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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 SUBSCRIPTION OF 50% OF THE ENLARGED ISSUED SHARE CAPITAL OF THE TARGET COMPANY**

On 9 August 2021 (after trading hours), the Subscriber (an indirect wholly-owned subsidiary of the Company) entered into the Agreement with the Target Company and the Existing Shareholder, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Target Company has conditionally agreed to issue and allot, the Subscription Shares, representing 50% of the enlarged issued share capital of the Target Company, at the Subscription Price of RMB223 million.

Completion of the Subscription shall take place on the 30th Business Day after all the conditions precedent under the Agreement having been fulfilled or waived (or such other date as the parties to the Agreement may agree).

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Subscription are more than 5% but are all less than 25%, the Subscription constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**Completion of the Subscription is subject to fulfillment of the conditions precedent under the Agreement. Accordingly, the Subscription may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares.**

The Board is pleased to announce that on 9 August 2021 (after trading hours), the Subscriber (an indirect wholly-owned subsidiary of the Company) entered into the Agreement with the Target Company and the Existing Shareholder, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Target Company has conditionally agreed to issue and allot, the Subscription Shares, representing 50% of the enlarged issued share capital of the Target Company, at the Subscription Price of RMB223 million.

Details of the Agreement are set out below:

## **THE AGREEMENT**

### **Date**

9 August 2021

### **Parties**

- (i) Green Source Global Limited (an indirect wholly-owned subsidiary of the Company), as the Subscriber;
- (ii) the Target Company; and
- (iii) Zheng Fang, as the Existing Shareholder.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Existing Shareholder and the Target Company are independent of the Company and its connected persons (as defined in the Listing Rules).

### **Subject matter**

Pursuant to the Agreement, the Subscriber has conditionally agreed to subscribe for, and the Target Company has conditionally agreed to issue and allot, the Subscription Shares, representing 50% of the issued share capital of the Target Company as enlarged by the Subscription, at the Subscription Price of RMB223 million.

### **Subscription Price**

The Subscription Price, being RMB223 million, shall be settled by the Subscriber in cash payable to the Target Company (or its designated receiver) in the following manners:

- (i) a sum of RMB13 million, being an initial deposit refundable in accordance with the Agreement, shall be payable within 10 Business Days upon the signing of the Agreement; and
- (ii) the remaining balance of RMB210 million shall be payable upon the Completion.

The Subscription Price was determined after arm's length negotiations between the parties to the Agreement with reference to, among other things, (i) the unaudited net assets value of Yantai LNG Terminal Project Company as at 31 December 2020 and (ii) the appraisal value of the entire equity interest of Yantai LNG Terminal Project Company prepared by an independent valuer, between RMB3.3 billion and RMB4.1 billion under the discounted cash flow approach as at 15 April 2021. It is intended that the Subscription Price will be funded by internal resources and/or external financing of the Group. The Directors consider that the Subscription Price and the payment terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## Conditions precedent

Completion of the Subscription is conditional upon, among other things, the following conditions being fulfilled or waived (as the case may be):

- (i) the representations and warranties given in the Agreement remaining true and accurate as at the date of the Agreement and between the date of the Agreement and the date of Completion;
- (ii) there being no event occurred in the PRC, Hong Kong or British Virgin Islands which had (in the reasonable opinion of the Subscriber) a material adverse impact on the business or financial positions of the Target Group;
- (iii) there being no change in general in the trading, operation or financial positions of the Target Group, which (in the reasonable opinion of the Subscriber) would have a material adverse impact on the business or financial positions of the Target Group between the date of the Agreement and the date of Completion;
- (iv) the Target Company having obtained all necessary internal authorisations and approvals in respect of entering into of the Agreement and the performance of obligations thereunder;
- (v) the Subscriber and the Target Company having obtained all necessary consents in respect of the Subscription, including without limitation, consent from the Stock Exchange or any relevant governmental or regulatory authorities in respect of the Agreement;
- (vi) the Target Company having held 21.0% equivalent interests in the Yantai LNG Terminal Project on the date of Completion, and having provided the relevant supporting documents to the Subscriber;
- (vii) the Target Company having prepared all necessary documents for the Subscription including all necessary resolutions of the Target Company;
- (viii) the Board having passed all necessary resolution(s) to approve the Agreement and the Subscription (if applicable); and
- (ix) the Subscriber having been satisfied with the results of the due diligence review on the Target Group in respect of, among other things, their business, finance and legal and tax compliance.

