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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)

DISCLOSEABLE TRANSACTION SECOND SUPPLEMENTAL AGREEMENT IN RELATION TO THE ACQUISITION OF 25% OF ALL THE ISSUED SHARES OF FILMKO CULTURE LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

Financial adviser to the Company



**英皇融資有限公司
Emperor Capital Limited**

SECOND SUPPLEMENTAL AGREEMENT

The Board announces that on 21 June 2018, the Purchaser, the Vendor and the Guarantor entered into the Second Supplemental Agreement to the S&P Agreement to amend and supplement certain terms of the S&P Agreement (as amended by the First Supplemental Agreement).

UPDATE ON LISTING RULES IMPLICATIONS

As one or more of the aggregate applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition as contemplated under the S&P Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement) and the Previous Acquisition together are more than 5% but less than 25%, the Combined Acquisitions taking into account the amendments in the Second Supplemental Agreement constitute a discloseable transaction (instead of a major transaction as stated in the Announcements) of the Company and is subject only to the notification and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Pursuant to the S&P Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement), the Revised Consideration Shares will be allotted and issued under the General Mandate (instead of the Specific Mandate) and are not subject to further Shareholders' approval.

Based on the above, no circular containing further details of the Acquisition will be despatched to the Shareholders and no SGM will be held to approve the S&P Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement) and the transactions contemplated thereunder.

Reference is made to (i) the announcement of Elegance Optical International Holdings Limited (the "**Company**") dated 22 January 2018 in relation to the acquisition of 60% of all the issued shares of Filmko Culture Limited and the shareholder's loan owing by Filmko Entertainment Limited to the Vendor, (ii) the announcement of the Company dated 27 March 2018 in respect of the delay in despatch of circular, and (iii) the announcement of the Company dated 11 April 2018 regarding the First Supplemental Agreement ((i), (ii) and (iii) collectively the "**Announcements**"). Unless otherwise defined herein or the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

THE SECOND SUPPLEMENTAL AGREEMENT

The Board announces that on 21 June 2018, the Purchaser, the Vendor and the Guarantor entered into the Second Supplemental Agreement to the S&P Agreement to amend and supplement certain terms of the S&P Agreement (as amended by the First Supplemental Agreement). The material amendments are set out below:

(1) Amendments to the Sale Shares and Shareholder's Loan

The parties agreed in the Second Supplemental Agreement to (i) amend the Sale Shares from 6,000 shares, representing sixty (60)% of all the shares issued by the Target Company to 2,500 shares, representing twenty-five (25)% of all the shares issued by the Target Company (the "**Revised Sale Shares**"); and (ii) remove the sale and purchase of the Shareholder's Loan from the Acquisition.

Upon Completion, the Purchaser will hold twenty-five (25)% of all the shares issued by the Target Company and each member of the Target Group will become an associated company of the Company.

(2) Amendments to the Consideration

Following the amendments to the Revised Sale Shares and removal of the sale and purchase of the Shareholder's Loan from the Acquisition, the Consideration shall be amended from HK\$264,000,000 to HK\$110,000,000 (the "**Revised Consideration**"), comprising only the Sale Shares Consideration for sale and purchase of the Revised Sale Shares. The Revised Consideration shall be settled by the Purchaser to the Vendor in the following manner:

- (a) as to HK\$70,000,000 by cash (the "**Cash Consideration**") to be paid to the Vendor upon Completion; and
- (b) as to HK\$40,000,000 to be settled by the issue and allotment of 16,000,000 Shares (the "**Revised Consideration Share(s)**") by the Company at the direction of the Vendor to the persons designated by the Vendor (the "**Vendor's Designated Persons**") at an Issue Price of HK\$2.50 per Revised Consideration Share at Completion.

The Revised Consideration Shares will be allotted and issued under the General Mandate (instead of the Specific Mandate) and are not subject to further Shareholders' approval. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Revised Consideration Shares. Details of the impact of the Revised Consideration Shares on the shareholding structure of the Company are set out in the paragraph headed "CHANGES ON SHAREHOLDING STRUCTURE" below.

