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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)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017**

#### **INTERIM RESULTS**

The board of directors (the “Board”) of Elegance Optical International Holdings Limited (the “Company”) would like to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2017 together with the comparative figures for the corresponding period in last year.

#### **UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

		<b>For the six months ended</b>	
		<b>30 September</b>	
		<b>2017</b>	2016
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
			(Restated)
REVENUE	4	<b>55,061</b>	88,700
Cost of sales		<b>(50,033)</b>	(80,615)
Gross profit		<b>5,028</b>	8,085
Other income	4	<b>1,429</b>	2,151
Selling and distribution expenses		<b>(1,571)</b>	(2,668)
Administrative expenses		<b>(50,290)</b>	(41,463)
Other operating income/(expense), net	6	<b>(1,003)</b>	20,451
Finance costs	5	<b>(164)</b>	(609)
Share of profits and losses of a joint venture		<b>185</b>	(173)

		<b>For the six months ended</b>	
		<b>30 September</b>	
		<b>2017</b>	2016
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
			(Restated)
LOSS BEFORE TAX	6	(46,386)	(14,226)
Income tax expense	7	<u>(22)</u>	<u>(323)</u>
LOSS FOR THE PERIOD		<u><b>(46,408)</b></u>	<u>(14,549)</u>
Attributable to:			
Owners of the parent		(46,164)	(14,958)
Non-controlling interests		<u>(244)</u>	<u>409</u>
		<u><b>(46,408)</b></u>	<u>(14,549)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	<u><b>(14.19) HK cents</b></u>	<u>(4.62) HK cents</u>

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

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
LOSS FOR THE PERIOD	<u><b>(46,408)</b></u>	<u>(14,549)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss)		
to be reclassified to profit or loss in subsequent periods:		
Share of exchange differences on translation of		
a joint venture	<b>24</b>	(20)
Exchange differences on translation of foreign operations	<b>1,164</b>	(2,035)
Release of exchange fluctuation reserve upon disposal of		
a subsidiary	<u>–</u>	<u>(3,048)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
FOR THE PERIOD, NET OF TAX	<u><b>1,188</b></u>	<u>(5,103)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u><b>(45,220)</b></u>	<u>(19,652)</u>
Attributable to:		
Owners of the parent	<b>(45,483)</b>	(19,357)
Non-controlling interests	<u><b>263</b></u>	<u>(295)</u>
	<u><b>(45,220)</b></u>	<u>(19,652)</u>

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

		<b>30 September 2017 (Unaudited) HK\$'000</b>	31 March 2017 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>78,965</b>	81,890
Investment properties		<b>29,862</b>	29,862
Prepaid land lease payments		<b>4,246</b>	4,143
Investment in a joint venture		–	–
Available-for-sale financial asset		<b>360</b>	360
Prepayment and deposit		<b>103</b>	663
		<hr/>	<hr/>
Total non-current assets		<b>113,536</b>	116,918
<b>CURRENT ASSETS</b>			
Inventories		<b>15,026</b>	14,570
Trade receivables	<i>10</i>	<b>15,435</b>	18,238
Loan receivables	<i>11</i>	<b>20,667</b>	–
Prepayments, deposits and other receivables		<b>38,638</b>	31,123
Equity investments at fair value through profit or loss	<i>12</i>	<b>80,411</b>	38,181
Cash and cash equivalents		<b>113,110</b>	161,973
		<hr/>	<hr/>
Total current assets		<b>283,287</b>	264,085
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>13</i>	<b>7,868</b>	8,821
Other payables, accruals and deposits received	<i>14</i>	<b>39,058</b>	41,257
Amount due to a related party		<b>9,039</b>	–
Interest-bearing bank borrowings, secured	<i>15</i>	<b>1,416</b>	46,584
Tax payable		<b>14,964</b>	14,959
		<hr/>	<hr/>
Total current liabilities		<b>72,345</b>	111,621
		<hr/>	<hr/>
NET CURRENT ASSETS		<b>210,942</b>	152,464
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>324,478</b>	269,382
		<hr/>	<hr/>

