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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)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

INTERIM RESULTS

The board of directors (the “Board” or “Directors”) of Elegance Optical International Holdings Limited (the “Company”) would like to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2019 (“Period”) together with the comparative figures for the corresponding period in 2018 as set out below:

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended	
		30 September	
		2019	2018
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	4	45,491	117,925
Cost of sales and services		(42,006)	(107,115)
Gross profit		3,485	10,810
Other income	4	1,001	957
Selling and distribution expenses		(569)	(1,199)
Administrative expenses		(32,087)	(37,215)
Other operating expense, net	6	1,900	(147)
Finance costs	5	(1,652)	(1,184)
Share of profits of a joint venture		258	165
Share of profit/(loss) of an associate		5,942	(426)
LOSS BEFORE TAX	6	(21,722)	(28,239)
Income tax credit/(expense)	7	1,479	(603)
LOSS FOR THE PERIOD		(20,243)	(28,842)

		For the six months ended	
		30 September	
		2019	2018
		(Unaudited)	(Unaudited)
<i>Notes</i>		HK\$'000	HK\$'000
Loss for the Period attributable to:			
	Owners of the Company	(20,578)	(26,979)
	Non-controlling interests	335	(1,863)
		<u>(20,243)</u>	<u>(28,842)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
	Basic	(5.09) HK cents	(6.82) HK cents
	Diluted	N/A	N/A

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LOSS FOR THE PERIOD	<u>(20,243)</u>	<u>(28,842)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Share of exchange differences on translation of a joint venture	(5)	(7)
Share of exchange differences on translation of an associate	(48)	(260)
Exchange differences on translation of foreign operations	<u>(982)</u>	<u>(1,921)</u>
OTHER COMPREHENSIVE (EXPENSE)/ INCOME FOR THE PERIOD, NET OF TAX	<u>(1,035)</u>	<u>(2,188)</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX	<u>(21,278)</u>	<u>(31,030)</u>
Total comprehensive expense for the Period attributable to:		
Owners of the Company	(21,630)	(28,496)
Non-controlling interests	<u>352</u>	<u>(2,534)</u>
	<u>(21,278)</u>	<u>(31,030)</u>

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

		30 September 2019 (Unaudited) <i>HK\$'000</i>	31 March 2019 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		51,576	58,141
Investment properties		72,317	77,457
Right-of-use assets		11,785	4,163
Investment in an associate		105,928	99,985
Investment in a joint venture		–	–
Financial assets at fair value through other comprehensive income		290	290
Prepayments and deposits		230	1,880
		242,126	241,916
CURRENT ASSETS			
Inventories		6,785	7,784
Trade receivables	<i>10</i>	16,278	25,623
Loan and interest receivables	<i>11</i>	20,824	20,022
Prepayments, deposits and other receivables		131,282	111,750
Equity investments at fair value through profit or loss		3,824	6,705
Cash and cash equivalents		17,846	13,937
		196,839	185,821
CURRENT LIABILITIES			
Trade payables	<i>12</i>	21,732	7,707
Contract liabilities		13,542	12,639
Other payables, accruals, deposits received and deferred income	<i>13</i>	63,385	67,924
Obligation under finance leases		551	1,255
Interest-bearing bank and other borrowings		37,023	20,749
Income tax payable		15,525	16,340
Lease liabilities		574	–
		152,332	126,614
NET CURRENT ASSETS		44,507	59,207
TOTAL ASSETS LESS CURRENT LIABILITIES		286,633	301,123

		30 September 2019 (Unaudited) <i>Notes</i> <i>HK\$'000</i>	31 March 2019 (Audited) <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Deposits received and deferred income	<i>13</i>	70	159
Deferred tax liabilities		2,225	2,225
Obligation under finance leases		–	291
Lease liabilities		7,491	–
		<u>9,786</u>	<u>2,675</u>
NET ASSETS		<u>276,847</u>	<u>298,448</u>
EQUITY			
Share capital	<i>14</i>	40,437	40,437
Reserves		241,268	262,982
		<u>281,705</u>	<u>303,419</u>
Equity attributable to owners of the Company		281,705	303,419
Non-controlling interests		(4,858)	(4,971)
		<u>276,847</u>	<u>298,448</u>
TOTAL EQUITY		<u>276,847</u>	<u>298,448</u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATION INFORMATION

The unaudited interim condensed consolidated financial statements of Elegance Optical International Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2019 were authorised for issue in accordance with a resolution of the directors on 29 November 2019.

