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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)

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

The board of directors (the “**Board**” or “**Directors**”) of Elegance Optical International Holdings Limited (the “**Company**”) would like to announce the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2020 together with the comparative figures for 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
REVENUE	4	66,246	178,951
Cost of sales and services		<u>(58,635)</u>	<u>(162,091)</u>
Gross profit		7,611	16,860
Other income and gains	4	8,996	4,736
Selling and distribution expenses		(1,749)	(3,009)
Administrative expenses		(74,285)	(81,575)
Other operating expenses	5	(48,670)	(50,017)
Finance costs	6	(5,111)	(2,231)
Share of profit of a joint venture		103	350
Share of profit of an associate		<u>10,712</u>	<u>11,525</u>
LOSS BEFORE TAX	7	(102,393)	(103,361)
Income tax credit	8	708	520
LOSS FOR THE YEAR		<u>(101,685)</u>	<u>(102,841)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)**Year ended 31 March 2020*

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year attributable to:			
Owners of the Company		(98,399)	(99,090)
Non-controlling interests		(3,286)	(3,751)
		<u>(101,685)</u>	<u>(102,841)</u>
		2020 <i>HK cents</i>	2019 <i>HK cents</i> (Restated)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic	<i>10</i>	<u>(22.24)</u>	<u>(23.83)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(101,685)</u>	<u>(102,841)</u>
OTHER COMPREHENSIVE (EXPENSE)/INCOME		
Items that may be reclassified to profit or loss in subsequent periods:		
Share of exchange differences on translation of a joint venture	73	13
Share of exchange differences on translation of an associate	(1,154)	(540)
Exchange differences on translation of foreign operations	<u>(2,148)</u>	<u>463</u>
	<u>(3,229)</u>	<u>(64)</u>
Items that may not be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation, net of tax	<u>1,012</u>	<u>–</u>
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR	<u>(2,217)</u>	<u>(64)</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	<u><u>(103,902)</u></u>	<u><u>(102,905)</u></u>
Total comprehensive expense for the year attributable to:		
Owners of the Company	(100,036)	(98,702)
Non-controlling interests	<u>(3,866)</u>	<u>(4,203)</u>
	<u><u>(103,902)</u></u>	<u><u>(102,905)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		44,027	58,141
Right-of-use assets		20,387	–
Investment properties		69,382	77,457
Intangible assets		10,250	–
Prepaid land lease payments		–	4,163
Investment in an associate		91,000	99,985
Investment in a joint venture		–	–
Financial assets at fair value through other comprehensive income		–	290
Prepayments and deposits		230	1,880
		<u>235,276</u>	<u>241,916</u>
CURRENT ASSETS			
Inventories		8,802	7,784
Trade receivables	11	8,338	25,623
Loan and interest receivables	12	11,129	20,022
Prepayments, deposits and other receivables		36,656	111,750
Financial assets at fair value through profit or loss		51,022	6,705
Cash and cash equivalents		28,441	13,937
		<u>144,388</u>	<u>185,821</u>
CURRENT LIABILITIES			
Trade payables	13	5,113	7,707
Contract liabilities		7,279	12,639
Other payables, accruals and deposits received	14	72,918	67,924
Interest-bearing bank and other borrowings		30,513	20,749
Obligations under finance leases		–	1,255
Lease liabilities		90	–
Income tax payable		15,528	16,340
		<u>131,441</u>	<u>126,614</u>
NET CURRENT ASSETS		<u>12,947</u>	<u>59,207</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>248,223</u>	<u>301,123</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)**As at 31 March 2020*

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Deposits received	<i>14</i>	67	159
Deferred tax liabilities		2,351	2,225
Obligations under finance leases		–	291
Interest-bearing other borrowings		8,262	–
Lease liabilities		16,985	–
		<hr/> 27,665	<hr/> 2,675
Net assets		<hr/> 220,558	<hr/> 298,448
EQUITY			
Share capital	<i>15</i>	60,655	40,437
Reserves		168,740	262,982
		<hr/> 229,395	<hr/> 303,419
Equity attributable to owners of the Company		229,395	303,419
Non-controlling interests		(8,837)	(4,971)
		<hr/> 220,558	<hr/> 298,448
Total equity		<hr/> 220,558	<hr/> 298,448

NOTES

1. GENERAL INFORMATION

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.