The Subscriber may at its absolute discretion at any time waive the above conditions by notice in writing to the Target Company and/or the Existing Shareholder. If any of the above conditions have not been fulfilled or waived prior to 31 December 2021 (or such later date as the parties to the Agreement may agree), the Agreement shall terminate and cease to be of any effect (save and except for the surviving clauses as set out in the Agreement).

## **Completion**

Completion of the Subscription shall take place on the 30th Business Day after all the conditions precedent under the Agreement having been fulfilled or waived (or such other date as the parties to the Agreement may agree).

Upon the Completion, the Subscriber will hold 10,000 shares of the Target Company, representing 50% of the issued share capital of the Target Company as enlarged by the Subscription.

## **Post-completion**

Pursuant to the Agreement, the Existing Shareholder and the Subscriber agreed, among other things, with the following arrangements after the Completion:

*Right of first refusal:* If the Existing Shareholder wishes to sell, transfer or otherwise dispose of any or all of its shares in the Target Company to a third party, the Subscriber shall have a right of first refusal to buy such shares.

*Tag along rights:* If the Existing Shareholder wishes to sell, transfer or otherwise dispose of any or all of its shares in the Target Company to a third party, the Subscriber shall have the right to sell its shares on the same terms.

## **INFORMATION OF THE GROUP**

The Group is principally engaged in the manufacture and trading of optical frames and sunglasses, property investment, investment in debts and securities, film investment and distribution businesses and energy business.

## **INFORMATION OF THE VENDOR AND THE TARGET GROUP**

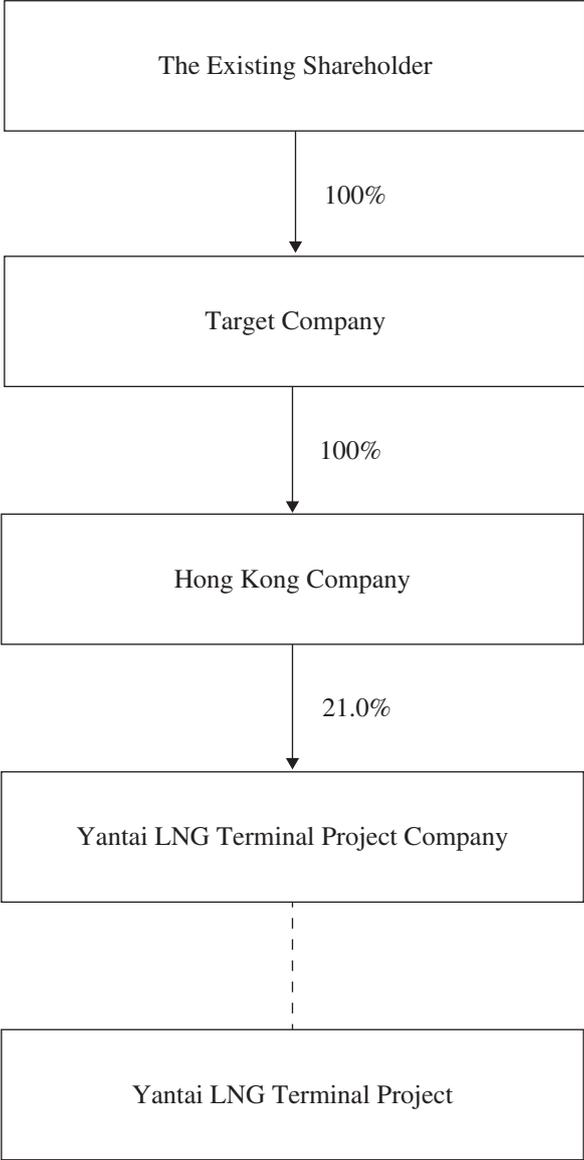
The Existing Shareholder is a PRC resident and a merchant. The Target Company is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Existing Shareholder as at the date of the Agreement.

The Target Company will own 21.0% equivalent interests in Yantai LNG Terminal Project Company immediately prior to the Completion. Yantai LNG Terminal Project Company is principally engaged in the gas operation, import and export of goods and technology and import and export agency services, and is a project company established to implement the Yantai LNG Terminal Project.