The Company is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

During the Period, the Company was engaged in investment holding and the Group was engaged in the manufacture and trading of optical frames and sunglasses, property investment, investment in debts and securities, film investment and distribution business and money lending business.

2.1 ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2019 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial statements are same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2019, except for the adoption of certain revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) for the first time in the current period as described in note 2.2 below.

Basis of preparation

The financial statements have been prepared under the historical cost convention, except for the investment properties; a financial asset at fair value through other comprehensive income and equity investments at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2019, except for the adoption of the following revised standards effective as of 1 April 2019.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements. The Group has also not applied any new or amended standards that are not effective in respect of the current period.

HKFRS 16 Leases

Until the 2019 financial year, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in substance fixed payments).

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

The Group has adopted HKFRS 16 from 1 April 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019.

The Group elected the modified retrospective approach for the application of HKFRS 16 as lessee and recognised the cumulative effect of initial application without restating comparative information.

3. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has five reportable operating segments as follows:

- (a) the manufacturing and trading segment engaged in manufacture and trading of optical frames and sunglasses;
- (b) the property investment segment engaged in leasing of properties for rental income;
- (c) the debts and securities investment segment engaged in investments in financial instruments and quoted shares;
- (d) the film investment and distribution segment engaged in film right and movie investments and distributions; and
- (e) the money lending business segment engaged in money lending activities.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, finance costs and unallocated gains as well as corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude unallocated corporate assets, including cash and cash equivalents, as these assets are managed on a group basis.

Segment liabilities exclude unallocated and corporate liabilities, including interest-bearing bank and other borrowings, tax payable and deferred tax liabilities, as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	Manufacturing and trading <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Debts and securities investment <i>HK\$'000</i>	Film investment and distribution <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended						
30 September 2019 (unaudited)						
Segment revenue:						
Revenue from external customers	<u>36,760</u>	<u>1,284</u>	<u>(753)</u>	<u>7,398</u>	<u>802</u>	<u>45,491</u>
Segment results	(17,186)	1,268	(1,804)	(4,042)	691	(21,073)
Bank interest income						7
Corporate and other unallocated expenses						(5,206)
Finance costs						(1,652)
Share of profit of a joint venture						258
Share of profit of an associate						<u>5,942</u>
Loss before tax						<u>(21,722)</u>
At 30 September 2019 (unaudited)						
Segment assets	124,905	72,419	4,445	209,723	20,827	432,319
Corporate and other unallocated assets						<u>6,646</u>
Total assets						<u>438,965</u>
Segment liabilities	86,870	147	9	42,347	46	129,419
Corporate and other unallocated liabilities						<u>30,546</u>
Total liabilities						<u>159,965</u>

	Manufacturing and trading <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Debts and securities investment <i>HK\$'000</i>	Film investment and distribution <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended						
30 September 2018 (unaudited)						
Segment revenue:						
Revenue from external customers	<u>110,231</u>	<u>1,162</u>	<u>903</u>	<u>1,736</u>	<u>3,893</u>	<u>117,925</u>
Segment results	(28,815)	595	(253)	(2,156)	3,567	(27,062)
Bank interest income						7
Unallocated gains						–
Corporate and other unallocated expenses						–
Finance costs						<u>(1,184)</u>
Loss before tax						<u>(28,239)</u>
At 31 March 2019 (audited)						
Segment assets	124,127	77,457	6,705	184,809	20,702	413,800
Corporate and other unallocated assets						<u>13,937</u>
Total assets						<u>427,737</u>
Segment liabilities	72,046	354	–	17,575	–	89,975
Corporate and other unallocated liabilities						<u>39,314</u>
Total liabilities						<u>129,289</u>

Geographical information

(a) Revenue from external customers

	For the six months ended	
	30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
America	24,725	27,924
Europe	8,739	12,797
The People's Republic of China (the "PRC") (including Hong Kong)	9,358	75,727
Other Asian countries	2,469	1,165
Others	200	312
	<u>45,491</u>	<u>117,925</u>

The revenue information above is based on the locations of the customers. The PRC (including Hong Kong) segment mainly represents gain or loss on debts and securities investment, rental income from leases located in Hong Kong and the PRC, interest income from money lending business, sales of eyewear products to local agents and retailers in Hong Kong and film distribution income. The Directors believe that the agents in Hong Kong export most of the Group's products to Europe and America.

