with the Listing Rules;
- (b) all other approvals and consents (including but not limited to any tax clearance) required (if necessary) to be obtained by the Disposed Company, the Disposal Vendor and/or the Disposal Purchaser from any authority or other third party in respect of the Disposal Agreement and/or the transactions contemplated thereunder having been obtained unconditionally and irrevocably;
- (c) no notice, order, judgment, action or proceeding of any court, arbitrator, authority, statutory or regulatory body having been served, issued or made which restrains, prohibits or makes unlawful any transaction contemplated by the Disposal Agreement or which is reasonably likely to materially and adversely affect the right of the Disposal Purchaser to own the legal and beneficial title to the Disposal Shares and the Disposal Loan, free from encumbrances, following the Disposal Completion;
- (d) the Disposal Vendor's warranties being true and correct in all material respects as at Disposal Completion by reference to the facts and circumstances subsisting at that date; and
- (e) the execution of the Leaseback Agreement and the Leaseback Agreement becoming unconditional (other than as to the Disposal Completion).

Save for Disposal Conditions (a), (c) and (e) (all of which are not capable of being waived), the Disposal Purchaser may, at its option by written notice to the other parties, waive Disposal Conditions (b) (to the extent such approvals and consents are not mandatorily required to be obtained from any authority or other third party) and (d) above and proceed to Disposal Completion.

If the Disposal Condition(s) set out above are not either satisfied or waived (if applicable) by the Disposal Purchaser on or before the Disposal Long Stop Date, unless or otherwise such a later date is agreed between the Disposal Vendor and the Disposal Purchaser in writing, the Disposal Agreement shall automatically lapse and be of no further effect, and no party to the Disposal Agreement shall have any liability and obligation to the other parties, save in respect of any antecedent breaches of the Disposal Agreement. The parties are to use their respective best endeavours to procure that the Disposal Condition(s) be fulfilled or waived (if applicable) on or before the Disposal Long Stop Date. As at the Latest Practicable Date, none of the above conditions precedent had been fulfilled or waived.

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## LETTER FROM THE BOARD

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Upon fulfillment (or as appropriate, waiver) of the Disposal Conditions, the Disposal Completion shall take place on the Disposal Completion Date.

### Information on the Disposed Company and impact of the Disposal

Million Wave is an indirectly wholly-owned subsidiary of the Company which is principally engaged in property holding and letting. As at the Latest Practicable date, the principal assets of Million Wave comprises of the Disposed Properties. Upon the Disposal Completion, the Disposed Company will be wholly-owned by the Disposal Purchaser and cease to be a subsidiary of the Company. Accordingly, the financial results of the Disposed Company will cease to be consolidated to the financial statements of the Company.

The unaudited total asset value and net asset value of Million Wave as at 30 September 2016 as extracted from the management accounts of Million Wave were approximately HK\$116,181,000 and HK\$63,484,000, respectively.

A summary of the financial information of Million Wave for the two years ended 31 March 2016 is set out below:

	<b>For the year ended 31 March 2016 (unaudited) approximately HK\$'000</b>	For the year ended 31 March 2015 (audited) approximately HK\$'000
Profit (loss) before tax	<b>(22,224)</b>	827
Profit (loss) after tax	<b>(20,664)</b>	817

Based on the unaudited financial information of Million Wave as at 30 September 2016 and the Disposal Consideration of HK\$187,000,000, the Company is expected to recognise a gain (before transaction costs) of approximately HK\$77,933,000 from the Disposal following the Disposal Completion. The actual gain on the Disposal may be different from the above and will be determined based on the financial position of the Disposed Company on the date of the Disposal Completion and is subject to audit. The expected gain of approximately HK\$77,933,000 was arrived at based on the difference of the Disposal Consideration of HK\$187 million against the net worth of Million Wave amounting to approximately HK\$63.5 million and the Disposal Loan amounting to approximately HK\$45.6 million as at 30 September 2016.

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## LETTER FROM THE BOARD

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### Reasons for and benefits of the Disposal and use of proceeds

The Company, is a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 907), and is an investment holding company. Its subsidiaries are engaged in the manufacturing and trading of optical frames and sunglasses and property investment. It is intended that after Disposal Completion, the remaining Group will continue with its existing business as aforesaid.

The Board is of the opinion that due to the continued financial losses of the Group, weak market conditions and the inability of the Group to increase the average selling prices of products of the Group as set out in the Company's annual report for the financial year ended 31 March 2016, it is beneficial for the Group to realise its investments in the Disposed Company.

Upon Disposal Completion, the remaining Group will still hold the following industrial properties in the PRC and in Hong Kong. In the PRC, an industrial complex located at Yin Hu Industrial Zone, Daihou Village, Xiejiang Town, Dongguan City, Guangdong Province which is used as a production facility by the Group (the "**Dongguan Factory**") and a factory located at Lan Ma Jiao, Tang Wen Qian, Xiejiang Town, Dongguan City, Guangdong Province which has been leased out to a independent third party (as defined under the Listing Rules). In Hong Kong, factories B7, 3/F., and B1 & B2, 6/F., Block B, Mai Hing Industrial Building, which are leased out to independent third parties. The Group also owns units B2 and B4, 8/F., and B5, 4/F., Block B, Mai Hing Industrial Building, 16–18 Hing Yip Street, Kwun Tong, Kowloon which are used by the Group for office and storage purposes.

The Dongguan Factory and the factories which are the subject of the Leaseback Properties are used as production facilities by the Group, these factories have similar production capabilities. From April to September 2016, on average, the factories which are the subject of the Leaseback Properties accounted for approximately 58% of the Group's output, while the Dongguan Factory accounted for approximately 42% of the Group's output. In the event that expansion of the Group's production facilities is deemed necessary, there is still available space in the Dongguan Factory for further expansion.

If the Disposal is completed, the net proceeds arising from the Disposal will make a positive contribution to the cashflow and financial position of the Group and will be used by the Group as general working capital. Moreover, we draw your attention to the extract of note 2.1 to the consolidated financial statements of the Group for the year ended 31 March 2016 which is reproduced in the paragraph headed "1. Consolidated Financial Information of the Group for the four years ended 31 March 2016" in Appendix I — Financial Information of the Group to this circular.

Having considered the reasons for and the benefits of the Disposal set out above, the Board is of the opinion that the terms of the Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Company has not entered into any agreement, arrangement or understanding or nor does the Company have any intention or commenced with any negotiation (whether concluded or not) in regards to any acquisitions, or any disposals, termination or scaling down of the Group's existing businesses or assets, save for the present transactions disclosed in this circular and as disclosed in the Company's latest annual report for the year ended 31 March 2016, whereby the Company had disclosed that it has implemented and is continuing to implement "lean manufacturing" concepts which will involve implementing policies to reduce waste and redundancies within the Group's manufacturing system to better reduce costs.

Mr. Hui, being the ultimate beneficial owner of the Disposal Purchaser and Mr. Hui Chun Yuen, being the son of Mr. Hui, and therefore an associate of Mr. Hui, are each considered to have material interests in the Disposal Agreement and thus, have abstained from voting on the Board resolutions approving the Disposal Agreement and the transactions contemplated thereunder. Save as disclosed above, no other Directors are required to abstain from voting on the said Board resolutions.

### CONTINUING CONNECTED TRANSACTION

#### Leaseback Agreement

As a condition to the Disposal Completion, Elegance Manufactory has entered into the Leaseback Agreement with the Disposed Company. The principal terms of the Leaseback Agreement are set out below:

<b>Date:</b>	14 October 2016 (after trading hours)
<b>Parties:</b>	
Lessor:	the Disposed Company
Lessee:	Elegance Manufactory (a wholly-owned subsidiary of the Company)
<b>Terms:</b>	
Leased properties:	The Leaseback Properties
Commencement date:	The commencement of the Leaseback Agreement is conditional upon and commences on the date of the Disposal Completion (the " <b>Commencement Date</b> ")
Lease period:	For a period of two years commencing on the Commencement Date and subject to Elegance Manufactory's right to terminate the Leaseback Agreement after one year from the Commencement Date pursuant to the terms of the Leaseback Agreement
Rent:	HK\$372,000 per month
Security deposit:	HK\$372,000, being one month's rent

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## LETTER FROM THE BOARD

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### Conditions to the Leaseback Agreement

The Leaseback Agreement is subject to the following conditions being fulfilled:

- (a) Elegance Manufactory having paid (i) the sum of HK\$372,000, being the first month's rent, and (ii) the sum of HK\$372,000 being the security deposit to the Disposed Company, within 5 days after the Commencement Date; and
- (b) the Disposal Completion.

### Annual Caps

The Annual Caps for the Leaseback Agreement are as follows:

	<b>For the year ended 31 March 2017</b>	<b>For the year ended 31 March 2018</b>	<b>For the year ended 31 March 2019</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Proposed Annual Caps	1,302,000	4,464,000	3,162,000

*Note:* Assuming the Commencement Date is on 15 December 2016.

The Annual Caps have been determined with reference to the monthly rent payable under the Leaseback Agreement which itself was determined with reference to the prevailing market rent for the comparable industrial properties near the Leaseback Properties as provided in the Fair Rent Opinion. Based on the Group's research into the market rent for comparable industrial properties located within the vicinity of the Leaseback Properties and information provided by Roma, the monthly market rent for such properties ranges between RMB10 to RMB15 sq.m. (the "**Benchmark**"). The monthly rent of the Leaseback Properties, being HK\$372,000, is equivalent to approximately RMB10.5 per sq.m., which falls within the range of the Benchmark.