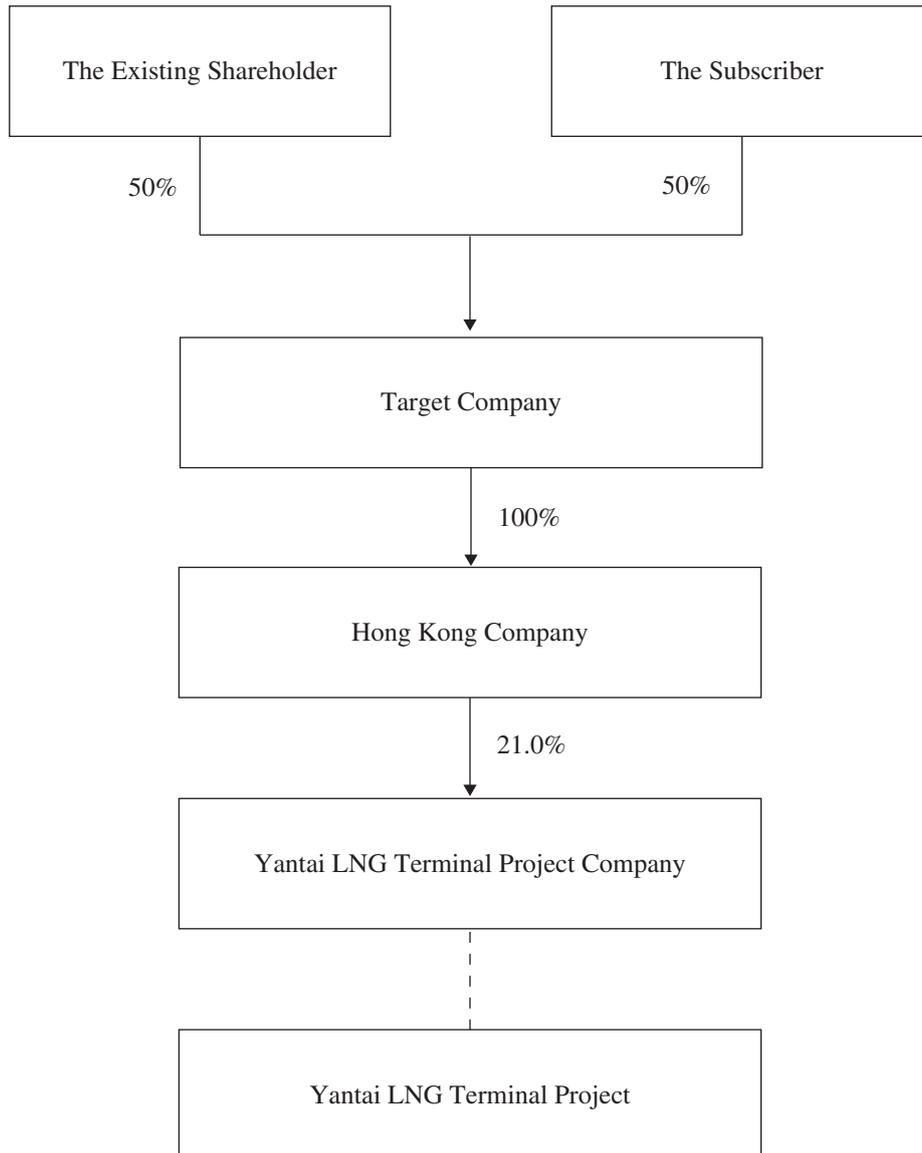
The Yantai LNG Terminal Project aims to invest in and construct the Liquefied Natural Gas Terminal in Yantai Port in Shandong. It is expected that the Yantai LNG Terminal Project will commence operation in 2023, with an aim to reach processing capacity of 7 million tonnes per annum in 2025, and will have an operation period of 25 years. The Yantai LNG Terminal Project was formally approved by the National Development and Reform Commission of the PRC (中國國家發展和改革委員會) in January 2020, and is currently in the phase of construction bidding and port construction.

**Group structure**

Set out below is the structure of the Target Group immediately prior to the Completion:



Set out below is the structure of the Target Group immediately after the Completion:



## Financial information

The Target Company and Hong Kong Company are principally engaged in investment holding. As at the date of the Agreement, the Target Company and Hong Kong Company do not have any other major assets. The Company considers that such companies have immaterial financial impact to the Target Group, and the financial information of Yantai LNG Terminal Project Company for the two years ended 31 December 2020 as shown below reflects the financial performance of the Target Group.

Based on the information provided by the Vendor, set out below are the financial information of Yantai LNG Terminal Project Company as extracted from its audited account for the financial year ended 31 December 2019 and its management account for the financial year ended 31 December 2020:

	For the year ended	
	31 December	
	2019	2020
	(audited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	32,553	211,793
Net assets	30,000	100,000

As the Yantai LNG Terminal Project is under construction and is expected to commence operation in 2023, Yantai LNG Terminal Project Company has no revenue nor profit for the two years ended 31 December 2020.

## REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

Yantai LNG Terminal Project Company is principally engaged in the gas operation, import and export of goods and technology and import and export agency services, and is a project company established to implement the Yantai LNG Terminal Project. The Directors are optimistic about the prospects of the Yantai LNG Terminal Project, which, if materialised, is expected to generate stable income for the Group. In addition, as one of the financing parties in the Yantai LNG Terminal Project, the Group can help the Yantai LNG Terminal Project, including to further introduce equity and/or debt financing in the international capital market, by virtue of the experience and advantages of the international capital market, the Directors are of the view that the Subscription is in line with the investment strategy of the Group and will allow the Group to diversify its income stream and investment portfolio.

As at the date of the Agreement, the Target Company is wholly-owned by the Existing Shareholder. As at the date of the Completion, the Target Company will wholly own Hong Kong Company, which will in turn own 21.0% equity interest in Yantai LNG Terminal Project Company. Upon the Completion, the Target Company will be indirectly owned as to 50% by the Company (for illustration purpose only, representing an equivalent interest in Yantai LNG Terminal Project Company of approximately 10.5%).

The Directors consider that the Subscription, as a whole, is a valuable investment opportunity as the Company can obtain equivalent interests in the Yantai LNG Terminal Project through its investment in the Target Company and has managed to negotiate for favourable terms. For illustration purpose only, solely based on the valuation of Yantai LNG Terminal Project Company of RMB3.3 billion to RMB4.1 billion as at 15 April 2021, the appraisal value of 10.5% equivalent interests in Yantai LNG Terminal Project Company is approximately RMB346.5 million to RMB430.5 million. The Subscription Price of RMB223 million represents an approximately 35.6% to 48.2% discount from the appraisal value of the 10.5% equivalent interests in Yantai LNG Terminal Project Company. The Directors consider that the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Upon the Completion, the Group will explore opportunity to engage in the whole value chain of natural gas sector covering production, supply, storage and distribution and its facilities, as well as trading business, to further enhance the Company's foundation in respect of international trade of liquefied natural gas.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Subscription are more than 5% but are all less than 25%, the Subscription constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As Mr. Yu Baodong, being the common director of the Company, Hong Kong Company and Yantai LNG Terminal Project Company, may be regarded as having a material interest in the transactions contemplated under the Agreement (including the Subscription), he has voluntarily abstained from voting on the relevant Board resolutions relating to the Agreement and the transactions contemplated thereunder.

**Completion of the Subscription is subject to fulfillment of the conditions precedent under the Agreement. Accordingly, the Subscription may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares.**

## **DEFINITIONS**

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

“Agreement”	the subscription agreement dated 9 August 2021 entered into among the Subscriber, the Target Company and the Existing Shareholder, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Target Company has conditionally agreed to issue and allot, the Subscription Shares, at the Subscription Price of RMB223 million
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“Board”	the board of Directors
“Business Day(s)”	a day(s) (other than Saturday, Sunday or public holiday) on which licensed banks are generally opened for business in the PRC
“Company”	Elegance Optical International Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 907)
“Completion”	completion of the Subscription contemplated under the Agreement
“Director(s)”	director(s) of the Company
“Existing Shareholder”	Zheng Fang (鄭芳), a PRC resident and a merchant
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Company”	a company incorporated in Hong Kong with limited liability and wholly-owned by the Target Company immediately prior to the Completion
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Green Source Global Limited (翠源環球有限公司), a company incorporated in the British Virgin Islands with limited liability
“Subscription”	the subscription of the Subscription Shares pursuant to the terms and conditions of the Agreement
“Subscription Price”	the subscription price for the Subscription payable by the Subscriber to the Target Company pursuant to the Agreement
“Subscription Shares”	10,000 new shares of the Target Company to be issued and allotted by the Target Company pursuant to the Subscription
“Target Company”	H. Sterling LNG Terminal Holding Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company, Hong Kong Company and Yantai LNG Terminal Project Company
“Yantai LNG Terminal Project”	the Yantai Port West Port Area Liquefied Natural Gas Terminal Project* (煙台港西港區液化天然氣接收站項目) of Yantai LNG Terminal Project Company
“Yantai LNG Terminal Project Company”	a company holding Yantai LNG Terminal Project and incorporated in the PRC with limited liability

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

Hong Kong, 9 August 2021

*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.*

\* *for identification purposes only*