The Company acts as an investment holding company. The Company's subsidiaries are principally engaged in the manufacture and trading of optical frames and sunglasses, property investment, investment in debts and securities and film investment and distribution business.

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), except otherwise indicated.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised HKFRSs applied in the current year

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 16	Leases
HKFRIC-Int 23	Uncertainty over Income Tax Treatments
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
Amendment to HKFRSs	Annual Improvements 2015-2017 cycle

Other than as explained below regarding the impact of HKFRS 16 "Leases", the application of other new and amended standards effective in respect of the current year had no material impact on the Group's financial position and financial performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17") and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application. For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease. The application of new definition of a lease had no material impact on the Group's financial position on 1 April 2019.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities. Comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;
- (ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- (iv) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis; and
- (v) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the relevant group entities range from 3.0% to 9.0% per annum.

	At 1 April 2019 <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	32,360
Lease liabilities discounted at relevant incremental borrowing rates	20,440
Less: Practical expedient – leases with lease term ending within 12 months from the date of initial application	(79)
Add: Obligations under finance leases recognised at 31 March 2019	413
Lease liabilities as at 1 April 2019	20,774
Analysed as	
Current	2,160
Non-current	18,614
	20,774

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Right-of-use assets <i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	20,361
Reclassified from prepaid lease payments	4,279
Amounts included in property, plant and equipment under HKAS 17	
– Assets previously under finance leases	466
	<u>25,106</u>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included:

	Carrying amounts previously reported at 31 March 2019 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 April 2019 <i>HK\$'000</i>
Non-current Assets	241,916	20,477	262,393
Right-of-use assets	–	25,106	25,106
Prepaid land lease payments	4,163	(4,163)	–
Property, plant and equipment	58,141	(466)	57,675
Current Asset	185,821	(116)	185,705
Prepayment, deposits and other receivables	111,750	(116)	111,634
Current Liabilities	126,614	2,038	128,652
Lease liabilities	–	2,160	2,160
Obligation under finance leases	1,255	(122)	1,133
Non-Current Liabilities	2,675	18,323	20,998
Lease liabilities	–	18,614	18,614
Obligation under finance leases	291	(291)	–

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 April 2020.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 April 2020.

The directors of the Company anticipate that the application of the new and amendments to HKFRSs that are not yet effective will have no material impact on the consolidated financial statements in the foreseeable future.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments (2019: 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; and
- (d) the film investment and distribution segment engaged in film right and movie investments and distributions.

The 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 bank interest income, interest income from loan receivables, finance costs and unallocated gains as well as corporate and other unallocated expenses are excluded from such measurement.

In the current year, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. In view of downsizing of money lending business, the Group managed the resource previously under money lending business on a group basis for current year. As a result, no separate segment information is presented for money lending business.