		<b>30 September 2017 (Unaudited) HK\$'000</b>	31 March 2017 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT LIABILITIES</b>			
Deposit received	14	<b>92</b>	92
Deferred tax liabilities		<b>2,591</b>	2,591
		<hr/>	<hr/>
Total non-current liabilities		<b>2,683</b>	2,683
		<hr/>	<hr/>
Net assets		<b>321,795</b>	266,699
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	16	<b>38,837</b>	32,365
Reserves		<b>281,711</b>	233,350
		<hr/>	<hr/>
		<b>320,548</b>	265,715
<b>Non-controlling interests</b>		<b>1,247</b>	984
		<hr/>	<hr/>
Total equity		<b>321,795</b>	266,699
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATION INFORMATION

The unaudited interim condensed consolidated financial statements of Elegance Optical International Holdings Limited and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2017 were authorised for issue in accordance with a resolution of the directors on 30 November 2017.

Elegance Optical International Holdings Limited (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 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 2017 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 2017, 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; an available-for-sale financial asset 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 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 2017, except for the adoption of the following revised standards effective as of 1 April 2017.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 28	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements 2014–2016 Cycle</i>	<i>Disclosure of Interests in Other Entities</i>

The adoption of these revised standards has had no significant financial effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these interim condensed consolidated financial statements.

### 3. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has four 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 money lending business segment engaged in money lending activities.

In prior period, the Group had two reportable operating segments which were the manufacturing and trading segment and property investment segment. As a result of the increased transaction volume of investment in securities during the year ended 31 March 2017, management of the Group has reassessed the Group's segment reporting and decided that for financial reporting purposes, there was a new reportable operating segment as the resources allocation, performance assessment and decision making of that for debts and securities investment segment are considered separately. The impact of the abovementioned change in the Group's reportable operating segment for the year ended 31 March 2016 was considered retrospectively and the Group's operating segment information for the period ended 30 September 2016 has also been restated as if the Group had been operating with three operating segments in that year.

Besides, due to the start of money lending business during the period ended 30 September 2017, the Group has reassessed the operating performance which resulted in a new reportable operating segment, namely the money lending segment.

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 other unallocated head office and corporate assets, including cash and cash equivalents and investment in and balances with a joint venture, as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities, including interest-bearing bank 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.

	<b>Manufacturing and trading HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Debts and securities investment HK\$'000</b>	<b>Money lending HK\$'000</b>	<b>Total HK\$'000</b>
<b>Six months ended 30 September 2017 (unaudited)</b>					
<b>Segment revenue:</b>					
Revenue from external customers	<u>49,436</u>	<u>747</u>	<u>4,132</u>	<u>746</u>	<u>55,061</u>
Segment results	(50,471)	575	4,132	102	(45,662)
Bank interest income					7
Unallocated gains					1
Corporate and other unallocated expenses					(568)
Finance costs					<u>(164)</u>
Loss before tax					<u>(46,386)</u>
<b>At 30 September 2017 (unaudited)</b>					
<b>Segment assets</b>	<b>118,064</b>	<b>33,362</b>	<b>81,075</b>	<b>20,710</b>	<b>253,211</b>
Corporate and other unallocated assets					<u>143,612</u>
Total assets					<u>396,823</u>
<b>Segment liabilities</b>	<b>28,552</b>	<b>1,033</b>	<b>2</b>	<b>-</b>	<b>29,587</b>
Corporate and other unallocated liabilities					<u>45,441</u>
Total liabilities					<u>75,028</u>