(b) Non-current assets

All significant operating assets of the Group are located in the PRC (including Hong Kong). Accordingly, no geographical information of segment assets is presented.

Information about major customers attributable to manufacturing and trading

	For the six months ended	
	30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Customer A	17,916	16,042
Customer B	N/A ¹	66,641
Total	<u>17,916</u>	<u>82,683</u>

¹ The revenue derived from this customer amounted to less than 10% of the Group's revenue during the Period.

4. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, gross rental income, fair value gain or loss on and dividend income from equity investments at fair value through profit or loss, film distribution income and interest income on money lending business.

An analysis of the Group's revenue and other income is as follows:

	For the six months ended	
	30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Sales of goods	36,760	110,231
Rental income	1,284	1,162
Fair value gains/(loss) on equity investments at fair value through profit and loss, net	(753)	903
Interest income on money lending business	802	3,893
Film distribution agency and commission income	7,398	1,736
	<u>45,491</u>	<u>117,925</u>
Other income		
Sales of scrap materials	23	68
Bank interest income	7	7
Handling income	234	–
Accounting service fee	540	540
Others	197	342
	<u>1,001</u>	<u>957</u>

5. FINANCE COSTS

	For the six months ended	
	30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank and other loans	1,287	1,140
Interest on finance leases	21	44
Interest on lease liabilities	344	–
	<u>1,652</u>	<u>1,184</u>

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	For the six months ended	
	30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold*	35,170	100,062
Depreciation	3,881	5,735
Amortisation of prepaid land lease payments	56	59
Depreciation of right-of-use assets	146	–
Minimum lease payments under operating leases in respect of land and buildings	1,757	3,476
Employee benefits expense (including directors' remunerations):		
Wages and salaries	13,575	17,079
Termination payment	2,492	2,230
Pension scheme contributions**	877	1,543
	16,944	20,852
Gross rental income	1,284	1,162
Less: direct operating expenses (including repairs and maintenance arising from rental-earning investment properties)*	(16)	(18)
Net rental income	1,268	1,144
Provision for inventory obsolescence*	–	2,309
Foreign exchange differences, net	1,976	2,866
Other operating expenses/(income), net:		
Gain on disposal of items of property, plant and equipment	(1,900)	(15)
Impairment loss of trade receivables	–	4
Impairment loss on an investment in joint venture	–	158
	(1,900)	147

* Included in "cost of sales" on the face of the unaudited interim condensed consolidated statement of profit or loss.

** At the end of the reporting period, the Group had no forfeited pension scheme contributions available to reduce its contributions to the pension schemes in future years (six months ended 30 September 2018: Nil).

7. INCOME TAX

	For the six months ended	
	30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong – Charge for the Period	–	(603)
Current – Elsewhere – Overprovision in prior years	<u>1,479</u>	<u>–</u>
Total tax charge for the Period	<u><u>1,479</u></u>	<u><u>603</u></u>

Hong Kong profits tax has been provided as the Group generated assessable profits in Hong Kong during the Period. Taxes on assessable profits elsewhere have been provided and calculated at the tax rates prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

8. INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share is based on the loss for the Period attributable to owners of the Company of approximately HK\$20,578,000 (six months ended 30 September 2018: HK\$26,979,000) and the weighted average number of 404,369,123 (six months ended 30 September 2018: 395,490,002) ordinary shares of the Company in issue during the Period.

No diluted loss per share is presented as the Group had no potentially dilutive ordinary shares in issue during the period ended 30 September 2019 and 2018 or as at those dates.

10. TRADE RECEIVABLES

	30 September	31 March
	2019	2019
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivables	16,598	25,943
Impairment	<u>(320)</u>	<u>(320)</u>
	<u><u>16,278</u></u>	<u><u>25,623</u></u>

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally ranging from 45 to 120 days (31 March 2019: 45 to 120 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

An aged analysis of trade receivables as at 30 September 2019 and 31 March 2019, based on the invoice date and net of provisions, is as follows:

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Within 90 days	6,958	17,734
91–180 days	2	7,851
181–360 days	8,922	38
Over 360 days	396	–
	<u>16,278</u>	<u>25,623</u>

11. LOAN AND INTEREST RECEIVABLES

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Loan and interest receivables, unsecured	49,668	48,866
Less: impairment loss recognised	<u>(28,844)</u>	<u>(28,844)</u>
	<u>20,824</u>	<u>20,022</u>

These loan receivables are stated at amortised cost at effective interest rates ranging from 10% to 20%. The credit terms of these loan receivables range from 3 months to 1 year. As these loan receivables relate to a number of different borrowers, the Directors of the Company are of the opinion that there is no concentration of credit risk over these loan receivables. The grants of these loans were approved and monitored by the Group's management. The Group does not hold any collateral or other credit enhancement over its loan receivable balances. The carrying amounts of these loan receivables approximate to their fair values.