The Revised Consideration was determined after arm's length negotiation between the Purchaser and the Vendor with reference, including but not limited to, (i) the valuation of the Target Group prepared by an independent valuer, valuing twenty-five (25)% equity interest of the Target Group at approximately HK\$137,000,000 as at 31 December 2017 conducted by market approach with reference to comparable companies in the business sector; (ii) the unaudited consolidated management accounts of the Target Group as at 31 December 2016 and 31 December 2017 respectively; and (iii) the profit guarantee provided by the Vendor (details of which are set out in the paragraph headed "Amendments to the Consideration adjustment mechanism" below).

(3) Amendments to the Consideration adjustment mechanism

Under the Second Supplemental Agreement, the amount of, and the period covered by, the guaranteed profit of the Target Group are amended so that in the event that the Audited Profit for 2018–2019, the Audited Profit for 2019–2020 and the Audited Profit for 2020–2021 shall be less than HK\$40,000,000 for each of such periods, the Revised Consideration shall be adjusted by deducting the sum(s) calculated as follows (subject to a maximum deduction/adjustment of the aggregate sum of HK\$110,000,000), and the Vendor shall pay an amount (the “**Revised Reduced Amount**”) to the Purchaser in cash within fifteen (15) days after the relevant financial statements and the certificate certifying the amount of the Audited Profit for 2018–2019, the Audited Profit for 2019–2020 and the Audited Profit for 2020–2021 (as the case may be) issued by the auditors of the Target Company are delivered to the Vendor:

(a) **Revised Reduced Amount for 2018 = (HK\$40,000,000 – W) × 25% × 11**

Where: W = HK\$40,000,000 or the amount of the Audited Profit for 2018–2019 whichever is the less (if the Target Group records an audited consolidated net loss after taxation during this year, the Audited Profit for 2018–2019 shall be HK\$ nil);

(b) **Revised Reduced Amount for 2019 = (HK\$40,000,000 – X) × 25% × 11**

Where: X = HK\$40,000,000 or the amount of the Audited Profit for 2019–2020 whichever is the less (if the Target Group records an audited consolidated net loss after taxation during this year, the Audited Profit for 2019–2020 shall be HK\$ nil);
and

(c) **Revised Reduced Amount for 2020 = (HK\$40,000,000 – Y) × 25% × 11**

Where: Y = HK\$40,000,000 or the amount of the Audited Profit for 2020–2021 whichever is the less (if the Target Group records an audited consolidated net loss after taxation during this year, the Audited Profit for 2020–2021 shall be HK\$ nil).

(4) Lock-up undertaking

The parties agreed in the Second Supplemental Agreement that except for the transactions contemplated thereunder or otherwise with the prior written consent of the Purchaser, the Revised Consideration (after deduction of the Cash Consideration) shall be settled by the issue and allotment of the Revised Consideration Shares by the Company at the direction of the Vendor to the Vendor’s Designated Persons at Completion, provided that it is agreed that the share certificates of the Revised Consideration Shares shall be delivered by the Company to and kept by the Purchaser upon Completion and shall only be released by the Purchaser to the Vendor’s Designated Persons or as such person may direct as follows:

- (i) the 1,600,000 Revised Consideration Shares (representing ten (10)% of all the Revised Consideration Shares) shall only be released to each of the Vendor's Designated Persons or as such person may direct after (a) the date of issue of the certificate certifying the amount of the Audited Profit for 2018–2019 by the auditors of the Target Company confirming no adjustment to the Revised Consideration is required or (b) the Vendor has fully discharged and settled the Revised Reduced Amount for 2018 (if any) absolutely (as the case may be) but not otherwise;
- (ii) the remaining 14,400,000 Revised Consideration Shares (representing ninety (90)% of all the Revised Consideration Shares) shall only be released to each of the Vendor's Designated Persons or as such person may direct after (a) the date of issue of the certificate certifying the amount of the Audited Profit for 2019–2020 by the auditors of the Target Company confirming no adjustment to the Revised Consideration is required or (b) the Vendor has fully discharged and settled the Revised Reduced Amount for 2018 and the Revised Reduced Amount for 2019 (if any) absolutely (whichever is the later) but not otherwise.