	Manufacturing and trading <i>HK\$'000</i> (Restated)	Property investment <i>HK\$'000</i> (Restated)	Debts and securities investment <i>HK\$'000</i> (Restated)	Total <i>HK\$'000</i> (Restated)
<b>Six months ended 30 September 2016 (unaudited)</b>				
<b>Segment revenue:</b>				
Revenue from external customers	<u>85,377</u>	<u>3,324</u>	<u>(1)</u>	<u>88,700</u>
Segment results	(37,943)	3,041	(1)	(34,903)
Bank interest income				256
Unallocated gains				21,030
Finance costs				<u>(609)</u>
Loss before tax				<u>(14,226)</u>
<b>At 31 March 2017 (audited)</b>				
<b>Segment assets</b>	121,268	29,862	38,541	189,671
Corporate and other unallocated assets				<u>191,332</u>
Total assets				<u>381,003</u>
<b>Segment liabilities</b>	23,439	1,327	–	24,766
Corporate and other unallocated liabilities				<u>89,538</u>
Total liabilities				<u>114,304</u>

## Geographical information

### (a) Revenue from external customers

	For the six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
America	28,347	38,799
Europe	16,857	41,389
The People's Republic of China (the "PRC") (including Hong Kong)	8,058	5,591
Other Asian countries	1,783	2,921
Others	16	–
	<u>55,061</u>	<u>88,700</u>

The revenue information above is based on the locations of the customers. The PRC (including Hong Kong) segment mainly represents gain on debts and securities investment, rental income from leases located in Hong Kong and the PRC, interest income from money lending business and sales of eyewear products to local agents and retailers in Hong Kong. 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. 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	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Customer A	17,267	15,924
Customer B	N/A <sup>1</sup>	15,894
Customer C	N/A <sup>1</sup>	11,142
	<u>17,267</u>	<u>42,960</u>

<sup>1</sup> The revenue derived from this customer amounted to less than 10% of the Group's revenue during the period ended 30 September 2017.

#### 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 gains on and dividend income from equity investments at fair value through profit or loss 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	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
<b>Revenue</b>		
Sales of goods	49,436	85,377
Rental income	747	3,324
Fair value gains on equity investments at fair value through profit and loss, net	3,990	(4)
Dividend income from equity investments at fair value through profit or loss	142	3
Interest income on money lending business	746	—
	<u>55,061</u>	<u>88,700</u>
<b>Other income</b>		
Sales of scrap materials	519	979
Bank interest income	7	256
Government grants	59	175
Written back of other payables	24	—
Accounting service fee	480	—
Others	340	741
	<u>1,429</u>	<u>2,151</u>

#### 5. FINANCE COSTS

	For the six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	<u>164</u>	<u>609</u>

## 6. LOSS BEFORE TAX

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

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
		(Restated)
Cost of inventories sold*	<b>49,844</b>	78,428
Depreciation	<b>5,560</b>	8,336
Amortization of prepaid land lease payments	<b>57</b>	135
Minimum lease payments under operating leases in respect of land and buildings	<b>3,691</b>	873
Employee benefits expense (including directors' remunerations):		
Wages and salaries	<b>32,985</b>	46,863
Termination payment	<b>18,681</b>	10,329
Pension scheme contributions**	<b>3,322</b>	705
	<u><b>54,988</b></u>	<u>57,897</u>
Gross rental income	<b>(747)</b>	(3,324)
Less: direct operating expenses (including repairs and maintenance arising from rental-earning investment properties)*	<u><b>172</b></u>	<u>283</u>
Net rental income	<u><b>(575)</b></u>	<u>(3,041)</u>
Provision for inventory obsolescence*	<b>17</b>	1,904
Foreign exchange differences, net	<b>(2,018)</b>	1,541
Other operating expenses/(income), net:		
(Gain)/loss on disposal of items of property, plant and equipment	<b>(18)</b>	548
Gain on disposal of a subsidiary	<b>–</b>	(21,030)
Impairment of goodwill	<b>600</b>	–
Impairment loss of trade receivables	<b>1</b>	31
Impairment loss on an investment in joint venture	<b>209</b>	–
Others	<b>211</b>	–
	<u><b>1,003</b></u>	<u>(20,451)</u>

\* 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 2016: Nil).