Segment assets exclude other unallocated head office and corporate assets, including cash and cash equivalents, investments in and balances with a joint venture, property, plant and equipment and loan and interest receivables, as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities, including interest-bearing bank and other borrowings, tax payable, deferred tax liabilities and other payables, accruals and deposits received, 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>	Total <i>HK\$'000</i>
In respect of the year ended					
31 March 2020					
Segment revenue	62,609	2,768	–	1,529	66,906
Inter-segment revenue	–	(660)	–	–	(660)
	<u>62,609</u>	<u>2,108</u>	<u>–</u>	<u>1,529</u>	<u>66,246</u>
Revenue from external customers	<u>62,609</u>	<u>2,108</u>	<u>–</u>	<u>1,529</u>	<u>66,246</u>
Segment loss	(35,360)	(5,006)	(1,588)	(53,108)	(95,062)
Bank interest income					23
Interest income from loan receivables					2,187
Corporate and other unallocated expenses					(15,245)
Finance costs					(5,111)
Share of profit of a joint venture	103	–	–	–	103
Share of profit of an associate	–	–	–	10,712	10,712
	<u>–</u>	<u>–</u>	<u>–</u>	<u>10,712</u>	<u>10,712</u>
Loss before tax					<u>(102,393)</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>	Total <i>HK\$'000</i>
Segment assets	<u>109,925</u>	<u>69,865</u>	<u>5,967</u>	<u>154,316</u>	340,073
Corporate and other unallocated assets					<u>39,591</u>
Total assets					<u>379,664</u>
Segment liabilities	<u>74,233</u>	<u>795</u>	<u>35</u>	<u>24,625</u>	99,688
Corporate and other unallocated liabilities					<u>59,418</u>
Total liabilities					<u>159,106</u>
Other segment information:					
Share of profit of a joint venture	103	-	-	-	103
Share of profit of an associate	-	-	-	10,712	10,712
Depreciation and amortisation Unallocated	(5,480)	(309)	-	(3,150)	(8,939) <u>(299)</u>
					<u>(9,238)</u>
Provision for inventory obsolescence	(66)	-	-	-	(66)
Impairment of trade receivables	(2,013)	-	-	-	(2,013)
Impairment of loan and interest receivables Unallocated	-	-	-	-	- <u>(9,480)</u>
					<u>(9,480)</u>
Reversal of impairment loss on investment in and loan to a joint venture	98	-	-	-	98
Additions to items of property, plant and equipment	1,087	-	-	279	1,366
Impairment loss on investment in an associate	-	-	-	(18,543)	<u>(18,543)</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>
In respect of the year ended						
31 March 2019						
Segment revenue	169,287	2,644	1,300	1,102	4,948	179,281
Inter-segment revenue	–	(330)	–	–	–	(330)
Revenue from external customers	169,287	2,314	1,300	1,102	4,948	178,951
Segment (loss)/profit	(45,611)	1,663	(686)	(27,830)	(24,328)	(96,792)
Bank interest income						13
Corporate and other unallocated expenses						(16,226)
Finance costs						(2,231)
Share of profit of a joint venture	350	–	–	–	–	350
Share of profit of an associate	–	–	–	11,525	–	11,525
Loss before tax						(103,361)
Segment assets	124,127	77,457	6,705	184,809	20,702	413,800
Corporate and other unallocated assets						13,937
Total assets						427,737
Segment liabilities	72,046	354	–	17,575	–	89,975
Corporate and other unallocated liabilities						39,314
Total liabilities						129,289
Other segment information:						
Share of profit of a joint venture	350	–	–	–	–	350
Share of profit of an associate	–	–	–	11,525	–	11,525
Depreciation and amortisation	(8,996)	(69)	(182)	(1,233)	–	(10,480)
Reversal of provision for inventory obsolescence	1,070	–	–	–	–	1,070
Impairment of trade receivables	(11)	–	–	–	–	(11)
Impairment of loan and interest receivables	–	–	–	–	(28,844)	(28,844)
Impairment loss on investment in and loan to a joint venture	(162)	–	–	–	–	(162)
Additions to items of property, plant and equipment	5,341	236	–	3,789	–	9,366
Impairment loss on investment in an associate	–	–	–	(21,000)	–	(21,000)

Geographical information

(a) Revenue from external customers

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Europe	14,485	23,733
America	40,586	53,859
The People's Republic of China ("PRC") (including Hong Kong)	8,884	96,908
Other Asian countries	2,091	3,674
Others	200	777
	<u>66,246</u>	<u>178,951</u>

The revenue information above is based on the locations of the customers. The PRC (including Hong Kong) segment mainly represents rental income from lessees located in the PRC (including Hong Kong), the sales of eyewear products to agents located in Hong Kong including sales made to local retailers, fair value gains on equity investments listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") and interest income from loans made in Hong Kong. The Directors are of the opinion that the agents in Hong Kong export the Group's products mainly to ultimate customers located in 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

Revenue from individual customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A – USA	28,911	30,174
Customer B – PRC	N/A*	82,220

* The revenue of customer B did not contribute over 10% of the total revenue of the Group for the year ended 31 March 2020.

4. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, gross rental income, and agency and commission income from film distribution.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue		
Sale of goods	62,609	169,287
Rental income from lease of investment properties	2,108	2,314
Interest income on money lending business	–	4,948
Film distribution agency and commission income	1,529	1,102
Fair value gains on financial assets at fair value through profit or loss, net		
– equity investments at fair value through profit or loss	–	1,300
	<u>66,246</u>	<u>178,951</u>
Other income and gains		
Sale of scrap materials	323	68
Accounting service fee	1,080	1,260
Bank interest income	23	13
Interest income from loan receivables	2,187	–
Rental income from lease of machineries	1,327	–
Fair value gains on financial assets at fair value through profit or loss, net		
– equity investments at fair value through profit or loss	2,306	–
Gain on disposal of items of property, plant and equipment	177	27
Gain on changes in fair values of investment properties	–	2,100
Write-back of other payables	692	363
Reversal of impairment loss on investment in and loan to joint venture	98	–
Others	783	905
	<u>8,996</u>	<u>4,736</u>

“Fair value gains on financial assets at fair value through profit or loss, net – equity investments at fair value through profit or loss” was previously presented in “revenue” for the year ended 31 March 2019. In order to conform with the current year's presentation, such amount is presented in “other income and gains” for the current year.

5. OTHER OPERATING EXPENSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Impairment of trade receivables (<i>note 11</i>)	2,013	11
Impairment of loan and interest receivables (<i>note 12</i>)	9,480	28,844
Impairment of other receivables	127	–
Impairment loss on investment in an associate	18,543	21,000
Impairment loss on investment in and loan to a joint venture	–	162
Impairment loss on property, plant and equipment	2,706	–
Loss on changes in fair value of investment properties	2,088	–
Fair value loss on financial assets at fair value through profit or loss – investments in film production	13,647	–
Others	66	–
	<u>48,670</u>	<u>50,017</u>

6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank and other borrowings	4,506	2,219
Interest on finance leases	30	12
Interest on lease liabilities	575	–
	<u>5,111</u>	<u>2,231</u>

7. LOSS BEFORE TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of inventories sold*	56,592	161,832
Depreciation of property, plant and equipment	6,077	10,364
Depreciation of right-of-use assets	1,411	–
Amortisation of prepaid land lease payments	–	116
Amortisation of intangible assets	1,750	–
Auditor's remuneration		
– audit service	1,225	1,200
– non-audit service	50	–
Minimum lease payments under operating leases in respect of land and buildings	–	7,199
Short-term leases expenses	2,164	–
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries and other benefits	32,938	49,952
Pension scheme contributions**	1,989	5,383
	<u>34,927</u>	<u>55,335</u>
Gross rental income	(2,108)	(2,314)
Less: Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties*	294	259
Net rental income	<u>(1,814)</u>	<u>(2,055)</u>
Provision/(reversal) for inventory obsolescence*	66	(1,070)
Foreign exchange losses, net	<u>4,569</u>	<u>2,285</u>

* Included in “cost of sales and services” on the face of the 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 (2019: Nil).

8. INCOME TAX CREDIT

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	–	–
Current – Elsewhere		
Charge for the year	(1)	(1)
Overprovision in prior years	779	637
Deferred tax charge	(70)	(116)
	<u>708</u>	<u>520</u>
Total tax credit for the year	<u>708</u>	<u>520</u>

No provision for the Hong Kong profits tax has been made as the Group does not generate any assessable profits for the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions, in which the Group operates.

9. DIVIDEND

The Board does not recommend payment of any dividend for the year ended 31 March 2020 (2019: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the year attributable to owners of the Company amounted to HK\$98,399,000 (2019: HK\$99,090,000), and the weighted average of approximately 442,398,000 (2019: 415,894,000) ordinary shares in issue during the year.