The Annual Caps for the financial years ended 31 March 2017, 31 March 2018 and 31 March 2019 may be subject to adjustment depending on the actual date of the Commencement Date which in turn is subject to amongst others, Disposal Completion.

### Reasons for and benefits of the Leaseback

As set out in the section "Reasons for and benefits of the Disposal and use of proceeds" under in this letter from the Board, it is beneficial to the Group to realise its investments in the Disposed Company. In order to ensure that there is no disruption to the production of the products of the Group, Elegance Manufactory and Tycoon New Investments have agreed to enter into the Leaseback Agreement.

The terms of the Leaseback Agreement have been negotiated at arm's length by the parties thereto and the monthly rent of HK\$372,000 was determined with reference to the prevailing market rent for the comparable industrial properties located near the Leaseback Properties. Based

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## LETTER FROM THE BOARD

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on the Group's research into the market rent for comparable industrial properties located within the vicinity of the Leaseback Properties, the monthly market rent for such properties ranges between RMB10 to RMB15 sq.m.. The monthly rent of the Leaseback Properties, being HK\$372,000, is equivalent to approximately RMB10.5 per sq.m., which falls within the range of the Benchmark.

The Board is of the opinion that the terms of the Leaseback Agreement and the Annual Caps are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Hui, being the ultimate beneficial owner of the Disposed Company following the Disposal Completion and Mr. Hui Chun Yuen, being the son of Mr. Hui, and therefore an associate of Mr. Hui, are considered to have material interests in the Disposal and Continuing Connected Transaction and thus, have each abstained from voting on the Board resolution approving the Disposal Agreement, and the transactions contemplated thereunder (including the Continuing Connected Transaction). Save as disclosed above, no other Directors are required to abstain from voting on the said Board resolutions.

### **IMPLICATIONS UNDER THE LISTING RULES**

#### **Major and connected transaction**

As one or more of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal exceed 25% but all of them are less than 75%, the Disposal constitutes a major transaction of the Company and is subject to reporting, announcement and approval of Shareholders at the SGM by way of poll pursuant to Chapter 14 of the Listing Rules.

Mr. Hui is the chairman of the Company and an executive Director as well as the Substantial Shareholder. Accordingly, the Disposal Purchaser (being a company wholly-owned by Mr. Hui) is an associate of Mr. Hui and the transactions contemplated under the Disposal will also constitute a connected transaction of the Company and hence, the Disposal is subject to reporting, announcement and approval of the Independent Shareholders at the SGM by way of poll pursuant to Chapter 14A of the Listing Rules.

#### **Continuing connected transaction**

The Disposed Company will be indirectly wholly-owned by Mr. Hui after Disposal Completion and since Mr. Hui is a connected person of the Company, the Disposed Company will be an associate of Mr. Hui and the transactions contemplated under the Continuing Connected Transaction will constitute a continuing connected transaction of the Company. As all applicable percentage ratios (other than the profits ratio) in respect of the Annual Caps exceeds 0.1% but are less than 5%, the Continuing Connected Transaction is only subject to reporting, annual review and announcement requirements but is exempt from the approval of the Independent Shareholders pursuant to Chapter 14A of the Listing Rules.



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## LETTER FROM THE BOARD

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### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising of all the independent non-executive Directors (save for Mr. Poon Kwok Fai, Ronald who has informed the Board that due to illness, he is not available to participate in the Independent Board Committee) has been established in compliance with the Listing Rules to give recommendation to the Independent Shareholders as to whether the terms of the Disposal and the transactions contemplated thereunder (including the Continuing Connected Transaction) are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to give its recommendation as to the voting in respect of the resolution(s) to be proposed at the SGM for approving the Disposal in the ordinary and usual course of business, after taking into account the recommendation of the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal (including the Continuing Connected Transaction).

The Company has, with the approval of the Independent Board Committee, appointed VC Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the transactions contemplated thereunder (including the Continuing Connected Transaction).

### SGM

A notice convening the SGM to be held at 18/F, Prosperity Tower, 39 Queen's Road Central, Hong Kong on Monday, 12 December 2016 at 3:00 p.m. is set out on pages SGM-1 to SGM-2 of this circular.

A form of proxy for the SGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are advised to read the notice and to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, to the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the SGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM and any adjourned meeting thereof should you so wish.

Any Shareholder with a material interest in the Disposal and his/her/its associate(s) are required to abstain from voting on the resolution approving the Disposal in accordance with the Listing Rules. As at the Latest Practicable Date, Mr. Hui and his associates are interested in 153,624,000 Shares representing approximately 47.47% of the issued share capital of the Company, accordingly, Mr Hui and his associate(s) will abstain from voting on the resolution approving of the Disposal in accordance with Rule 14.46 and 14A.36 of the Listing Rules.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors consider the Disposal and the transactions contemplated thereunder and that (including the Continuing Connected Transaction) are on normal commercial terms, fair and reasonable and are in the interest of the Company and Shareholders as a whole. Accordingly the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve Disposal and the transactions contemplated thereunder (including the Continuing Connected Transaction).

### ADDITIONAL INFORMATION

Your attention is drawn to:

- (i) the letter from the Independent Board Committee, which is set out on pages 17 to 18 to this circular;
- (ii) the letter from Independent Financial Adviser, which is set out on pages 19 to 35 to this circular;
- (iii) the Property Valuation Report, which is set out in Appendix II to this circular; and
- (iv) the financial information of the Group and the Disposal Group and other additional information set out in the Appendix III to this circular.

Yours faithfully,

For and on behalf of  
**Elegance Optical International Holdings Limited**  
**Poon Sui Hong**  
*Director*



**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)**

24 November 2016

*To the Independent Shareholders*

Dear Sirs or Madams,

**(1) POSSIBLE MAJOR AND CONNECTED TRANSACTION IN RELATION TO  
THE DISPOSAL OF ALL ISSUED SHARES IN AND  
LOANS DUE FROM MILLION WAVE LIMITED;  
AND  
(2) POSSIBLE CONTINUING CONNECTED TRANSACTION**

We refer to the circular issued by the Company to its Shareholders dated 24 November 2016 (the “**Circular**”), to which this letter forms part of. Terms defined in this Circular shall have the same meanings when used herein, unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Disposal and the transactions contemplated thereunder (including the Continuing Connected Transaction), details of which are set out in the “Letter from the Board” contained in the Circular. VC Capital Limited has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this regard. Details of their independent advice, together with the principal factors and reasons they have taken into consideration when making their advice are set out on pages 19 to 35 of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the terms of the Disposal and the advice from the Independent Financial Adviser, we consider that the Disposal and the transactions contemplated thereunder (including the Continuing Connected Transaction) are on normal commercial terms, but are not in the ordinary and usual course of business for the Company and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve of the Disposal and the transactions contemplated thereunder (including the Continuing Connected Transaction).

Yours faithfully,

For and on behalf of the

**Independent Board Committee**

**Pang Sung Yuen**

*Independent non-executive Director*

**Kwong Ping Man**

*Chairman of the Independent Board Committee*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from VC Capital Limited in respect of the Disposal and the Leaseback for the purpose of incorporation into this circular.*



24 November 2016

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

Dear Sirs or Madams,

**(1) POSSIBLE MAJOR AND CONNECTED TRANSACTION  
IN RELATION TO THE DISPOSAL OF ALL ISSUED SHARES  
IN AND LOANS DUE FROM MILLION WAVE LIMITED  
AND  
(2) POSSIBLE CONTINUING CONNECTED TRANSACTION**

### INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the terms of the Disposal Agreement (including the Continuing Connected Transaction under the Leaseback Agreement) are fair and reasonable and on normal commercial terms; and (ii) the Disposal (including the Continuing Connected Transaction) is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 24 November 2016 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 14 October 2016 (after trading hours), the Company announced that the Disposal Vendor (being a wholly-subsiary of the Company) entered into the Disposal Agreement with the Disposal Purchaser to dispose of all the issued shares in the Disposed Company and all outstanding amounts owing by the Disposed Company to the Disposal Vendor, for a total consideration of HK\$187,000,000. As a condition to the Disposal Completion, Elegance Manufactory (being a wholly-subsiary of the Company) and the Disposed Company have entered into the Leaseback Agreement on 14 October 2016 (after trading hours), under which the Disposed Company as lessor will lease the Leaseback Properties to Elegance Manufactory as the lessee, for a monthly rent of HK\$372,000.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Disposal constitutes a major transaction of the Company as one or more of the applicable percentage ratios in respect of the Disposal are more than 25% but all of them are less than 75%. Accordingly, the Disposal is subject to reporting, announcement and approval of Shareholders at the SGM by way of poll pursuant to Chapter 14 of the Listing Rules. Mr. Hui is the chairman of the Company and an executive Director as well as the Substantial Shareholder. Accordingly, the Disposal Purchaser (being a company wholly-owned by Mr. Hui) is an associate of Mr. Hui and the transactions contemplated under the Disposal will also constitute a connected transaction of the Company and hence, the Disposal is subject to reporting, announcement and approval of the Independent Shareholders at the SGM by way of poll pursuant to Chapter 14A of the Listing Rules.