## 7. INCOME TAX

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current – Hong Kong – Underprovision in prior years	–	43
Current – Elsewhere – Charge for the period	–	280
Current – Elsewhere – Underprovision in prior years	<u>22</u>	<u>–</u>
Total tax charge for the period	<u><u>22</u></u>	<u><u>323</u></u>

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits in Hong Kong during the period (six months ended 30 September 2016: Nil). 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 of directors (the “Board”) does not recommend payment of any interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: 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 ordinary equity holders of the parent of approximately HK\$46,164,000 (six months ended 30 September 2016: HK\$14,958,000) and the weighted average number of 325,417,429 (six months ended 30 September 2016: 323,649,123) ordinary shares of the Company in issue during the period.

No adjustment has been made to the basic loss per share attributable to ordinary equity holders of the parent presented for the six months ended 30 September 2017 and 2016 in respect of a dilution as there were no dilutive potential ordinary shares in issue during these periods.

## 10. TRADE RECEIVABLES

	<b>30 September</b>	31 March
	<b>2017</b>	2017
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Trade receivables	15,744	18,546
Impairment	<u>(309)</u>	<u>(308)</u>
	<u><u>15,435</u></u>	<u><u>18,238</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 2017: 45 to 120 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimize 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 2017 and 31 March 2017, based on the invoice date and net of impairment of trade receivables, is as follows:

	<b>30 September 2017 (Unaudited) HK\$'000</b>	31 March 2017 (Audited) HK\$'000
Current to 90 days	15,328	18,236
91 – 180 days	102	1
181 – 360 days	<u>5</u>	<u>1</u>
	<b><u>15,435</u></b>	<b><u>18,238</u></b>

## 11. LOAN RECEIVABLES

	<b>30 September 2017 (Unaudited) HK\$'000</b>	31 March 2017 (Audited) HK\$'000
Loan receivables	<b><u>20,667</u></b>	<b><u>–</u></b>

As at 30 September 2017, loan receivables represented loans of HK\$20,667,000 granted by the Group to a number of independent third parties. The loans bear interest at rate of 10% per annum and repayable within one year. The grants of these loans were approved and monitored by the Group's management. The loan balances were neither past due nor impaired as the directors considered that there was no recent history of default.

The Group does not hold any collateral or other credit enhancement over its loan receivable balances. The carrying amount of the loans receivable approximates their fair value.

## 12. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 September 2017 (Unaudited) HK\$'000</b>	31 March 2017 (Audited) HK\$'000
Listed equity investments, at market value	<b><u>80,411</u></b>	<b><u>38,181</u></b>

The above equity investments at 30 September 2017 and 31 March 2017 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit and loss.

### 13. TRADE PAYABLES

The following is an aged analysis of the trade payables as at 30 September 2017 and 31 March 2017:

	<b>30 September 2017 (Unaudited) HK\$'000</b>	31 March 2017 (Audited) HK\$'000
Current to 90 days	7,514	8,074
91 – 180 days	317	311
181 – 360 days	21	46
Over 360 days	<u>16</u>	<u>390</u>
Total	<u><u>7,868</u></u>	<u><u>8,821</u></u>

### 14. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	<b>30 September 2017 (Unaudited) HK\$'000</b>	31 March 2017 (Audited) HK\$'000
Other payables	614	1,686
Accruals	7,378	9,400
Deposits received	<u>31,158</u>	<u>30,263</u>
	<b>39,150</b>	41,349
Less: Non-current portion	<u>(92)</u>	<u>(92)</u>
	<u><u>39,058</u></u>	<u><u>41,257</u></u>

Pursuant to the Company's announcement dated 18 January 2016, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in Jet Kingdom Machinery Technology Company Limited, a wholly-owned subsidiary. To secure the transaction, the purchaser paid a deposit of RMB26 million which equals to the full amount of the consideration and such amount was included in 'deposits received'. The procedure for remitting the net proceeds out of the PRC takes time and is still being arranged. As and when the procedure is completed, the purchaser needs to remit the fund to the Group's bank account in Hong Kong and the Group has to return the Deposit to the purchaser. The management is working to make it happen as soon as practicable.