The weighted average number of ordinary shares adopted for the basic loss per share for the year ended 31 March 2019 has been adjusted to take account of the effect arising from for the rights issue of shares by the Company on 18 February 2020.

No diluted loss per share is presented as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2020 and 2019 or as at those dates.

11. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	10,671	25,943
Less: impairment loss recognised	(2,333)	(320)
	<u>8,338</u>	<u>25,623</u>

An aged analysis of the trade receivables as at the end of each reporting period, based on the invoice date and net of provisions, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 90 days	8,146	17,734
91 to 180 days	39	7,851
181 to 360 days	153	38
	<u>8,338</u>	<u>25,623</u>

Movements in the impairment loss recognised on trade receivables are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At beginning of year	320	309
Impairment losses recognised (<i>note 5</i>)	2,013	11
	<u>2,333</u>	<u>320</u>

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Neither past due nor impaired	4,408	12,152
Less than one month past due	3,017	5,239
One to three months past due	876	343
Over three months past due	37	7,889
	<u>8,338</u>	<u>25,623</u>

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

12. LOAN AND INTEREST RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loan and interest receivables, unsecured	21,249	48,866
Less: impairment loss recognised	<u>(10,120)</u>	<u>(28,844)</u>
	<u>11,129</u>	<u>20,022</u>

These loan receivables are stated at amortised cost at effective interest rates ranging from 10% to 15%. Loan and interest receivables thereon will be settled by the borrowers at their respective maturity dates within one 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.

Movements in the provision for impairment of loan receivables are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At beginning of the year	28,844	–
Impairment losses recognised for the year (<i>note 5</i>)	9,480	28,844
Written off for the year*	<u>(28,204)</u>	<u>–</u>
At the end of the year	<u>10,120</u>	<u>28,844</u>

* The loan and interest receivables amounting to HK\$28,204,000 relate to a number of different borrowers. The Group has taken up various actions, including litigation procedure for the repayment from long past due borrowers, and considered that the recovery of the amount is remote. Such loan and interest receivables were written off as a result of the management further assessment on the recoverability of these receivables.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Neither past due nor impaired	<u>11,129</u>	<u>20,022</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers. Based on past experience, the directors are of the opinion that except for the impairment loss made based on the expected credit loss provision, no additional provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality.

13. TRADE PAYABLES

An aged analysis of the trade payables as at the end of each reporting period, based on the payment due date, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 90 days	4,592	7,208
91 to 180 days	157	153
181 to 360 days	245	15
Over 360 days	119	331
	<u>5,113</u>	<u>7,707</u>

Trade payables are non-interest-bearing and are normally settled on 90-day (2019: 90-day) terms.

14. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Amounts due to related parties	15,319	9,813
Other payables	16,492	12,968
Accruals	11,920	14,718
Deposits received	29,254	30,584
	<u>72,985</u>	<u>68,083</u>
Less: Non-current portion	(67)	(159)
	<u>72,918</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 deposits received is payment received for the disposal of a subsidiary in prior years amounted to RMB26,000,000. Such balance was paid by the purchaser to another subsidiary of the Group. These deposits received and could be offset with disposal receivable amounting to RMB26,000,000 included in prepayments, deposits and other receivables on the face of the consolidated statement of financial position until the foreign currency remittance procedures are completed.

15. SHARE CAPITAL

	<i>2020</i> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Authorised:		
1,000,000,000 shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
606,553,684 (2019: 404,369,123) shares of HK\$0.10 each	<u>60,655</u>	<u>40,437</u>

Movements in the Company's issued share capital is as follows:

	Number of shares in issue	Share capital <i>HK\$'000</i>
At 1 April 2018	388,369,123	38,837
Issue of new shares (<i>Note a</i>)	<u>16,000,000</u>	<u>1,600</u>
At 31 March 2019 and 1 April 2019	404,369,123	40,437
Issue of new shares pursuant to rights issue (<i>Note b</i>)	<u>202,184,561</u>	<u>20,218</u>
At 31 March 2020	<u>606,553,684</u>	<u>60,655</u>

Note:

- (a) On 11 July 2018, 16,000,000 ordinary shares were allotted at the issue price of HK\$2.50 per share for an aggregate consideration of HK\$40,000,000. Such shares were issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company on 28 September 2017. Please refer to the announcement of the Company dated 11 July 2018 for details.
- (b) On 18 February 2020, the Company completed its rights issue and issued 202,184,561 rights shares on the basis of one rights share for every two existing shares, at the subscription price of HK\$0.14 per rights share (the “**rights issue**”). The net cash proceeds received from the rights issue amounted to approximately HK\$26,012,000, after share issue expenses of approximately HK\$2,293,000, are intended for the repayment of the Group's indebtedness and for the general working capital for the Group. The rights issue has increased the share capital and share premium of the Company by approximately HK\$20,218,000 and HK\$5,794,000 respectively. Those rights shares rank pari passu in all respects with the ordinary shares of the Company in issue on that date. Please refer to the announcement of the Company dated 17 February 2020.

DIVIDEND

The Board of the Company does not recommend the payment of any dividend for the year ended 31 March 2020 (“Year”) (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the Year, the Group recorded a loss before tax of approximately HK\$102.4 million. The loss attributable to the owners of the Company for the Year was approximately HK\$98.4 million (2019: approximately HK\$99.1 million).

Total revenue for the Year was approximately HK\$66.2 million. Compared to approximately HK\$179.0 million recorded for the year ended 31 March 2019, it represents a decrease of approximately 63.0%. The Group’s operations comprised of 4 segments, i.e. the manufacturing and trading of optical frames and sunglasses, property investment, debts and securities investment and film investment and distribution (2019: 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).

The largest part of total revenue came from the sales of optical frames and sunglasses. This decreased by approximately 63.0% or approximately HK\$106.7 million (2019: HK\$169.3 million). Eyewear sales noticeably decreased due to the Group’s termination of cooperation with a business strategic partner which contributed a significant amount of revenue in the past year.

For property investment, rental income decreased slightly from approximately HK\$2.3 million in 2019 to approximately HK\$2.1 million in 2020. However, it remained relatively insignificant to the Group’s operation.

For debts and securities investment segment, the Group has recorded a segment loss of approximately HK\$1.6 million (2019: HK\$0.7 million). The fair value of the Group’s securities investment amounted to approximately HK\$5.7 million as at 31 March 2020. The management will continue to adopt prudent approach in investment and monitor the stock markets closely. The Group will cautiously search for investment opportunities.

For film investment and distribution segment, Filmko Culture Limited, the holding company of a major film distributor in the PRC, whose 25% interest was acquired by the Group in July 2018, showed good performance in its film distribution business in the People’s Republic of China (the “PRC”). That company issued five films this year and recorded a profit after tax of approximately HK\$42.8 million, which had exceeded the profit guarantee.

PROSPECT

The Group is of the view that the manufacturing and trading of optical frames and sunglasses business for the coming financial year would be challenging. The unprecedented economic disruption from COVID-19 (“**COVID-19**”) has brought about volatility and challenges on a global scale. Even though the COVID-19 epidemic of certain regions seem under control, the Board believed that due to the economic shutdown is substantial and long-lasting, it is unable to estimate the impact as at the date of this announcement. The Group will consider whether to increase outsourcing the manufacturing and production of the products instead of utilising its own production capabilities, so as to achieve an optimal business model with reference to current and future market conditions.

However, on the other hand, the Group is of the view that the film market in the PRC is facing crisis as well as opportunities. The film market in the PRC maintained the momentum of continuous growth in 2019 and the box office of films in the PRC was RMB64,266 million, representing an increase of 5.4% over the corresponding period of 2018 and remaining the world’s second largest film market after the North America. The total number of overall screens in the PRC has increased by 9,708 to 69,787, ranking first in the world in movie screens for years and consolidating its leading position in the world. The cinema admission reached 1,727 million, representing an increase of 11 million as compared to 2018.