The Disposed Company will be indirectly wholly-owned by Mr. Hui after Disposal Completion and since Mr. Hui is a connected person of the Company, the Disposed Company will be an associate of Mr. Hui and the transactions contemplated under the Continuing Connected Transaction will constitute a continuing connected transaction of the Company. As all applicable percentage ratios (other than the profits ratio) in respect of the Annual Caps exceeds 0.1% but are less than 5%, the Continuing Connected Transaction is only subject to reporting, annual review and announcement requirements but is exempt from approval of the Independent Shareholders pursuant to Chapter 14A of the Listing Rules.

An Independent Board Committee, comprising Mr. Pang Sung Yuen and Mr. Kwong Ping Man has been established to make recommendation to the Independent Shareholders as to whether (i) the terms of the Disposal Agreement (including the Continuing Connected Transaction under the Leaseback Agreement) are fair and reasonable and on normal commercial terms; (ii) the Disposal (including the Continuing Connected Transaction) is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote at the SGM on the ordinary resolution regarding the Disposal and transactions as contemplated under the Disposal Agreement, which contained the execution of the Leaseback Agreement as one of the conditions for the Disposal Completion.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to whether (i) the terms of the Disposal Agreement (including the Continuing Connected Transaction under the Leaseback Agreement) are fair and reasonable and on normal commercial terms; (ii) the Disposal (including the Continuing Connected Transaction) is in the ordinary and usual course of business and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote at the SGM on the ordinary resolution regarding the Disposal and the transactions contemplated under the Disposal Agreement, which contained the execution of the Leaseback Agreement as one of the conditions for the Disposal Completion. Our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Disposal and the Leaseback has been approved by the Independent Board Committee.

VC Capital Limited (“**VC Capital**”) is not associated with the Company, the Disposal Vendor, the Disposal Purchaser, the Disposed Company, Elegance Manufactory or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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and, accordingly, is considered eligible to give independent advice on the terms of the Disposal and the Leaseback and the transactions contemplated under the Disposal Agreement and the Leaseback Agreement respectively. Apart from normal professional fees payable to us in connection with this engagement, no arrangement exists whereby VC Capital will receive any fees or benefits from the Company, the Disposal Vendor, the Disposal Purchaser, the Disposed Company, Elegance Manufactory or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have relied on the information and facts supplied and opinions expressed by the management of the Group. We have assumed that all information and representations provided by the management of the Group, for which they are solely responsible, were true and accurate at the time they were prepared or made and will continue to be so up to the Latest Practicable Date. Should there be any subsequent material changes which occurred during the period from the date of the Circular up to the date of the SGM and would affect or alter our opinion, we will notify the Independent Board Committee and the Independent Shareholders as soon as possible. We have no reason to doubt the truth, accuracy or completeness of the information and representations made to us by the management of the Group. We have been advised that no material facts have been omitted from the information supplied and opinions expressed. As such, we have no reason to suspect that any relevant information has been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided by the management of the Group to us, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information provided by the management of the Group.

All Directors jointly and severally accept full responsibility for the accuracy of information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.





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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(i) *For the year ended 31 March 2015*

Revenue of the Group decreased by approximately 30.6% from approximately HK\$377.2 million for the year ended 31 March 2014 to approximately HK\$261.7 million for the year ended 31 March 2015. As mentioned in the 2015 Annual Report, the decrease was mainly because (i) the Group downsized the production team. While cost was trimmed, the scaled down operation also resulted in a smaller output capacity; and (ii) the European market of the Group did not recover from the unsatisfactory economic situation in Europe. Renminbi (RMB) was strong against the US\$ during part of the year ended 31 March 2015. Labour cost and related expenses in China, which are denominated in RMB, remained high while production efficiency of the Group had yet to be improved satisfactorily. The Group also suffered from an approximately HK\$9.6 million bad debts written off which was the amount payable by a former major customer who the Group was informed undergoing a process of compulsory liquidation. As a result, loss attributable to the owners of the Company deteriorated from approximately HK\$68.3 million for the year ended 31 March 2014 to approximately HK\$84.2 million for the year ended 31 March 2015. It was mentioned in the 2015 Annual Report that the Group has streamlined some of its work flow. The space in its Shenzhen factory set free has been rented out to earn extra income and the Group will continue with the process. As advised by the management of the Group, the Shenzhen factory (the “**Shenzhen Factory**”) refers to part of the Disposed Properties. Zone A of the Disposed Properties are currently leased by the Disposed Company to an independent third party.

Total non-current assets increased from approximately HK\$240.5 million as at 31 March 2014 to approximately HK\$311.6 million as at 31 March 2015 mainly due to the revaluation upon the transfer of the Group’s certain land and buildings to investment properties. These land and buildings had net carrying amount of approximately HK\$13.5 million, and were revalued by an independent property valuer, at approximately HK\$93.0 million on an open market and existing use basis. Net current assets decreased substantially from approximately HK\$133.3 million as at 31 March 2014 to approximately HK\$58.7 million as at 31 March 2015 mainly due to the large decrease in inventories by approximately HK\$19.2 million; the large decrease in trade receivables by approximately HK\$33.1 million; and the utilisation of banking facilities of approximately HK\$35.9 million as at 31 March 2015 as compared to HK\$ Nil as at 31 March 2014. Net assets of the Group maintained at similar level of approximately HK\$371.4 million and HK\$361.8 million as at 31 March 2014 and 2015 respectively.

(ii) *For the year ended 31 March 2016*

Revenue of the Group decreased by approximately 19.2% from approximately HK\$261.7 million for the year ended 31 March 2015 to approximately HK\$211.5 million for the year ended 31 March 2016. As mentioned in the 2016 Annual Report, the eyewear sales reduced due to weak market condition and the Group’s downsized production capacity. Management of the Company has worked on cutting costs. The

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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number of production workforce was reduced roughly by 16.6% for the year ended 31 March 2016 as compared to previous year. Sales to European customers decreased by approximately 19.8%, which probably was because of the weaker European currency and the consistently poor economies. Sales to American customers decreased by approximately 18.6%, which contributed second largest sales to the Group. A weak RMB helped to lower the Group's payment cost to workers in China. However, the Company has engaged financial and legal professionals to help exploring various options in strengthening the financial situation of the Company and all these works incurred costly bills. Loss attributable to the owners of the Company for the year ended 31 March 2016 increased slightly from approximately HK\$84.2 million for the year ended 31 March 2015 to approximately HK\$86.7 million for the year ended 31 March 2016.

Total non-current assets reduced from approximately HK\$311.6 million as at 31 March 2015 to approximately HK\$254.8 million as at 31 March 2016 mainly due to the depreciation of the property, plant and equipment as well as net loss from changes in fair value of investment properties of approximately HK\$23.9 million. Net current assets decreased substantially from approximately HK\$58.7 million as at 31 March 2015 to approximately HK\$20.1 million as at 31 March 2016 mainly due to the large decrease in inventories by approximately HK\$21.1 million, and the large increase in other payables, accruals and deposits by approximately HK\$24.1 million because of deposits received. We understood from the management of the Group that deposits received was arisen from the disposal of a subsidiary of the Group, namely Jet Kingdom Machinery Technology Company Limited, as announced by the Company on 18 January 2016. Net assets decreased from approximately HK\$361.8 million as at 31 March 2015 to approximately HK\$267.1 million as at 31 March 2016.

### *Prospect*

As mentioned in the 2016 Annual Report, buying appetite of the Group's major eyewear customers is expected to remain low. European customers were hit by their sluggish economies and weak currency. American economies were better but the customers were more cost conscious. Some of them switched to cheaper producers. Lesser demand triggered greater competition. The trend is likely to remain the same. During the year ended 31 March 2016, the Group has spent more resources in developing and promoting the products bearing own brand. Management is hopeful on the development but expects it will take time to see the result. According to the 2016 Annual Report, the Group had spent effort on promoting eyewear products branded "People by People". Sales were carried out mainly through the Group's retail outlet in Hong Kong, Shenzhen optical shop and the online internet. Selling of handbags under the People by People brand was the Group's another attempt to test a new revenue channel. This segment is chosen because it is part of the fashion accessories.

We further discussed with the management of the Group and understood that "People by People" is a brand first created by the Group since June 2012. Brand development takes time to achieve results. As "People by People" operation is relatively

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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new, the Group has put more resources on developing and marketing this brand. A new shop was opened in Tsimshatsui in July 2016 for brand name reinforcement. In near future, it is the Group's intention to continue putting additional financial resources and marketing efforts on growing the brand.

It was also mentioned in the 2016 Annual Report that rental collection is the way to make use of the real estate assets of the Group which cannot be fully utilized because of the Group's downsized operation. It provides a steady income stream for the Group which will be continued. However, given the slow PRC economy and the size of the Group's spare production spaces to be made available is limited, it can only be a steady income of a modest amount rather than one with a quick and substantial growth potential. Management is working on various ways to improve on the operation of the Group which include revenue generation and cost cutting.