## 15. INTEREST-BEARING BANK BORROWINGS

	At 30 September 2017			At 31 March 2017		
	Effective interest rate (%)	Maturity	HK\$'000 (Unaudited)	Effective interest rate (%)	Maturity	HK\$'000 (Audited)
<b>Current</b>						
Bank loans – secured	2.75–2.77	2017	<u>1,416</u>	2.68–3.40	2017	<u>46,584</u>
Analysed into:						
Bank borrowings repayable within one year or on demand			<u>1,416</u>			<u>46,584</u>

As at 30 September 2017, the Group's banking facilities amounted to HK\$70 million (31 March 2017: HK\$60 million), of which HK\$1.42 million (31 March 2017: HK\$46.58 million) had been utilized at the end of the reporting period, and were secured by a fixed deposit amounting to HK\$70 million provided by one of the subsidiaries' directors (31 March 2017: pledged by some of the Group's lands and buildings located in Hong Kong with carrying amount and market value of approximately HK\$17.6 million and approximately HK\$79.0 million respectively and a corporate guarantees given by the Company in favour of banks).

During the six months ended 30 September 2017, the Group raised new bank borrowings of HK\$2,408,000 (six months ended 30 September 2016: HK\$3,319,000).

## 16. SHARE CAPITAL

	As at 30 September 2017 HK\$'000	As at 31 March 2017 HK\$'000
Authorised:		
1,000,000,000 (31 March 2017: 1,000,000,000) ordinary shares of HK\$0.10 (31 March 2017: HK\$0.10) each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
388,369,123 (31 March 2017: 323,649,123) ordinary shares of HK\$0.10 (31 March 2017: HK\$0.10) each	<u>38,837</u>	<u>32,365</u>
A summary of movements in the Company's share capital is as follows:		
	Number of shares in issue	Share capital HK\$'000
At 1 April 2017	323,649,123	32,365
Issue of new shares upon placing (Note (a))	<u>64,720,000</u>	<u>6,472</u>
At 30 September 2017	<u>388,369,123</u>	<u>38,837</u>



- (a) On 26 September 2017, 64,720,000 ordinary shares were issued at the subscription price of HK\$1.55 per share by way of placement for an aggregate consideration of HK\$100,316,000.

## **17. EVENTS AFTER THE REPORTING PERIOD**

1. On 26 October 2017, the Group acquired a wholly-owned subsidiary, Gold & Silver Holdings Limited (金銀集團有限公司), which is principally engaged in property letting business in Hong Kong at a consideration of HK\$35 million. For details, please refer to the Company's announcement dated 26 October 2017.
2. On 27 October 2017, Pride Success Enterprises Limited (榮成企業有限公司) (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, and Filmko Pictures Co., Limited\* (星皓影業有限公司) (the "Vendor") entered into a sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell the entire equity interest of Filmko Pictures (Hong Kong) Co., Limited (星皓影業(香港)有限公司) (the "Target Company").

The Target Company is principally engaged in films distribution. Prior to the signing of the Sale and Purchase Agreement, the Target Company owns the sole distributorship and other rights in respect of four films produced or released by the Vendor for Hong Kong and territories around the world except for Mainland China, including a film tentatively to be released in the lunar new year of 2018.