The aged analysis of the loan and interest receivables that are not considered to be impaired is as follows:

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Neither past due nor impaired	<u>20,824</u>	<u>20,022</u>

Receivables that were neither past due nor impaired relate to diversified customers for whom there was no recent history of default.

12. TRADE PAYABLES

The following is an aged analysis of the trade payables as at 30 September 2019 and 31 March 2019 based on the payment due date:

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Within 90 days	21,300	7,208
91 – 180 days	87	153
181 – 360 days	9	15
Over 360 days	<u>336</u>	<u>331</u>
Total	<u>21,732</u>	<u>7,707</u>

13. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED AND DEFERRED INCOME

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Amount due to a related party	–	9,813
Other payables	17,510	12,968
Accruals	16,046	14,718
Deposits received	<u>29,899</u>	<u>30,584</u>
	63,455	68,083
Less: Non-current portion	<u>(70)</u>	<u>(159)</u>
	<u>63,385</u>	<u>67,924</u>

Other than the non-current portion of rental deposits received which are non-interest-bearing and not repayable within one year, the remaining balances are non-interest-bearing and repayable on demand.

Included in other payables is the amount of approximately HK\$2,416,000 (2018: Nil) in dispute under the winding up petition filed against the Company (Note 15).

14. SHARE CAPITAL

	As at 30 September 2019 HK\$'000	As at 31 March 2019 HK\$'000
Authorised:		
1,000,000,000 shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
404,369,123 (31 March 2019: 404,369,123) ordinary shares of HK\$0.10 each	<u>40,437</u>	<u>40,437</u>

15. EVENTS AFTER THE REPORTING PERIOD

Winding Up Petition

On 11 October 2019, the Board received a winding up petition (the “Winding Up Petition”) filed by the Bapton Company Limited (the “Petitioner”) against the Company under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) in the High Court of The Hong Kong Special Administrative Region (the “High Court”). The Winding Up Petition was filed against the Company for failure to settle a judgement debt in the sum of HK\$4,083,202.75 (the “Judgement Debt”), being the outstanding rent, with interest accrued owed by the Company to the Petitioner as at 30 August 2019, and further interest up to date of full payment. The hearing in relation to Winding Up Petition was scheduled to held on 4 December 2019. The Judgement Debt was recognised and included in other payables (note 13).

On 8 November 2019, the Company paid an agreed amount to the Petitioner for full and final settlement of all matters of the Winding Up Petition and the related High Court proceedings. The Company and the Petitioner had signed a Consent Summons pursuant to which the Petitioner agreed to withdraw the Winding Up Petition and that the Hearing shall be vacated. The Consent Summons was filed on 11 November 2019. Please refer to the announcement of the Company titled “Inside Information – Withdrawal of Winding-Up Petition and Continued Suspension of Trading” published on 8 November 2019 for details.

As at the date of this announcement, the Company is still awaiting the determination of the High Court in respect to the Consent Summons.

Statutory Demand

On 11 September 2019, the Company received a letter from the solicitor acting on behalf of a creditor (the “Creditor”) claiming that a statutory demand (the “Statutory Demand”) pursuant to Section 327 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32) was served on the Company by the Creditor on 4 June 2019 to demand for payment of HK\$10,410,000.00, being the loan principal and accrued interest owed by the Company (the “Debt”). The Debt was recognised and included in interest-bearing bank and other borrowings of the Group as at 31 March 2019. Please refer to the announcement of the Company titled “Insider Information – Statutory Demand and Continued Suspension of Trading” published on 11 September 2019 for details.

On 1 November 2019, the Company and the Creditor entered into a settlement agreement (“Settlement Agreement”). Pursuant to the Settlement Agreement, upon the payment of the accrued interest, both the Company and the Creditor agreed to extend the maturity date of the Debt and that all claims, demands and causes of action against the Company would be released and discharged forever subject to the terms and conditions of the Settlement Agreement.