Some of the Disposed Properties are currently leased out and generate monthly rent of RMB381,712. Upon Disposal Completion, such properties will no longer generate rental income to the Group. Management of the Group advised that the following investment properties will continue to generate rental income to the remaining Group:

<b>Location</b>	<b>Term of tenancy</b>	<b>Rental income per month</b>
Unit 1, 6/F, Blk B Mai Hing Industrial Building, 16-18 Hing Yip Street, Kwun Tong	From 15 September 2014 to 14 September 2017	HKD27,000
B2, 6/F, Blk B Mai Hing Industrial Building, 16-18 Hing Yip Street, Kwun Tong	From 8 July 2014 to 7 July 2016 ( <i>Note</i> )	HKD17,800
B7, 3/F, Blk B Mai Hing Industrial Building, 16-18 Hing Yip Street, Kwun Tong	From 1 April 2015 to 31 March 2017	HKD25,000
Lan Ma Jiao, Tang Wen Qian, XieJiang Town, Dongguan City, Guangdong Province	From 1 January 2015 to 31 December 2017	RMB46,500

*Note:* according to the management of the Group, contract being negotiated, tenant still pays the old rental.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### (2) Reasons and benefits of the Disposal and the Leaseback

The Group recorded gross loss of approximately HK\$10.6 million and HK\$9.8 million for the years ended 31 March 2015 and 2016 respectively. Net losses of the Group deteriorated from approximately HK\$71.0 million to approximately HK\$87.7 million for the year ended 31 March 2015 and further to approximately HK\$90.1 million for the year ended 31 March 2016. As mentioned in the Letter from the Board, the Board is of the opinion that due to the continued financial losses of the Group, weak market conditions and the inability of the Group to increase the average selling prices of products of the Group, it is beneficial for the Group to realise its investments in the Disposed Company.

Net current assets of the Group deteriorated over the years mainly due to the downsizing of the operation, which resulted in large reduction in inventories and trade receivables and on the other hand, the Group's interest-bearing bank borrowings increased from HK\$ Nil as at 31 March 2014 to approximately HK\$35.9 million as at 31 March 2015 and further to approximately HK\$45.3 million as at 31 March 2016. If the Disposal is completed, the net proceeds arising from the Disposal will make a positive contribution to the cashflow and financial position of the Group and will be used by the Group as general working capital. For the financial effect of the Disposal, please refer to the paragraphs headed "Financial effects of the Disposal" of this letter for details. The principal assets of the Disposed Company comprises of the Disposed Properties. The realization of investments in the Disposed Company is in line with the Group's cost cutting strategy and it will not create extra burden to the Group's gearing position as compared to any interest-bearing external financing.

The Disposed Properties comprise of the properties located at Zone A Factory, Zone A Dormitory, Zone B Factory, Zone B Dormitory, Zone C Factory and Zone C Dormitory at No. 1 Road Three, Jin Quan Ind. District, Liuyue Village, Heng Gang Town, Long Gang District, Shenzhen, PRC.

Pursuant to the Leaseback Agreement, the Group would leaseback portion of Zone B Factory, portion of Zone B Dormitory, portion of Zone C Factory and portion of Zone C Dormitory. Zone A Factory and Zone A Dormitory (the "**Zone A Properties**") will not be leased back by the Group. We understood from the management of the Group that the Leaseback Properties are currently used as manufacturing facilities for the production of the products of the Group. In order to ensure that there is no disruption to the production of the products of the Group, Elegance Manufactory (being a wholly-owned subsidiary of the Company) and the Disposed Company entered into the Leaseback Agreement.

Zone A Properties are currently leased by the Disposed Company to an independent third party for factory and dormitory use. We noted from the 2016 Annual Report that the management of the Group worked on streamlining the production workforce in order to achieve cost control along with downsizing of production capacity. The number of production workforce was reduced roughly by approximately 16.6% for the year ended 31 March 2016 as compared to the year ended 31 March 2015. The management of the Group further advised that number of employees in the Shenzhen Factory reduced from approximately 1,200 persons

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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in September 2015 to approximately 780 persons in September 2016 as a result of the realignment of the work flows. The Group would require less spaces of the Shenzhen Factory for production and operations. Therefore, although not the entire of Disposed Properties will be leased back, the Group's daily operation will not be adversely affected and it will be able to save cost by reducing excessive space for its current size of production and operations.

As mentioned in the Letter from the Board, upon Disposal Completion, the remaining Group will still hold (or lease for properties under the Leaseback Agreement) the following industrial properties in the PRC and in Hong Kong. Management of the Group has also advised the production capacity of each industry property set out as below:

Properties	Location	Usage	Production capacity
Portion of Zone B and Zone C Factories under the Leaseback Agreement	No. 1 Road Three, Jin Quan Ind. District, Liuyue Village, Heng Gang Town, Long Gang District, Shenzhen	production facility of the Group	On average, 58% of the Group's products production from April to September 2016
An industrial complex in the PRC	Yin Hu Industrial Zone, Daihou Village, Xiejiang Town, Dongguan City, Guangdong Province (the " <b>Dongguan Factory</b> ")	production facility of the Group	On average, 42% of the Group's products production from April to September 2016
A factory in the PRC	Lan Ma Jiao, Tang Wen Qian, Xiejiang Town, Dongguan City, Guangdong Province	leased out to an independent third party	Property rented out, no production
Factory units in Hong Kong	B2 & B4, 8/F., Block B Mai Hing Industrial Building and B5, 4/F., Block B, Mai Hing Industrial Building, 16-18 Hing Yip Street, Kwun Tong, Kowloon	Office and storage of the Group	No production
Factory units in Hong Kong	B1 & B2, 6/F., Block B, Mai Hing Industrial Building, 16-18 Hing Yip Street, Kwun Tong, Kowloon	Leased out to an independent third party	Property rented out, no production
Factory units in Hong Kong	B7, 3/F., Block B, Mai Hing Industrial Building, 16-18 Hing Yip Street, Kwun Tong, Kowloon	leased out to an independent third party	Property rented out, no production

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Management of the Group advised that the Group will not be reliant on the Leaseback Properties to operate its optical business because: (i) nearly half of the current production is handled by the Dongguan Factory; and (ii) there are spaces in the Dongguan Factory for expansion, if necessary.

Having considered the above, including (i) the continuous loss making position of the Group, the deterioration in net assets position of the Group over the years and as disclosed in the 2016 Annual Report, unless the worldwide economy bounces back strongly or a breakthrough trend in product design of raw material deployment is seen, customer demand in the coming year is expected to be lackluster; (ii) proceeds from the Disposal will provide additional general working capital to improve the Group's financial position; (iii) the Disposal is in line with the Group's cost cutting strategy to cope with the weak consumer demand and economic condition; (iv) with the Leaseback, the Group's current production at the Disposed Properties would not be disrupted after the Disposal. It will avoid any administrative time and cost for finding and relocating to suitable new premises and the setting up of production facilities, we concur with the view of the Directors that although the Disposal and the Continuing Connected Transaction are not in the ordinary and usual course of business of the Group, they are in the interests of the Company and its shareholders as a whole.

The disposal proceeds will be used as working capital. It is mentioned in the paragraph headed "Working Capital" in Appendix I to this circular that the Directors are of the opinion that in the absence of unforeseen circumstances and after taking into account the financial resources available to the Group including the internally generated funds and present available banking facilities and in particular, the successful outcome of the Disposal and timely receipt of the proceeds from the Disposal, the Group will have sufficient working capital for its present requirement that is for at least the next 12 months from the date of the circular. We have reviewed the 2016 Annual Report and the management accounts of the Group for the six months ended 30 September 2016. The Group's cash and cash equivalents decreased markedly from approximately HK\$45.0 million as at 31 March 2016 to approximately HK\$19.0 million as at 30 September 2016 mainly for repayment of bank loan and for the use in daily operation as advised by the management of the Group. Meanwhile, the Group's bank borrowings reduced from approximately HK\$45.3 million as at 31 March 2016 to approximately HK\$35.7 million as at 30 September 2016 due to settlement of bank loans. In view of the reduction in cash position of the Group and the continuous loss making position of the Group, we concur with the view of the management of the Group that the disposal proceeds from realization of investments in the Disposed Company is beneficial to the Group in strengthening its working capital and this will not create extra burden to the Group's gearing position as compared to any interest-bearing external financing.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### (3) Background information of the Disposed Company

#### *The Disposed Company*

The Disposed Company is incorporated in Hong Kong with limited liability. As mentioned in the Letter from the Board, the Disposed Company is an indirectly wholly-owned subsidiary of the Company which is principally engaged in property holding and letting. Management of the Group confirmed that, as at the Latest Practicable Date, the principal assets of the Disposed Company comprises of the Disposed Properties.

#### *Financial information of the Disposed Company*

The table below summarises the financial information of the Disposed Company for the year ended 31 March 2015 and 2016:

	For the year ended	
	31 March	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(Audited)
Profit (loss) before tax	(22,224)	827
Profit (loss) after tax	(20,664)	817

The unaudited total asset value and net asset value of the Disposed Company as at 30 September 2016 as extracted from the management accounts of the Disposed Company were approximately HK\$116.2 million and approximately HK\$63.5 million, respectively.

#### *The Disposed Properties*

Set out below are the details of the Disposed Properties which are owned by the Disposed Company:

#### *Zone A Factory and Zone A Dormitory*

Term of the land use right	Commencing on 28 November 1991 and expiring on 27 November 2041
Type of land usage	Industrial
Gross floor area	14,600.86 square meters (for Zone A Factory) 10,687.77 square meters (for Zone A Dormitory)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Occupancy Zone A Factory and portion of Zone A Dormitory (level 1 of the dormitory is occupied by the Group<sup>(Note)</sup>) are subject to a tenancy commencing on 1 December 2014 and expiring on 30 November 2017 at a monthly rent of RMB381,712

Market value as at 30 September 2016 RMB33,600,000 (for Zone A Factory)  
RMB22,400,000 (for Zone A Dormitory)

*Note:* as advised by the management of the Group, level 1 of Zone A dormitory is currently used as a staff canteen by the Group.