Each of the Vendor's Designated Persons shall at all times be entitled to exercise all voting rights pertaining to the respective Revised Consideration Shares legally and beneficially owned by such person and any dividends which may be declared or paid with respect thereto.

(5) Amendment to conditions precedent

Pursuant to the amendments as mentioned in the Announcements and the Second Supplemental Agreement, in particular, the Shareholders' approval is no longer a requirement under the Listing Rules and the Shareholder's Loan is no longer part of the Acquisition, the conditions for Completion of the Acquisition shall be entirely substituted by the following:

- (a) there being no matter which will have a Material Adverse Effect on the Target Group before Completion;
- (b) all the warranties of the Vendor as set out in the S&P Agreement being true and correct in all material respects and remaining so from the date of the S&P Agreement up to Completion;
- (c) the Exclusive Distribution Agreement in form and substance reasonably satisfactory to the Purchaser having been entered into and taken effect, and remaining valid and binding on the parties thereto and enforceable in accordance with its terms as at Completion;
- (d) the authorisation letter to be executed by Khorgas Anshi in favour of Jiangsu Anshi in respect of the distribution rights in the PRC to be granted by Khorgas Anshi to Jiangsu Anshi of the film known as "The Monkey King 3" 《西游記女兒國》 in form and substance reasonably satisfactory to the Purchaser having been executed and taken effect, and remaining valid and binding on the parties thereto and enforceable in accordance with its terms as at Completion;

- (e) the certificate of incumbency and certificate of good standing in respect of each of the Vendor and the Target Company, in each case dated not more than five (5) Business Days before the Completion Date, in form and substance satisfactory to the Purchaser, having been delivered to the Purchaser;
- (f) the Purchaser having confirmed in writing that it is satisfied at its sole and absolute discretion with the results of its due diligence review on the Target Group;
- (g) all necessary consents in relation to the transactions contemplated under the S&P Agreement having been obtained by the Purchaser and the Company, including without limitation such consents (if appropriate or required) of the Stock Exchange and the SFC and any relevant governmental or regulatory authorities and other relevant third parties in Hong Kong, the PRC or elsewhere which are required for the entering into, execution, delivery and performance of the S&P Agreement and the transactions contemplated thereunder, including without limitation the purchase of the Revised Sale Shares by the Purchaser and the issue and allotment of the Revised Consideration Shares to the Vendor's Designated Persons, having been obtained;
- (h) (if required) the Company having obtained the approval of any relevant government or regulatory authorities under all applicable laws in respect of the increase in the authorized share capital of the Company, as well as the issue and allotment of the Revised Consideration Shares to the Vendor's Designated Persons; and
- (i) the Company having obtained an approval at its own cost from the Stock Exchange for the listing of and permission to deal in the Revised Consideration Shares and such listing and permission not being subsequently revoked prior to the issue and allotment of the Revised Consideration Shares.

The Purchaser may waive in writing the conditions precedent (a) to (f) as set out above at its sole and absolute discretion. If any of the conditions precedent set out above shall not have been fulfilled or waived in writing at or before 5:00 p.m. on 31 July 2018, the S&P Agreement shall lapse and thereupon the S&P Agreement and everything therein contained shall (except the confidentiality obligations and certain clauses as specified therein), subject to the liability of any party under the S&P Agreement to the other in respect of any antecedent breach of the terms under the S&P Agreement, be null and void and of no further effect; provided that notwithstanding any other provisions under the S&P Agreement to the contrary, the maximum liability of (a) the Vendor and/or the Guarantor, or (b) the Purchaser (as the case may be), for such antecedent breach (if any) in the event the S&P Agreement shall lapse shall not exceed HK\$5,000,000 in aggregate.