Completion of the acquisition of the Target Company took place immediately following the signing of the Sale and Purchase Agreement. At Completion, the Vendor has entered into a global film distribution master agreement (the "Global Distribution Agreement") with the Target Company, under which the Target Company was granted sole distributorship and other rights in respect of all films to be produced by the Vendor within 15 years commencing on the date of the Global Distribution Agreement for Hong Kong and territories around the world except for Mainland China.

## **18. COMPARATIVE AMOUNTS**

Certain comparative amounts have been reclassified to conform with the current period's presentation, as in the opinion of the directors, the presentation would better reflect the financial performance of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the six months ended 30 September 2017, the Group (the “Group” referred to the Company together with its subsidiaries) recorded a loss before taxation of approximately HK\$46.4 million, and the loss attributable to the owners of the Group for the period ended 30 September 2017 was approximately HK\$46.2 million as compared with a loss before taxation of approximately HK\$14.2 million for the corresponding last year. Total revenue for the reporting period was approximately HK\$55.1 million. As compared to approximately HK\$88.7 million recorded for the corresponding period ended 30 September 2016, it represents a decrease of approximately 37.9% for the period under review.

Total revenue was comprised of 4 segments, the manufacturing and trading of optical frames and sunglasses; property investment; debts and securities investment and money lending business.

The lion’s share of total revenue came from the sales of optical frames and sunglasses. This was reduced by approximately HK\$36.0 million to approximately HK\$49.4 million as compared with the figure of approximately HK\$85.4 million for the corresponding period last year. For property investment, rental income decreased from approximately HK\$3.3 million in 2016 to approximately HK\$0.75 million in 2017 as some of the investment properties were sold in last financial year.

The Group’s money lending business has been steady since the acquisition of a subsidiary with a Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) in April 2017. There was a loan portfolio in Hong Kong with an aggregate principal amount of HK\$20 million as at 30 September 2017. The Group recognized an aggregate interest income of approximately HK\$0.75 million and a profit of approximately HK\$0.1 million for the six months ended 30 September 2017. The Group adopted a prudent risk management policy, with the money lending business continuously carrying out regular review of credit risk over the existing borrowers. While the Group will proactively explore customers with good quality to expand its business scale, it will continue to adopt a prudent credit risk management strategy to ensure a healthy development in its money lending business.

The Group has further invested surplus funds in securities listed in Hong Kong during the period. The fair value of the Group’s securities investment amounted to approximately HK\$80.4 million as at 30 September 2017. The Group recorded a net gain of approximately HK\$4.1 million during the period. The management will continue to adopt prudent approach in investment and monitor the stock markets closely and keep looking for opportunities to realise gains from its investment portfolio. Looking forward, the Group will continue to identify and explore other investment and business opportunities to broaden its assets and revenue base. The Group will cautiously search for investment opportunities so as to produce a steady growth in the Group’s long term performance.

Eyewear sales saw a significant reduction due to weak market conditions and a downsizing in production. European customers, probably affected by the weaker Euro and the consistently poor Eurozone economies, bought approximately 59.3% less from the Group, comparing the period under review with the corresponding period last year. Sales figures for American customers were also examined and saw a reduction of approximately 26.9%. European sales accounted for 30.6% of total eyewear sales while American sales accounted for 51.5%.

During the financial period under review, the Group had focused on cutting costs and raising production efficiency through work reorganization. Gross loss situation improved though we still need to make our every effort to fix the problems. As the Group continued to streamline the labour force set up in our Shenzhen's factory, spending on the one-off redundancy payment in the period under review was inevitable and high, attributable to the enlarged general and administrative expenses in the period under review as compared to the corresponding period last year.

In order to make better use of the Group's available funds the Group completed the acquisition of the entire issued share capital of Gold & Silver Holdings Limited, which owns a residential property with a total gross floor area of approximately 4,200 square feet in Tai Po at a consideration of HK\$35 million on 26 October 2017. The transaction was aimed at improving the Group's financial position.