### ***Zone B Factory and Zone B Dormitory***

Term of the land use right Commencing on 1 January 1992 and expiring on 31 December 2041

Type of land usage Industrial

Gross floor area 4,236.4 square meters (for Zone B Factory)  
2,978.5 square meters (for Zone B Dormitory)

Occupancy Zone B Factory and Zone B dormitory are occupied by the Group.

Market value as at 30 September 2016 RMB9,700,000 (for Zone B Factory)  
RMB6,300,000 (for Zone B Dormitory)

### ***Zone C Factory and Zone C Dormitory***

Term of the land use right Commencing on 1 January 1992 and expiring on 1 January 2042

Type of land usage Industrial

Gross floor area 24,423.72 square meters (for Zone C Factory)  
15,030.07 square meters (for Zone C Dormitory)

Occupancy Zone C Factory and Zone C Dormitory are occupied by the Group.

Market value as at 30 September 2016 RMB56,200,000 (for Zone C Factory)  
RMB31,600,000 (for Zone C Dormitory)



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As appraised by Roma Appraisals Limited, the independent property valuer, the market value of the Zone A Factory, the Zone A Dormitory, the Zone B Factory, the Zone B Dormitory, the Zone C Factory and the Zone C Dormitory, in aggregate, amounted to RMB159,800,000 (equivalent to approximately HK\$185,368,000) as at 30 September 2016. Details of the valuation are set out in the valuation report in Appendix II to this Circular.

### **(4) Principal terms of the Disposal Agreement and the Leaseback Agreement**

#### *The Disposal Agreement*

On 14 October 2016 (after trading hours), the Disposal Purchaser and the Disposal Vendor (being a wholly-owned subsidiary of the Company) entered into the Disposal Agreement to dispose of all the issued shares in the Disposed Company and all outstanding amounts owing by the Disposed Company to the Disposal Vendor, for a total consideration of HK\$187,000,000.

#### *Consideration*

The Disposal Consideration of HK\$187,000,000 comprises the Disposal Shares and the Disposal Loan payable at the Disposal Completion. The Disposal Loan represents the intra-group accounts payable due and owing from the Disposed Company to the Disposal Vendor in the aggregated principal amount of HK\$45,584,000, which is non-interest bearing, unsecured and repayable on demand.

As mentioned in the Letter from the Board, the Disposal Consideration was arrived at, after arm's length negotiations between the parties based on normal commercial terms with reference to the Property Valuation Report. To assess the fairness and reasonableness of the Disposal Consideration, we have reviewed the balance sheet as at 30 September 2016 from the management accounts of the Disposed Company provided by the Company which indicated that the Disposed Properties are the principal assets of the Disposed Company. We have also reviewed the valuation report as contained in Appendix II to this Circular and noted that the total valuation of the Disposed Properties as at 30 September 2016 was RMB159,800,000 (equivalent to approximately HK\$185,368,000). The Disposal Consideration represents a premium of approximately 0.88% to the valuation.

#### *Valuation*

We discussed with Roma Appraisals Limited, the independent property valuer, regarding the methodology adopted for and the basis and assumptions used in arriving at the valuation. In the course of our discussion with the independent property valuer, we note that the independent property valuer carried out a site visit to the Disposed Properties to inspect the Disposed Properties. Based on the valuation report, in valuing the Disposed Properties, the independent property valuer has adopted direct comparison

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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approach assuming sale of the properties in their existing states with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market. We noted from the valuation report that Zone A Factory and portion of Zone A Dormitory are subject to tenancy. We discussed with the independent property valuer and have been advised that based on their experience and knowledge, difference in valuation between properties with tenancy and the same properties with vacant possession would not be significant.

The independent property valuer confirmed that in valuing the Disposed Properties, it has complied with all relevant requirements set out in Chapter 5 of the Listing Rules and the HKSI Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Further details of the basis and assumptions of the valuation are included in the valuation report as contained in Appendix II to this Circular.

As the Disposal Consideration of HK\$187,000,000 represents a premium of approximately 0.88% to the valuation, we are of the view that the terms of the Disposal Agreement are on normal commercial terms and the Disposal Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

### *The Leaseback Agreement*

As a condition to the Disposal Completion, Elegance Manufactory (being a wholly-owned subsidiary of the Company) and the Disposed Company have entered into the Leaseback Agreement on 14 October 2016 (after trading hours), under which the Disposed Company as the lessor will lease the Leaseback Properties to Elegance Manufactory as the lessee, for a monthly rent of HK\$372,000.

The principal terms of the Leaseback Agreement are set out below:

Leased properties:	portion of Zone B Factory, portion of Zone B Dormitory, portion of Zone C Factory and portion of Zone C Dormitory
Commencement date:	conditional upon and commences on the date of the Disposal Completion (the “ <b>Commencement Date</b> ”)
Lease period:	two years commencing on the Commencement Date and subject to Elegance Manufactory’s right to terminate the Leaseback Agreement after one year from the Commencement Date pursuant to the terms of the Leaseback Agreement
Rent:	HK\$372,000 per month
Security deposit:	HK\$372,000, being one month’s rent

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Annual Caps*

<b>For the year ending 31 March</b>		
<b>2017</b>	<b>2018</b>	<b>2019</b>
<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
1,302,000	4,464,000	3,162,000

*Note:* Assuming the Commencement Date is on 15 December 2016.

As mentioned in the Letter from the Board, the Annual Caps have been determined with reference to the monthly rent payable under the Leaseback Agreement which itself was determined with reference to the prevailing market rent for the comparable industrial properties near the Leaseback Properties as provided in the Fair Rent Opinion. The Annual Caps for the years ending 31 March 2017, 31 March 2018 and 31 March 2019 may be subject to adjustment depending on the actual date of the Commencement Date which in turn is subject to amongst others, Disposal Completion.

Although we have not performed any independent research on the available rental market on properties similar to the nature of the Leaseback Properties, we are of the view that it is fair and reasonable for the independent property valuer to arrive the Fair Rent Opinion by comparing the Leaseback Properties with the prevailing market rent for comparable industrial properties. Details of the approach adopted by the independent property valuer in forming the Fair Rent Opinion are discussed in the next paragraph.

Roma Appraisals Limited, the independent property valuer, was of the opinion that the tenancies of the Leaseback Properties (including but not limited to the duration, the security deposits, the rental payment, termination and other terms and conditions) are at arm's length, on normal commercial terms and consistent with normal business practice for contracts/agreements of relevant type at the prevailing market level. We have reviewed the fair rent opinion issued by the independent property valuer dated 18 November 2016 and noted that the independent property valuer has adopted the comparison approach by reference to comparable market rents in assessing the market rents of the tenancies of the Leaseback Properties. In the course of assessment, the independent property valuer has analysed rental evidence of relevant developments in the vicinity; and has assumed that the comparable properties have been let subject to the usual terms and conditions unless otherwise stated. Appropriate adjustments have been made to account for the differences between the relevant Leaseback Properties and the comparables in terms of age, time, location, floor level and other relevant factors.

The independent property valuer confirmed that in valuing the tenancy of the Leaseback Properties, it has complied with all relevant requirements set out in Chapter 5 of the Listing Rules and the HKSI Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Given that (i) the Annual Caps for each of the three years ending 31 March 2019 is equal to the monthly rental of the tenancies of the Leaseback Properties for the relevant aggregate number of months in each financial year, (ii) the rental rate is in line with the market rental rate; and (iii) the relevant Leaseback Properties will continue to be used for the production of the products of the Group, we are of the view that the terms of the Leaseback Agreement (including Annual Caps) are on normal commercial terms; and although the Continuing Connected Transaction is not in the ordinary and usual course of business of the Group, it is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

### *Due diligence on the independent property valuer*

For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of the independent property valuer with the Company in respect of the valuation report for the Disposal Properties and the Fair Rent Opinion; (ii) the independent property valuer's qualification and experience in relation to the preparation of the valuation report and the Fair Rent Opinion; and (iii) the steps and due diligence measures taken by the independent property valuer for conducting the valuation of the Disposal Properties and the Fair Rent Opinion. From the engagement letter and other relevant information provided by the independent property valuer and based on our interview with it, we are satisfied with the terms of engagement of the independent property valuer as well as its qualification and experience for preparation of the valuation report for the Disposal Properties and the Fair Rent Opinion. The independent property valuer has also confirmed that it is independent to the Company, the Disposal Vendor, the Disposal Purchaser, the Disposed Company and their respective associates.