Due to the outbreak of the novel coronavirus epidemic in 2020, the film market was significantly affected with a loss of over RMB10 billion in the box office of films. However, as the epidemic in Mainland China was under control and the PRC has issued various favourable policies, including the Announcement on Temporary Exemption on National Special Funds on Films* (《關於暫免征收國家電影事業專項資金政策的公告》), the Announcement on Supporting Policies on Taxes and Fees on the Films* (《關於電影等行業稅費支持政策的公告》) and Other Industries and the Notice on Supporting Cinemas in Fighting against the Epidemic with Special Discounted Interest on Films* (《關於做好電影專項貼息支持影院應對疫情有關工作的通知》), to support the development of the film industry, the film market in the PRC is gradually recovering.

The Group will stably operate its current film business and further enhance management on its current film investment, TV drama investment, script and film and television copyright trading and artist management to enhance the business quality. Meanwhile, it will pay prudent attention to investment opportunities in the upstream and downstream industry chain of the film business and the cultural and entertainment industry. The Group will maintain a prudent attitude in the sound development of the film investments and distribution business.

* *The English translation of the Chinese name(s) in this announcement, where indicated (*), is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2020, the Company had no capital commitments, which were contracted but not provided for, in respect of acquisition of property, plant and equipment (2019: Nil). As at 31 March 2020, the Company had no contingent liabilities (2019: Nil) in respect of corporate guarantees given to banks for the general banking facilities granted to its subsidiaries.

EVENTS AFTER THE REPORTING PERIOD

On 19 May 2020, Elegance Optical Investments Limited (an indirect wholly-owned subsidiary of the Company) (as vendor) and Healthmark Medical Supply Co., Limited (the “**Purchaser**”), entered into the provisional sale and purchase agreement with the purchaser pursuant to which the vendor has agreed to dispose of and the purchaser has agreed to purchase the property at the consideration of approximately HK\$10,260,000. Please refer to the announcement of the Company titled “**Discloseable transaction – Disposal of property**” published on 20 May 2020 for details.

LIQUIDITY AND FINANCIAL RESOURCES

The Group’s financial position with cash and cash equivalents of approximately HK\$28.4 million (2019: HK\$13.9 million), short-term borrowings of approximately HK\$30.5 million (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 12.1% as at 31 March 2020 (2019: 0.9%). The non-current liabilities of the Company mainly comprised of deferred tax liabilities, deposit received, obligation under finance leases, interest bearing other borrowings and lease liabilities amounting to approximately HK\$2.4 million, HK\$0.1 million, HK\$Nil, HK\$8.3 million and HK\$17.0 million respectively (2019: HK\$2.2 million, HK\$0.2 million, HK\$0.3 million, HK\$Nil and HK\$Nil) which came up a total amount of approximately HK\$27.7 million as at 31 March 2020 (2019: HK\$2.7 million). The Group’s equity attributable to owners of the Company as at 31 March 2020 amounted to approximately HK\$229.4 million (2019: HK\$303.4 million).

CORPORATE GOVERNANCE

Corporate Governance Code

The Board is committed to ensuring and maintaining high standard of corporate governance practices and procedures in fulfilling its responsibilities. It is the belief of the Board that shareholders can maximize their benefits from good corporate governance. The Company has always recognized the importance of transparency and accountability. The Group has adopted the code provisions as set out in the Corporate Governance Code (the “**Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange as its own code of corporate governance practices. The Directors consider that the Company has complied with the Code throughout the Year, 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 Year, 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 provisions C.2.3 (e) and F