On 27 October 2017, the Group also acquired the entire issued share capital of Filmko Pictures (Hong Kong) Co., Limited ("Filmko"), a film distribution company which owns the sole distributorship and other rights in respect of four films for Hong Kong and territories around the world except for Mainland China. Such acquisition is expected to diversify the Group's business and broaden its revenue base.

## **Prospect**

In view of the lackluster performance of the eyewear sales business, the Group has commenced to develop its own branded eyewear and accessories business to broaden its client base and revenue source. In the near future, the Group will continue the strategy of diversifying its business activities and income streams. After completion of the acquisitions as mentioned above, the Group will also look for opportunities to further expand or diversify its business segments with the view of enhancing the overall performance of the Group.

With regard to the money lending business, the Group saw good demand for this product and had made a couple of loans to selected customers with good credentials after the period under review. While the Group sees good potential for this business segment, it will adopt a prudent approach in its business development. On the film distribution front, apart from the film tentatively to be released in Hong Kong in the lunar year of 2018, the Group is under consideration of beefing up investment in this business segment and bringing good quality Asian movies to Hong Kong for distribution. However, no concrete decision has been made in this respect.

## **Charges on the Group's Assets**

As at 30 September 2017, the Group's banking facilities amounted to approximately HK\$70 million, of which import loans of approximately HK\$1.42 million were utilised at the end of the reporting period. As at 31 March 2017, the Group's banking facilities amounted to HK\$60 million, of which approximately HK\$45.2 million was in term loans and an additional HK\$1.3 million was in import loans, and were secured by a fixed deposit amounting to approximately HK\$70 million provided by one of the subsidiaries' directors (31 March 2017: the facilities amounting to approximately HK\$60 million were pledged by some of the Group's lands and buildings located in Hong Kong with carrying amount and market value of approximately HK\$17.6 million and approximately HK\$79.0 million respectively and a corporate guarantee given by the Company in favour of bank). The loans were drawn at average interest rate 2.96% and denominated in Hong Kong dollars.

## **Capital Structure, Liquidity and Financial Resources**

During the period under review, the Group had completed one placing of new shares of the Company ("Shares"). The completion of Shares took place on 26 September 2017 and a total of 64,720,000 Shares were allotted and issued at HK\$1.55 per new Share. The net proceeds raised were approximately HK\$97.4 million.

The Group continued to maintain a balance of cash and cash equivalents of approximately HK\$113.1 million (31 March 2017: approximately HK\$162.0 million). The debt-to-equity ratio (expressed as a percentage of total non-current liabilities over equity attributable to the owners of the Company) was approximately 0.8% as at 30 September 2017 (31 March 2017: approximately 1%). The Group's equity attributable to owners of the Company as at 30 September 2017 amounted to approximately HK\$320.6 million (31 March 2017: approximately HK\$265.7 million).

## **Foreign Currency Risk**

The Group conducts its business transactions mainly in HKD, RMB and USD. As HKD is pegged to USD, the Group does not foresee any material exchange risk in this respect. However, the Group is subject to certain foreign exchange impact caused by the exchange rate fluctuation of RMB. The management will closely monitor foreign exchange exposure and will consider further hedging significant foreign currency exposure should the need arise.

## **Capital Commitments and Contingent Liabilities**

As at 30 September 2017, the Group had approximately HK\$0.9 million capital commitment, which was contracted but not provided for, in respect of acquisition of property, plant and equipment (30 September 2016: Nil). As at 30 September 2017, the Company had no contingent liabilities as the abovementioned banking facilities was pledged by a fixed deposit provided by one of the subsidiaries' directors. (31 March 2017: approximately HK\$57.2 million, in respect of corporate guarantees given to banks in connection with the general banking facilities granted to one of its subsidiaries).