### **(5) Financial effects of the Disposal and the Leaseback**

#### *A. Earnings*

Based on the unaudited financial information of the Disposed Company as at 30 September 2016 and the Disposal Consideration of HK\$187,000,000, the Group is expected to recognize a gain (before transaction costs) of approximately HK\$77,933,000 from the Disposal following the Disposal Completion. The actual gain on the Disposal may be different and will be determined based on the financial position of the Disposed Company on the date of the Disposal Completion and be subject to audit. Rental income of the Group would be reduced by approximately RMB4.6 million (equivalent to approximately HK\$5.3 million) on annual basis as a result of the disposal of Zone A Properties, which are currently subject to a tenancy expiring on 30 November 2017 at a monthly rent of RMB381,712. On the other hand, the Group would incur rental expenses of approximately HK\$4.5 million on annual basis as a result of the Leaseback.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### B. *Net assets*

As at 31 March 2016, the net assets of the Group amounted to approximately HK\$267.1 million. It is expected that net assets of the Group will increase by the potential gain on the Disposal of approximately HK\$77,933,000 (subject to audit) following the Disposal Completion without taking into account the relevant transaction costs of the Disposal.

### C. *Liquidity*

As at 31 March 2016, the net current assets of the Group were approximately HK\$20.1 million. Assuming Disposal Completion took place on 31 March 2016, it is expected that the net current assets of the Group (excluding those of the Disposed Company) would increase by HK\$187,000,000, being the Disposal Consideration.

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after the entering into the Disposal Agreement or the Disposal Completion.

## RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the terms of the Disposal Agreement and the terms of the Leaseback Agreement (including the Annual Caps) are fair and reasonable and on normal commercial terms; and (ii) although the Disposal (including the Continuing Connected Transaction) is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolutions at the SGM to approve the Disposal and the transactions contemplated under the Disposal Agreement, which contained the execution of the Leaseback Agreement as one of the conditions for the Disposal Completion.

Yours faithfully,  
For and on behalf of  
**VC Capital Limited**

**Philip Chau**  
*Managing Director*

**Evelyn Fan**  
*Director*

## 1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE FOUR YEARS ENDED 31 MARCH 2016

Financial information of the Group for each of the four years ended 31 March 2013, 2014, 2015 and 2016 are disclosed in the following documents which have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.elegance-group.com](http://www.elegance-group.com)) respectively:

Annual report 2013 (pages 26 to 92):

<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0717/LTN20130717257.pdf>

Annual report 2014 (pages 26 to 94):

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0716/LTN20140716522.pdf>

Annual report 2015 (pages 32 to 104):

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0716/LTN20150716197.pdf>

Annual report 2016 (pages 36 to 106):

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0722/LTN20160722123.pdf>

“Notes to Financial Statements 31 March 2016

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, an available-for-sale financial asset and equity investments at fair value through profit or loss, which have been measured at fair value and non-current assets held for sale, which have been stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

#### Going concern basis

The Group recorded a consolidated net loss of HK\$90,129,000 (2015: HK\$87,686,000) and net cash outflows from operating activities of HK\$44,485,000 (2015: HK\$29,363,000) for the year.

As at 31 March 2016, the Group had cash and cash equivalents of HK\$44,965,000 (2015: HK\$40,985,000), and outstanding interest — bearing bank borrowings of HK\$45,265,000 (2015: HK\$35,880,000) which were due for repayment or renewal within the next twelve months after 31 March 2016.

The directors consider the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis after taking into consideration the following:

- (i) the Group had unutilised bank facilities of HK\$14,735,000 as at 31 March 2016 expiring within one year from the end of the reporting period which enable the Group to obtain additional borrowings from the bank. The directors of the Company are of the opinion that the bank is willing to renew the facilities upon expiry. Subsequent to the end of the reporting period on 29 April 2016, the bank agreed to renew the Group's existing bank facilities of HK\$60 million;
- (ii) the Group had interest-bearing bank borrowings of HK\$45,265,000 as at 31 March 2016. Although the bank borrowings will expire within one year, the Group will actively negotiate with the bank for the renewal of the Group's bank borrowings when they fall due in order to secure necessary funds to meet the Group's working capital and financial requirements in the foreseeable future. In the opinion of the directors, the Group will be able to roll over or refinance the bank borrowings upon their maturity;
- (iii) management has been endeavouring to improve the Group's operating results and cash flows through various tightened cost control measures and seek new investment and business opportunities to improve the Group's profitability and cash flows; and
- (iv) the Group had properties including land and buildings situated in Hong Kong and the PRC and investment properties as at 31 March 2016 that are available for the Group as security for further borrowings or to realise an amount of cash sufficient for financing its working capital.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise. The effect to these adjustments has not been reflected in the consolidated financial statements.”

**2. STATEMENTS OF INDEBTEDNESS**

As at the close of business on 30 September 2016, being the latest practicable date prior to the printing of this circular for the purpose of this statement of indebtedness, the total indebtedness of Group amounted to approximately HK\$36 million which comprised of secured interest-bearing bank borrowings of approximately HK\$36 million.

The Group's bank facilities are secured by (i) the pledge of certain of the Group's land and buildings with a net carrying amount of approximately HK\$18 million as at 30 September 2016 and (ii) corporate guarantee by the Company of HK\$60 million.

As at 30 September 2016, save as aforesaid or as otherwise disclosed in the Circular, the Group did not have any other mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance creditors, or guarantees, or any material contingent liabilities outstanding at the close of business on 30 September 2016.

**3. WORKING CAPITAL**

The Directors are of the opinion that in the absence of unforeseen circumstances and after taking into account the financial resources available to the Group including the internally generated funds and present available banking facilities and in particular, the successful outcome of the Disposal and timely receipt of the proceeds from the Disposal, the Group will have sufficient working capital for its present requirement that is for at least the next 12 months from the date of this circular.

The working capital forecast has been prepared based on (i) the existing events, plans and intentions of the Directors and events anticipated by the Directors; (ii) the audited consolidated results of the Group for the year ended 31 March 2016; (iii) management account of the Group for the six months ended 30 September 2016; and (iv) cash flow forecast of the Group for the period from 1 October 2016 to 30 November 2017.

**4. MATERIAL ADVERSE CHANGE**

Save as disclosed in this circular, up to and including the Latest Practicable Date, the Directors have not been aware of any material adverse change in the financial or trading position of the Group since 31 March 2016, being the date to which the latest published audited financial statements of the Group were made up to.

**5. FINANCIAL AND TRADING PROSPECTS**

The principal activities of the Group is the manufacture and trading of optical frames and sunglasses and property investment. The Directors confirm that there will be no major changes to the Group's principal business activities as a result of the Disposal save as described below. The Disposed Company owns the Disposed Properties which is used by a principal subsidiary of the Group as one of its production bases. The other production base is located in Dongguan,



notwithstanding the Disposal, the production operations will not be interrupted and business will be carried out as usual. On the revenue side, since part of the Shenzhen properties has already been rented out to an independent third party, this related rental income will not be credited into the Group's account upon completion of the Disposal. This annual gross income amounts only to HK\$5.3 million approximately which is insignificant to the Group's revenue. Moreover, when the Disposal is completed, the depreciation charges and other properties related expenses which were booked because of they are owner occupied properties will be spared. These annual savings will be approximately HK\$2 million and will set off part of the annual rental expenses of HK\$4.5 million arised out of the leaseback agreement. These development aside, it is the plan of the Company that the management will continue to control and reduce cost in relation to the production of the Group for the purpose of regaining profitability financially to start with. Increased sales and marketing effort will be arranged to raise the demand of the Group's products as well.



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24 November 2016

**Elegance Optical International Holdings Limited**

B2 & B4, 8th Floor,  
Block B, Mai Hing Industrial Building,  
16–18 Hing Yip Street,  
Kwun Tong, Kowloon

Dear Sir/Madam,

**Re: Various Properties in the People’s Republic of China**

In accordance with your instructions for us to value the properties held by Elegance Optical International Holdings Limited (the “Company”) and/or its subsidiaries (together with the Company referred to as the “Group”) in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 30 September 2016 for the purpose of incorporation in the circular of the Company dated 24 November 2016.

**1. BASIS OF VALUATION**

Our valuations of the properties are our opinion of the market values of the concerned properties which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

**2. VALUATION METHODOLOGIES**

For the properties in the PRC, we have valued the properties by the direct comparison approach assuming sale of the properties in their existing states with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

### **3. TITLE INVESTIGATION**

For the properties in the PRC, we have been shown copies of extracts of various title documents and have been advised by the Group that no further relevant documents have been produced. Furthermore, due to the nature of the land registration system in the PRC, we have not been able to examine the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. Therefore, in the course of our valuations, we have relied on the advice and information given by the Group and its PRC legal advisor — Yingke Law Firm regarding the titles of the properties in the PRC. All documents have been used for reference only.

We have also relied on the advice given by the Group that the Group has valid and enforceable titles to the properties which are freely transferable, and have free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

### **4. VALUATION ASSUMPTIONS**

Our valuations have been made on the assumption that the owners sell the properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

### **5. SOURCE OF INFORMATION**

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the values of the properties. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

### **6. VALUATION CONSIDERATION**

We have inspected the exterior and, where possible, the interior of certain properties. No structural survey has been made in respect of the properties. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site/floor areas of the properties under consideration but we have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuation is prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

## **7. REMARKS**

Unless otherwise stated, all monetary amounts stated in our valuations are in Renminbi (RMB).

Our Summary of Values and Valuation Certificates are attached.

Yours faithfully,

For and on behalf of

**Roma Appraisals Limited**

**Dr. Alan W K Lee**

*BCom (Property) MFin PhD (BA)*

*MHKIS RPS (GP) AAPI CPV CPV (Business)*

*Director*

*Note:* Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 12 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region and European countries.