(6) Extension of Long Stop Date

As disclosed in the Announcements, pursuant to the Second Supplement Agreement, Completion is conditional upon fulfillment or waiver in writing of the conditions precedent of the S&P Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement) at or before 5:00 p.m. on 29 June 2018. As additional time is required for the

fulfillment of the conditions precedent of the S&P Agreement, the parties agreed in the Second Supplemental Agreement to extend the long stop date to 31 July 2018 or such other date as the Vendor and the Purchaser may agree in writing.

Save as disclosed in this announcement, all the material terms and conditions under the S&P Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement) remained unchanged and are in full force and effect.

The Directors are of the view that the S&P Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement) and the transactions contemplated thereunder are entered into on normal commercial terms, fair and reasonable and in the interests of the Shareholders as a whole.

CHANGES ON SHAREHOLDING STRUCTURE

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

	As at the date of this announcement		Upon Completion	
	No. of shares	Approx.%	No. of shares	Approx.%
Wealth China Worldwide Limited (<i>Note 1</i>)	94,199,123	24.26	94,199,123	23.3
Ms. Ma Yilin (<i>Note 2</i>)	1,100,000	0.28	1,100,000	0.27
Vendor's Designated Persons	—	—	16,000,000	3.96
Public Shareholders	<u>293,070,000</u>	<u>75.46</u>	<u>293,070,000</u>	<u>72.48</u>
Total	<u><u>388,369,123</u></u>	<u><u>100.00</u></u>	<u><u>404,369,123</u></u>	<u><u>100.00</u></u>

Notes:

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

GENERAL MANDATE

Under the General Mandate, the Company is authorized to issue up to 77,673,824 new Shares. The Company has not exercised the power to allot and issue any new Shares pursuant to the General Mandate up to the date of this announcement. Accordingly, the issue of the Revised Consideration Shares is not subject to Shareholders' approval.

UPDATE ON LISTING RULES IMPLICATIONS

As one or more of the aggregate applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition as contemplated under the S&P Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement) and the Previous Acquisition together are more than 5% but less than 25%, the Combined Acquisitions taking into account the amendments in the Second Supplemental Agreement constitute a discloseable transaction (instead of a major transaction as stated in the Announcements) of the Company and is subject only to the notification and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

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

DEFINITIONS

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

“Audited Profit for 2018–2019”	the audited consolidated net profit after taxation of the Target Group from 1 April 2018 to 31 March 2019
“Audited Profit for 2019–2020”	the audited consolidated net profit after taxation of the Target Group from 1 April 2019 to 31 March 2020
“Audited Profit for 2020–2021”	the audited consolidated net profit after taxation of the Target Group from 1 April 2020 to 31 March 2021
“First Supplemental Agreement”	the first supplemental agreement dated 11 April 2018 entered into among the Vendor, the Purchaser and the Guarantor to amend certain terms of the S&P Agreement
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the annual general meeting of the Company held on 28 September 2017 to allot, issue and deal with new Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of such resolution, pursuant to which a maximum of 77,673,824 new Shares may fall to be allotted and issued as at the date of this announcement

“S&P Agreement” the sale and purchase agreement dated 22 January 2018 (as amended by the First Supplemental Agreement and the Second Supplemental Agreement) entered into among the Vendor, the Purchaser and the Guarantor in respect of the sale and purchase of the Revised Sale Shares

“Second Supplemental Agreement” the second supplemental agreement dated 21 June 2018 entered into among the Vendor, the Purchaser and the Guarantor to amend certain terms of the S&P Agreement (as amended by the First Supplemental Agreement)

By order of the Board
Elegance Optical International Holdings Limited
Liu Shufeng
Executive Director

Hong Kong, 21 June 2018

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