Money Lenders Licence

Due to the increase in uncertainty in the worldwide economic environment, the Group had decided not to renew its money lenders licence in the preceding financial year and would not grant any new loans to borrowers.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the Period, the Group recorded a loss before taxation of approximately HK\$21.7 million, and the loss attributable to the owners of the Group for the Period was approximately HK\$20.6 million as compared with a loss before taxation of approximately HK\$28.2 million for the corresponding period in last year.

Total revenue of the Group comprised of 5 segments, i.e. the manufacturing and trading of optical frames and sunglasses, property investment, debts and securities investment, film investment and distribution and money lending business. Total revenue for the Period was approximately HK\$45.5 million. As compared to approximately HK\$117.9 million recorded for the corresponding period in last year, it represents a drop of approximately 61.4%. The Group's overall revenues was primarily attributed to the sales of optical frames and sunglasses, with a decrease by approximately 66.7% or approximately HK\$73.5 million to approximately HK\$36.8 million for the Period. (30 September 2018: HK\$110.2 million).

For property investment, rental income increased from approximately HK\$1.16 million as at 30 September 2018 to approximately HK\$1.29 million in at 30 September 2019. However, it remained relatively insignificant to the Group's operation.

For investments in listed securities, loss of approximately HK\$0.76 million was recorded for the Period compare to gains of approximately HK\$0.90 million for the six months ended 30 September 2018. The fair value of the Group's securities investment amounted to approximately HK\$3.82 million as at 30 September 2019.

For money lending business, interest income was approximately HK\$0.80 million (30 September 2018: HK\$3.89 million). Due to the increase in uncertainty in the worldwide economic environment, the Group had decided not to renew its money lenders licence in the preceding financial year. No new loans were granted to borrowers for the Period.

For film and distribution segment, Flimko Culture Limited, whose 25% interest was acquired by the Group in July 2018, recorded a profit after tax of approximately HK\$23.7 million for the Period.

PROSPECT

The Group considers both the local and global economy has been facing numerous downside risk and believed the business environment, stock and property markets will remain unstable and challenging for quite a period of time with the impact of US-China trade war. The Group will continue to adopt a prudent approach in the development of its eyewear business, debts and securities investment and property investment.

The Group would not grant any new loans to borrowers as the money lenders licence had not been renewed. The Group will continue to perform ongoing evaluation of the financial conditions of its existing clients to reduce its exposure to credit risk. The Group will allocate more resources for other business segments of the Group accordingly.

For film and distribution, given that PRC has the world's second largest film market after US, even in first half year of 2019 the overall industry growth speed has slowed down compare to a vast growth rate in previous years, the Group is still cautiously optimistic regarding the opportunities in the PRC film market.

The Group will continue to expand its film business, extend the upstream and downstream industry chain of the film business and expand into the cultural and entertainment industry. The Group also intends to invest in TV drama, script and film and television copyright trading, and other related film and cultural entertainment industry investment businesses when suitable opportunities arise.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2019, the Company had no capital commitments, which were contracted but not provided for, in respect of acquisition of property, plant and equipment (2018: Nil). As at 30 September 2019, the Company had no contingent liabilities (2018: Nil) in respect of corporate guarantees given to banks for the general banking facilities granted to its subsidiaries.

EVENTS AFTER THE REPORTING PERIOD

The following relevant amounts were recognised accordingly in the unaudited condensed consolidated financial statements for the Period.

Winding Up Petition

On 11 October 2019, the Board received a winding up petition (the "Winding Up Petition") filed by the Bapton Company Limited (the "Petitioner") against the Company under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32) in the High Court of The Hong Kong Special Administrative Region (the "High Court"). The Winding Up Petition was filed against the Company for failure to settle a judgement debt in the sum of HK\$4,083,202.75 (the "Judgement Debt"), being the outstanding rent, with interest accrued owed by the Company to the Petitioner as at 30 August 2019, and further interest up to date of full payment. The hearing in relation to Winding Up Petition was scheduled to held on 4 December 2019 ("Hearing"). The Judgement Debt was recognised and included in other payables (note 13).

On 8 November 2019, the Company paid an agreed amount to the Petitioner for full and final settlement of all matters of the Winding Up Petition and the related High Court proceedings. The Company and the Petitioner had signed a Consent Summons, pursuant to which the Petitioner agreed to withdraw the Winding Up Petition and that the Hearing

shall be vacated. The Consent Summons was filed on 11 November 2019. Please refer to the announcement of the Company titled “Inside Information – Withdrawal of Winding-Up Petition and Continued Suspension of Trading” published on 8 November 2019 for details.