- (a) There were delays in release and publication of the results announcement and the annual report of the Company for the year ended 31 March 2019 by 30 June 2019 and 31 July 2019 respectively in accordance with the relevant Listing Rules 13.49(1) and 13.46(2)(a). Besides, there was delay in convening the annual general meeting of the Company before 30 September 2019 in accordance with the relevant Listing Rule 13.46(2)(b). Such non-compliance leads to deviation from Code provision C.2.3 (e). The aforesaid delays were caused by the change in auditor of the Company. The previous auditor resigned on 31 May 2019 whereas the existing auditor could only be appointed on 9 August 2019. The Company had kept the shareholders and potential investors informed of the progress of the foresaid matters by announcements. Eventually, the results announcement and the annual report were released and published on the websites of the Stock Exchange and the Company and the annual general meeting of the Company was convened. The Board is of the view that the aforesaid delays are one-off incidents and that the aforesaid matters had been rectified eventually and the Company had complied with the Listing Rules in keeping the shareholders and investors informed of the progress of the aforesaid matters.
- (b) Owing to the resignation of Directors during the Year, the casual vacancies did not fill in timely and that the Board consisted of only one independent non-executive Director at the material time. This constitutes non-compliance with relevant Listing Rules 3.10(1) and (2), 3.10(A), 3.21, 3.25 and 3.27. Such non-compliance leads to deviation from Code provision C.2.3 (e). Following the appointment of new Directors to the Board, the aforesaid non-compliance with relevant Listing Rules had been rectified.

- (c) Following the resignation of the then company secretary of the company during the Year and the causal vacancy did not fill in timely, the Company did not have a company secretary at the material time. This constitutes non-compliance with Listing Rule 3.28. Such non-compliance is a deviation from Code provisions C.2.3 (e) and F. Upon the appointment of a new company secretary subsequently, the aforesaid non-compliance with Listing Rules had been rectified.
- (d) Following the resignation of the Authorised Representatives during the Year and the causal vacancies did not fill in timely, the Company did not have any Authorised Representative at the material time. This constitutes non-compliance with Listing Rule 3.05. Such non-compliance leads to deviation from Code provision C.2.3 (e). Upon the appointment of new Authorised Representatives subsequently, the aforesaid non-compliance with Listing Rules had been rectified.

Code provision C.2.5

Code provision C.2.5 stipulates that a listed company should have an internal audit function. In the past, the Company has outsourced the internal audit function on analysis and independent appraisal of the adequacy and effectiveness of its risk management and internal control systems to independent professional firm(s).

For the Year, the Audit Committee has performed such function itself by carrying out walk through tests on the Company's risk management and internal control systems with reference to the policy and procedures manuals of the Company, interviewed and discussed with the management on their effectiveness and followed up on the rectifications of any findings from their work. The Board considers that compliance with Code provision C.2.5 has been fulfilled by the Audit Committee for the Year.

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. Other than Mr. Hui Man Ho, Ivan who has been appointed for an initial term of two years which is renewed automatically for successive terms of one year, the other existing independent non-executive Directors of the Company do not have any specific term of appointment. All of them are 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.

Code provision A.5.1

Owing to the resignation of Directors during the Year and the causal vacancies did not fill in timely, the nomination committee of the Company did not have any members at the material time which constitutes a deviation from Code provision A.5.1. Upon the appointment of new Directors, such deviation from Code provision A.5.1 had been rectified.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

The audit committee of the Company (the “**Audit Committee**”), which comprises the three independent non-executive Directors of the Company, had reviewed the Group’s audited consolidated financial statements for the Year in conjunction with the Group’s auditors, CCTH CPA Limited (“**CCTH**”). Based on this review and discussion with the management of the Company, the Audit Committee was satisfied that the audited consolidated financial statements were prepared in accordance with applicable accounting standards and fairly presented the Group’s financial position as at 31 March 2020 and results for the Year.

SCOPE OF WORK OF CCTH CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto as set out in this preliminary announcement have been agreed by the Group’s auditor, CCTH, to the amounts set out in the Group’s consolidated financial statements for the financial year. The work performed by CCTH in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by CCTH on the preliminary announcement.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed shares during the Year.

PUBLICATION OF ANNUAL REPORT

The 2019-2020 annual report of the Company and the notice of the annual general meeting will be despatched to the shareholders of the Company and published on the websites of the Stock Exchange at <https://www.hkexnews.hk> and the Company at <http://www.irasia.com/listco/hk/eleganceoptical> in due course.

On behalf of the Board
Elegance Optical International Holdings Limited
Chung Yuk Lun
Executive Director

Hong Kong, 29 June 2020

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. Hui Man Ho, Ivan.