## **Employees and Remuneration Policy**

As at 30 September 2017, the Group employed approximately 617 full time employees in China and Hong Kong (30 September 2016: 1,205). The total remuneration paid to employees, including the directors, for the six months ended 30 September 2017 was approximately HK\$55.0 million (30 September 2016: HK\$57.9 million). Salaries, bonuses and benefits are determined with reference to market terms and performance, qualifications and experience of each individual employee, and are subject to review from time to time. The employee benefits include insurance and medical coverage, training programmes as well as provident fund schemes.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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 2017.

## **CORPORATE GOVERNANCE**

During the six months ended 30 September 2017, the Company has adopted and complied with the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules, except for the following deviation:

### **Code provision A.2.1 and E1.2**

Code provision A.2.1 and E1.2 stipulates that (i) the roles of chairman and chief executive should be separate and should not be performed by the same individual: and (ii) the chairman of the board should attend the annual general meeting. The Company does not have any officer with the title "chief executive" under the Board. Mr. Hui Leung Wah assumed the role of both Chairman and Managing Director of the Company and he was in charge of the overall management of the Company as there were no separate Chairman and Managing Director up to his resignation and retirement as a chairman and an executive director on 19 July 2017 and 28 September 2017 respectively. Mr. Hui Leung Wah attended the annual general meeting on 28 September 2017.

### **Code provision A.2**

The Board currently has not appointed any Director as its Chairman. The Board will review the present situation in the coming regular meetings as appropriate.

## **Code Provision A.6.7**

In accordance to Code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Chan Wei, the independent non-executive directors of the Company, was unable to attend the annual general meeting of the Company held on 28 September 2017 as he has other engagements.

## **REMUNERATION COMMITTEE**

The remuneration committee of the Company (the “Remuneration Committee”) was established in June 2005 and its terms of reference were amended on 29 March 2012. The Committee currently comprises four independent non-executive directors, Mr., Chan Wei, Mr. Chan Ming Kei, Mr. Wan Kin Man, Tony and Mr. Chen Youchun (Chairman). The major duties and functions of the Remuneration Committee include but not limited to making recommendations to the Board on the remuneration packages of individual directors and senior management of the Company. It is also mandated to review and approve compensation payable to the directors and senior management for any loss or termination of office to ensure that it is consistent with the contractual terms and is otherwise fair and not excessive.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “Audit Committee”) was established in 1999 and its terms of reference were amended by the Board and became effective on 23 February 2016 and 1 March 2016, respectively. The Audit Committee currently consists of four independent non-executive directors, namely, Mr. Chan Wei, Mr. Chan Ming Kei, Mr. Wan Kin Man, Tony (Chairman) and Mr. Chen Youchun. The main duties and functions of the Audit Committee include but not limited to review of the relationship between the Company and its external auditors, review of the Group’s financial information, oversight of the Group’s financial reporting system, risk management and internal control systems, and performance of the corporate governance functions delegated by the Board, assessment on any potential special risks to be encouraged by the Company and review of the effectiveness of the internal control system.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct (the “Code of Conduct”) regarding directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors of the Company, the Company has received confirmations from all of them that they have complied with the required standards set out in the Model Code and the Code of Conduct throughout the period under review.

## **REVIEW OF UNAUDITED INTERIM RESULTS**

The unaudited interim condensed consolidated financial information for the six months ended 30 September 2017 has been reviewed by the Audit Committee. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group.

## **APPRECIATION**

The Board would like to take this opportunity to express its deepest gratitude to all members of the staff of the Group for their contributions, support and dedication. The Board would also like to thank our customers, shareholders, bankers, suppliers and other business partners for their continuous support.

On behalf of the Board

**Wong Chi Yan**

*Executive Director*

Hong Kong, 30 November 2017

*As at the date of this announcement, the executive Directors are Ms. Wong Chi Yan, Mr. Chan Wai Kit, Ms. Liu Shufeng and Ms. Ma Yilin and the independent non-executive Directors are Mr. Chan Wei, Mr. Chan Ming Kei, Mr. Wan Kin Man, Tony and Mr. Chen Youchun.*