## SUMMARY OF VALUES

No.	Property	Market Value in Existing State as at 30 September 2016
1.	Zone A Factory, No. 1 Jin Quan San Road, Liu Yue Community, Henggang Town, Longgang District, Shenzhen City, Guangdong Province, The PRC  中國廣東省深圳市龍崗區 橫崗鎮六約社區 金泉三路1號 A區廠房	RMB33,600,000
2.	Zone A Dormitory, No. 1 Jin Quan San Road, Liu Yue Community, Henggang Town, Longgang District, Shenzhen City, Guangdong Province, The PRC  中國廣東省深圳市龍崗區 橫崗鎮六約社區 金泉三路1號 A區宿舍	RMB22,400,000
3.	Zone B Dormitory, No. 1 Jin Quan San Road, Liu Yue Community, Henggang Town, Longgang District, Shenzhen City, Guangdong Province, The PRC  中國廣東省深圳市龍崗區 橫崗鎮六約社區 金泉三路1號 B區宿舍	RMB6,300,000

No.	Property	Market Value in Existing State as at 30 September 2016
4.	Zone B Factory, No. 1 Jin Quan San Road, Liu Yue Community, Henggang Town, Longgang District, Shenzhen City, Guangdong Province, The PRC  中國廣東省深圳市龍崗區 橫崗鎮六約社區 金泉三路1號 B棟廠房	RMB9,700,000
5.	Zone C Dormitory, No. 1 Jin Quan San Road, Liu Yue Community, Henggang Town, Longgang District, Shenzhen City, Guangdong Province, The PRC  中國廣東省深圳市龍崗區 橫崗鎮六約社區 金泉三路1號 C棟宿舍	RMB31,600,000
6.	Zone C Factory, No. 1 Jin Quan San Road, Liu Yue Community, Henggang Town, Longgang District, Shenzhen City, Guangdong Province, The PRC  中國廣東省深圳市龍崗區 橫崗鎮六約社區 金泉三路1號 C棟廠房	RMB56,200,000
<b>Total:</b>		<b><u>RMB159,800,000</u></b>

## VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 September 2016
1.	Zone A Factory, No. 1 Jin Quan San Road, Liu Yue Community, Henggang Town, Longgang District, Shenzhen City, Guangdong Province, The PRC  中國廣東省 深圳市 龍崗區 橫崗鎮六約社區 金泉三路1號 A區廠房	Zone A of the subject industrial development comprises a 7-storey dormitory and a 6-storey factory erected on a land with a site area of about 10,179.9 sq.m. (or about 109,576 sq.ft.) completed in about 1996.  The property has a gross floor area of about 14,600.86 sq.m. (or about 157,164 sq.ft.).  The land use rights of the property have been granted for a term commencing on 28 November 1991 and expiring on 27 November 2041 for industrial use.	As advised by the Group, the property together with portion of property item 2 are subject to a tenancy. Please refer to Note No. 2 for details.	RMB33,600,000

*Notes:*

1. Pursuant to a Real Estate Ownership Certificate, Shen Fang Di Zi Di No.6000031950 (深房地字第6000031950號), dated 11 August 2000, the property with a gross floor area of 14,600.85 sq.m. is legally owned by 融豐有限公司 (“Million Wave Limited”) for factory use.
2. Pursuant to a tenancy agreement and a supplementary agreement entered into between Million Wave Limited and 深圳市百福珠寶有限公司 (“Shenzhen Pak Fook Jewelry Co., Ltd.”) dated 13 November 2014 and 25 December 2015 respectively, Zone A Factory, portion of Zone A Dormitory and a security booth with a total gross floor area of 23,857 sq.m. are subject to a tenancy commencing on 1 December 2014 and expiring on 30 November 2017 at a monthly rent of RMB381,712 exclusive of management fees, rates and other outgoings.
3. Our inspection was performed by Jeffrey Wong, B. Eng. in October 2016.
4. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal adviser, which contains, *inter-alia*, the following information:
  - a. Million Wave Limited is in possession of a proper legal title to the property and is entitled to let the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government;
  - b. All land premium and other costs of ancillary utility services have been settled in full;
  - c. The property is not subject to mortgage or any other material encumbrances;
  - d. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities; and
  - e. Whether as a whole or on strata basis, the property can be freely transferred to local or overseas purchasers.

## VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 September 2016
2.	Zone A Dormitory, No. 1 Jin Quan San Road, Liu Yue Community, Henggang Town, Longgang District, Shenzhen City, Guangdong Province, The PRC  中國廣東省 深圳市 龍崗區 橫崗鎮六約社區 金泉三路1號 A區宿舍	Zone A of the subject industrial development comprises a 7-storey dormitory and a 6-storey factory erected on a land with a site area of about 10,179.9 sq.m. (or about 109,576 sq.ft.) completed in about 1996.  The property has a total gross floor area of about 10,687.77 sq.m. (or about 115,043 sq.ft.).  The land use rights of the property have been granted for a term commencing on 28 November 1991 and expiring on 27 November 2041 for industrial use.	As advised by the Group, portion of the property together with property item 1 are subject to a tenancy. Please refer to Note No. 2 for details.  Level 1 of the property is occupied by the Group.	RMB22,400,000

*Notes:*

1. Pursuant to a Shenzhen City Real Estate Ownership Certificate, Shen Fang Di Zi Di No.6000026476 (深房地字第6000026476號), dated 21 March 2000, the property with a gross floor area of 10,687.77 sq.m. is legally owned by Million Wave Limited for dormitory use.
2. Pursuant to a tenancy agreement and a supplementary agreement entered into between Million Wave Limited and 深圳市百福珠寶有限公司 (“Shenzhen Pak Fook Jewelry Co., Ltd.”) dated 13 November 2014 and 25 December 2015 respectively, Zone A Factory, portion of Zone A Dormitory and a security booth with a total gross floor area of 23,857 sq.m. are subject to a tenancy commencing on 1 December 2014 and expiring on 30 November 2017 at a monthly rent of RMB381,712 exclusive of management fees, rates and other outgoings.
3. The value breakdowns of the property as at the Date of Valuation are as follows:

Dormitory Block 1:	RMB11,200,000
Dormitory Block 2:	<u>RMB11,200,000</u>
Total:	<u><u>RMB22,400,000</u></u>
4. Our inspection was performed by Jeffrey Wong, B. Eng. in October 2016.
5. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal adviser, which contains, inter-alia, the following information:
  - a. Million Wave Limited is in possession of a proper legal title to the property and is entitled to let the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government;



- b. All land premium and other costs of ancillary utility services have been settled in full;
- c. The property is not subject to mortgage or any other material encumbrances;
- d. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities; and
- e. Whether as a whole or on strata basis, the property can be freely transferred to local or overseas purchasers.

## VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 September 2016
3.	Zone B Dormitory, No. 1 Jin Quan San Road, Liu Yue Community, Henggang Town, Longgang District, Shenzhen City, Guangdong Province, The PRC  中國廣東省 深圳市 龍崗區 橫崗鎮六約社區 金泉三路1號 B區宿舍	Zone BC of the subject industrial development comprises various buildings erected on a land with a site area of about 20,622.1 sq.m. (or about 221,976 sq.ft.) completed in about 1994.  The property has a gross floor area of about 2,978.5 sq.m. (or about 32,061 sq.ft.).  The land use rights of the property have been granted for a term commencing on 1 January 1992 and expiring on 31 December 2041 for industrial use.	As advised by the Group, the property is occupied by the Group.	RMB6,300,000

*Notes:*

1. Pursuant to a Shenzhen City Real Estate Ownership Certificate, Shen Fang Di Zi Di No.6000023508 (深房地字第6000023508號), dated 1 December 1999, the property with a gross floor area of 2,978.5 sq.m. is legally owned by Million Wave Limited for dormitory use.
2. Our inspection was performed by Jeffrey Wong, B. Eng. in October 2016.
3. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter-alia*, the following information:
  - a. Million Wave Limited is in possession of a proper legal title to the property and is entitled to let the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government;
  - b. All land premium and other costs of ancillary utility services have been settled in full;
  - c. The property is not subject to mortgage or any other material encumbrances;
  - d. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities; and
  - e. Whether as a whole or on strata basis, the property can be freely transferred to local or overseas purchasers.

## VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 September 2016
4.	Zone B Factory, No. 1 Jin Quan San Road, Liu Yue Community, Henggang Town, Longgang District, Shenzhen City, Guangdong Province, The PRC  中國廣東省 深圳市 龍崗區 橫崗鎮六約社區 金泉三路1號 B區廠房	Zone BC of the subject industrial development comprises various buildings erected on a land with a site area of about 20,622.1 sq.m. (or about 221,976 sq.ft.) completed in about 1994.  The property has a gross floor area of about 4,236.4 sq.m. (or about 45,601 sq.ft.).  The land use rights of the property have been granted for a term commencing on 1 January 1992 and expiring on 31 December 2041 for industrial use.	As advised by the Group, the property is occupied by the Group.	RMB9,700,000

*Notes:*

1. Pursuant to a Shenzhen City Real Estate Ownership Certificate, Shen Fang Di Zi Di No.6000023508 (深房地字第6000023508號), dated 1 December 1999, the property with a gross floor area of 4,236.4 sq.m. is legally owned by Million Wave Limited for factory use.
2. Our inspection was performed by Jeffrey Wong, B. Eng. in October 2016.
3. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter-alia*, the following information:
  - a. Million Wave Limited is in possession of a proper legal title to the property and is entitled to let the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government;
  - b. All land premium and other costs of ancillary utility services have been settled in full;
  - c. The property is not subject to mortgage or any other material encumbrances;
  - d. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities; and
  - e. Whether as a whole or on strata basis, the property can be freely transferred to local or overseas purchasers.

## VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 September 2016
5.	Zone C Dormitory, No. 1 Jin Quan San Road, Liu Yue Community, Henggang Town, Longgang District, Shenzhen City, Guangdong Province, The PRC  中國廣東省 深圳市 龍崗區 橫崗鎮六約社區 金泉三路1號 C棟宿舍	Zone BC of the subject industrial development comprises various buildings erected on a land with a site area of about 20,622.1 sq.m. (or about 221,976 sq.ft.) completed in about 2003.  The property has a gross floor area of about 15,030.07 sq.m. (or about 161,784 sq.ft.).  The land use rights of the property have been granted for a term commencing on 1 January 1992 and expiring on 1 January 2042 for industrial use.	As advised by the Group, the property is occupied by the Group.	RMB31,600,000

*Notes:*

1. Pursuant to a Shenzhen City Real Estate Ownership Certificate, Shen Fang Di Zi Di No.6000141343 (深房地字第6000141343號), dated 9 September 2004, the property with a gross floor area of 15,030.07 sq.m. is legally owned by Million Wave Limited for residential/industrial ancillary uses.
2. Our inspection was performed by Jeffrey Wong, B. Eng. in October 2016.
3. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter-alia*, the following information:
  - a. Million Wave Limited is in possession of a proper legal title to the property and is entitled to let the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government;
  - b. All land premium and other costs of ancillary utility services have been settled in full;
  - c. The property is not subject to mortgage or any other material encumbrances;
  - d. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities; and
  - e. Whether as a whole or on strata basis, the property can be freely transferred to local or overseas purchasers.

## VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 September 2016
6.	Zone C Factory, No. 1 Jin Quan San Road, Liu Yue Community, Henggang Town, Longgang District, Shenzhen City, Guangdong Province, The PRC  中國廣東省 深圳市 龍崗區 橫崗鎮六約社區 金泉三路1號 C棟廠房	Zone BC of the subject industrial development comprises various buildings erected on a land with a site area of about 20,622.1 sq.m. (or about 221,976 sq.ft.) completed in about 2003.  The property has a gross floor area of about 24,423.72 sq.m. (or about 262,897 sq.ft.).  The land use rights of the property have been granted for a term commencing on 1 January 1992 and expiring on 1 January 2042 for industrial use.	As advised by the Group, the property is occupied by the Group.	RMB56,200,000

*Notes:*

1. Pursuant to a Shenzhen City Real Estate Ownership Certificate, Shen Fang Di Zi Di No.6000141342 (深房地字第6000141342號), dated 9 September 2004, the property with a gross floor area of 24,423.72 sq.m. is legally owned by Million Wave Limited for factory use.
2. Our inspection was performed by Jeffrey Wong, B. Eng. in October 2016.
3. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter-alia*, the following information:
  - a. Million Wave Limited is in possession of a proper legal title to the property and is entitled to let the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government;
  - b. All land premium and other costs of ancillary utility services have been settled in full;
  - c. The property is not subject to mortgage or any other material encumbrances;
  - d. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities; and
  - e. Whether as a whole or on strata basis, the property can be freely transferred to local or overseas purchasers.

**RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained herein 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.

**DISCLOSURE OF INTERESTS****Interest of Directors and chief executive**

As at the Latest Practicable Date, the interests and short positions of each Director and the chief executive of the Company in the shares and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “**Model Code**”), were as follows:

*Long Positions*

Name of Director	Number of Shares held		Percentage of total issued Share capital
	Beneficial owner	Other interests	
Hui Leung Wah ( <i>Note</i> )	12,308,000	141,316,000	47.47%
Hui Chun Yuen ( <i>Note</i> )		141,316,000	43.66%
Poon Sui Hong	8,000,000		2.47%

*Note:* The 141,316,000 shares held as other interests by Mr. Hui Leung Wah 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 (PTC) Limited as trustee for a unit trust, which, in turn, is beneficially owned by a discretionary trust with First Advisory Trust (BVI) Limited as trustee, the beneficiaries of which include the family members of Mr. Hui Leung Wah (Mr. Hui Leung Wah himself is not a beneficiary of the discretionary trust but is a director of Wahyee (PTC) Limited). Mr. Hui Chun Yuen, the Executive Director of the Group is one of the beneficiaries of the trust.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and their respective associates had interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO), or recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed director is a director or employee of a company which has an interest or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of SFO.

### **MATERIAL LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance, and so far as the Directors were aware, no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

### **DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors entered or proposed to enter into any service contract with any member of the Group or any associated company of the Company which is not expiring or determinable by the Group within one year without payment of compensation, other than statutory compensation.

### **MATERIAL CONTRACTS**

During the two years immediately preceding the date of this circular, the following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and/or members of the Group and are or may be material:

1. the Disposal Agreement; and
2. the sale and purchase agreement dated 18 January 2016 entered into between Dongguan City Xiegang Asset Management Company\* (東莞市謝崗資產管理有限公司) and Winston Technology Limited as vendor (a wholly owned subsidiary of the Company, in respect of 100% of the equity interest in Jet Kingdom Machinery Technology Company Limited\* (東莞精奇機械科技有限公司)).

**DIRECTORS' INTEREST IN ASSETS OR CONTRACTS**

Save for the Disposal Agreement and the Leaseback Agreement, as at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

**DIRECTORS' INTERESTS IN COMPETING BUSINESS**

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.

**MISCELLANEOUS**

1. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its head office and principal place of business is at B2 & B4, 8th Floor, Block B, Mai Hing Industrial Building, 16–18 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong;
2. MAK Suk Fan, Sophie, is the financial controller and company secretary of the Company. She is a member of The Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia;
3. The Company's branch share registrar in Hong Kong is Tricor Tengis Limited which is located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong; and
4. The English text of this circular and the form of proxy shall prevail over the Chinese text in case of inconsistency.

**QUALIFICATIONS AND CONSENTS OF EXPERTS**

The following is the qualification of the experts who have given their opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
VC Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Roma Appraisals Limited	An independent property valuer

As at the Latest Practicable Date, each of the above experts:

1. did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;



2. did not have any interest, either directly or indirectly, in any assets which had been, since 31 March 2016, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group; and
3. had given and had not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name, letter and or report in the form and context in which they respectively appear.

### **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the head office and 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 during normal business hours on any business day (Saturdays excluded) from the date of this circular up to and including the date of the SGM:

1. the memorandum of association and bye-laws of the Company;
2. the annual reports of the Company for the two financial years ended 31 March 2015 and 31 March 2016;
3. the letter from the Independent Board Committee containing its advice to the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
4. the letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” in this circular;
5. the Property Valuation Report from Roma, the text of which is set out in Appendix II in this circular;
6. a copy of the material contracts referred to in the paragraph headed “Material Contracts” in this Appendix III;
7. the Leaseback Agreement;
8. the written consents referred to in the paragraph headed “Qualifications and Consents of Experts” in this Appendix III; and
9. this circular.

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NOTICE OF SGM

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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)**

**NOTICE IS HEREBY GIVEN THAT** the special general meeting of Elegance Optical International Holdings Limited (the “**Company**”) will be held at 18/F, Prosperity Tower, 39 Queen’s Road Central, Hong Kong on Monday, 12 December 2016 at 3:00 p.m. (the “**Meeting**”) to consider and, if thought fit, pass the following resolution as an ordinary resolution:

**ORDINARY RESOLUTION**

**“THAT**

the entering into and the terms and conditions of the Disposal Agreement (as defined in the circular of the Company dated 24 November 2016 (the “**Circular**”)) dated 14 October 2016 and entered into between Elegance Optical Investments Limited and Tycoon New Investments Limited (a copy of which has been produced to the Meeting marked “A” and initialed by the chairman of the Meeting for identification purpose) and the transactions contemplated thereunder (including the Leaseback Agreement (as defined in the Circular) dated 14 October 2016 entered into between Elegance Optical Manufactory Limited and Tycoon New Investments Limited and the proposed Annual Caps (as defined and more particularly described in the Circular) in respect thereof for the year ended 31 March 2017, 31 March 2018 and 31 March 2019) be and are hereby approved, confirmed and ratified and any director of the Company be and is hereby authorized to give, make, sign, execute (under hand, seal or as a deed) and deliver any document and all such deeds, agreements, letters, notices, certificates, applications, acknowledgements, receipts, authorizations, instructions, releases, waivers, proxies, appointments of agents for service of process and other document (whether of a like nature or not) as the Director may consider necessary or desirable for the purpose of giving effect to, or in connection with this resolution.”

By order of the Board

**Elegance Optical International Holdings Limited**

**Poon Sui Hong**

*Director*

Hong Kong, 24 November 2016

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## NOTICE OF SGM

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*Notes:*

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation shall be entitled to exercise the same powers on behalf of the member of the Company which he or they represent as such member of the Company could exercise.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.
3. To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy thereof must be deposited at the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for holding the Meeting or adjournment thereof (as the case may be).
4. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. The voting at the Meeting shall be taken by way of poll.