As at the date of this announcement, the Company is still awaiting the determination of the High Court in respect to the Consent Summons.

Statutory Demand

On 11 September 2019, the Company received a letter from the solicitor acting on behalf of a creditor (the “Creditor”) claiming that a statutory demand (the “Statutory Demand”) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32) was served on the Company by the Creditor on 4 June 2019 to demand for payment of HK\$10,410,000.00, being the loan principal and accrued interest owed by the Company (the “Debt”). The Debt was recognised and included in interest-bearing bank and other borrowings of the Group as at 31 March 2019. Please refer to the announcement of the Company titled “Insider Information – Statutory Demand and Continued Suspension of Trading” published on 11 September 2019 for details.

On 1 November 2019, the Company and the Creditor entered into a settlement agreement (“Settlement Agreement”). Pursuant to the Settlement Agreement, upon the payment of the accrued interest, both the Company and the Creditor agreed to extend the maturity date of the Debt and that all claims, demands and causes of action against the Company would be released and discharged forever subject to the terms and conditions of the Settlement Agreement.

Money Lenders Licence

Due to the increase in uncertainty in the worldwide economic environment, the Group had decided not to renew its money lender licence in the preceding financial year and would not grant any new loans to borrowers.

LIQUIDITY AND FINANCIAL RESOURCES

The Group’s financial position with cash and cash equivalents of approximately HK\$17.8 million (31 March 2019: HK\$13.9 million), short-term borrowings of approximately HK\$37.0 million (31 March 2019: HK\$20.7 million) and the debt to equity ratio (expressed as a percentage of non-current liabilities over equity attributable to owners of the Company) is approximately 3.5% as at 30 September 2019 (31 March 2019: 0.9%). The non-current liabilities of the Company mainly comprised of deferred tax liabilities, deposit received and lease liabilities amounting to approximately HK\$2.2 million, HK\$0.07 million and HK\$7.49 million respectively (31 March 2019: HK\$2.2 million, HK\$0.2 million and nil) which came up a total amount of approximately HK\$9.8 million as at 30 September 2019 (31 March 2019: HK\$2.7 million). The Group’s equity attributable to owners of the Company as at 30 September 2019 amounted to approximately HK\$281.7 million (31 March 2019: HK\$303.4 million).

CORPORATE GOVERNANCE

During the six months ended 30 September 2019, the Company has adopted and complied with the applicable code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), except for the following deviations:

Code provision A.2

Code provision A.2 stipulates that there should be a clear division of responsibilities between management of the Board and the day-to-day management of business. During the Period, the Board did not appoint any Director as its Chairman. The Board will review the present situation in the coming regular meetings as appropriate.

Code provision A.4.1

Code provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. Each of the existing independent non-executive Directors of the Company does not have a specific term of appointment but is subject to retirement by rotation and re-election at the annual general meetings pursuant to the Bye-laws of the Company. The Bye-laws require that every Director will retire from office no later than the third annual general meeting of the Company after he was last elected or re-elected. Further, any person appointed by the Board to fill a casual vacancy or as an additional director (including non-executive Director) will hold office only until the next general meeting and will then be eligible for re-election. As such, the Board considers that such requirements are sufficient to meet the underlying objectives of the relevant code provision.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in the Appendix 10 of the Listing Rules. Having made specific enquiry of all directors of the Company, all of them confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the period under review.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the six months ended 30 September 2019.

REVIEW OF UNAUDITED INTERIM RESULTS

The unaudited condensed consolidated interim financial information for the six months ended 30 September 2019 has not been reviewed nor audited by the Company's auditor, CCTH CPA Limited, but has been reviewed by the audit committee of the Company, which comprises the three independent non-executive Directors of the Company.

PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange at (<https://www.hkexnews.hk>) and the Company (<http://www.irasia.com/listco/hk/eleganceoptical>). The interim report of the Company for the six months ended 30 September 2019 will be dispatched to the shareholders of the Company and will be available on the aforesaid websites in due course.

By order of the Board
Elegance Optical International Holdings Limited
Chung Yuk Lun
Executive Director

Hong Kong, 29 November 2019

As at the date of this announcement, the executive Directors are Mr. Chung Yuk Lun and Mr. Chan Chung Yin, Victor and the independent non-executive Directors are Mr. Man Wai Lun, Mr. Cheng Chun Man and Mr. Tang, Warren Louis.