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ELEGANCE OPTICAL INTERNATIONAL HOLDINGS LIMITED
高雅光學國際集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 907)

**SUPPLEMENTAL ANNOUNCEMENT ON
DISCLOSEABLE AND EXEMPTED CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF
55% EQUITY INTEREST IN A SUBSIDIARY**

Financial adviser to the Company



建泉融資有限公司

VBG Capital Limited

Reference is made to the announcement of the Company in relation to the disposal of 55% equity interest in a subsidiary dated 28 September 2022 (the “**Announcement**”). Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Board would like to provide the Shareholders and potential investors of the Company with supplemental information relating to the Disposal as follows:

SUPPLEMENTAL INFORMATION ON THE CONSIDERATION

The Target Company had recorded a net loss of approximately HK\$16.5 million for the year ended 31 March 2022 and a further net loss of approximately HK\$2.7 million for the four months ended 31 July 2022 based on its unaudited management accounts. The Target Company was and is expected to continue to be loss-making as it is estimated that the Target Company may continue to incur a net loss ranging from HK\$8.1 million to HK\$16.5 million for each of the two years ending 31 March 2024.

In view of the slowdown in the PRC property market, the principal asset of the Target Company, namely, its interests in the properties located in Dongguan City, may not be able to maintain its valuation as at 31 March 2022 going forward.

The alternative approach being considered is to liquidate the Target Company bringing its business operations to an end. However, the Board believes that the liquidation process may take years with a lot of uncertainties, such as PRC capital gain tax, labour disputes, feasibility of selling the land in this market at the desired market price may be slim, and other unforeseen liabilities which may arise in association to closing of a PRC operation.

The Board also believes that it is difficult for the Target Company's deteriorating financials to create any investors interests. If, the Company is unable to enter the Disposal with the Purchaser, the Company might not be able to dispose its interest in the Target Company in the foreseeable future. In view of the fact that the Purchaser is unable to pay HK\$21.0 million within a short period of time as he will need time and resources to make necessary arrangements for the required funding, the arrangement of the deferred consideration, being a total of HK\$5.0 million and HK\$6.0 million to be settled within 7 Business Days of the first year and second year of the date of the Sale and Purchase Agreement, was agreed upon by the parties in the end.

Having considered the aforementioned above, whilst it is a fact that the Company will take a longer time to receive the total consideration, the Directors believe that the longer time taken by the Company to complete the Disposal, the more likely for higher loss to be incurred by the Company due to deteriorating financials of the Target Company, therefore, the earlier that the Company be able to complete the Disposal, the more beneficial to the Company. Furthermore, based on the uncertainties as mentioned above, the Directors believe it would be in the interest of the Company to set out a lock-up position of the total consideration as determined between the Vendor and Purchaser based on the latest financial information of the Target Company.

The Directors obtained all available evidence from the Purchaser concerning his sufficient financial resources, including his latest bank statement and property title deed, and were satisfied with the assessments made in respect of the recoverability of the consideration determined. Pursuant to the Company's business strategies, the Company intends to keep its existing business in the sale of optical frames and use the net proceeds from the Disposal for the general working capital of the Group such as the administrative and operating expenses in the sourcing of optical frames as an ODM manufacturer directly from more competitive suppliers. Accordingly, the Directors conclude that the arrangement of the deferred consideration is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

VALUATION METHODOLOGY OF THE VALUATION REPORT

The valuation of the Target Company was determined based on the asset approach by the independent valuer in the valuation report.

FINANCIAL INFORMATION OF THE TARGET COMPANY AT COMPANY LEVEL

Based on the unaudited management accounts of the Target Company at company level for the year ended 31 March 2022, the Target Company recorded a net loss before and after tax of approximately HK\$16.5 million.

The independent non-executive Directors as well as the Directors of the Company acknowledged that whilst the Disposal does not constitute ordinary and usual course of business of the Group, they were all agreed that the terms of the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, and are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

By order of the Board
Elegance Optical International Holdings Limited
Wong Chong Fai
Executive Director

Hong Kong, 10 October 2022

As at the date of this announcement, the executive Directors are Mr. Yu Baodong, Mr. Chung Yuk Lun and Mr. Wong Chong Fai; and the independent non-executive Directors are Mr. Man Wai Lun, Mr. Cheng Chun Man and Mr. Hui Man Ho, Ivan.