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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 2019 AND RESUMPTION OF TRADING**

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 2019 together with the comparative figures for 2018 as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*Year ended 31 March 2019*

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
REVENUE	4	<b>178,951</b>	111,790
Cost of sales and services		<b>(162,091)</b>	(97,290)
Gross profit		<b>16,860</b>	14,500
Other income and gains	4	<b>4,736</b>	7,754
Selling and distribution expenses		<b>(3,009)</b>	(4,050)
Administrative expenses		<b>(81,575)</b>	(90,538)
Gain on disposal of subsidiaries	15	—	62,662
Other operating expenses	5	<b>(50,017)</b>	(4,006)
Finance costs	6	<b>(2,231)</b>	(424)
Share of profit of a joint venture		<b>350</b>	213
Share of profit of an associate		<b>11,525</b>	—
LOSS BEFORE TAX	7	<b>(103,361)</b>	(13,889)
Income tax credit/(expense)	8	<b>520</b>	(3,168)
LOSS FOR THE YEAR		<b>(102,841)</b>	(17,057)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS** *(continued)**Year ended 31 March 2019*

	<i>Note</i>	<b>2019</b> <b><i>HK\$'000</i></b>	2018 <i>HK\$'000</i>
Loss for the year attributable to:			
Owners of the Company		<b>(99,090)</b>	(14,117)
Non-controlling interests		<b><u>(3,751)</u></b>	<u>(2,940)</u>
		<b><u>(102,841)</u></b>	<u>(17,057)</u>
		<b>2019</b> <b><i>HK cents</i></b>	2018 <i>HK cents</i>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic	<i>10</i>	<b><u>(24.78)</u></b>	<u>(3.96)</u>
Diluted		<b><u>N/A</u></b>	<u>N/A</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(102,841)</u>	<u>(17,057)</u>
OTHER COMPREHENSIVE (EXPENSE)/INCOME		
Items that may be reclassified to profit or loss in subsequent periods:		
Change in fair value of available-for-sale financial asset	—	(40)
Share of exchange differences on translation of a joint venture	13	65
Share of exchange differences on translation of an associate	(540)	—
Exchange differences on translation of foreign operations	<u>463</u>	<u>3,694</u>
	<u>(64)</u>	<u>3,719</u>
Items that may not be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	<u>—</u>	<u>7,601</u>
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR	<u>(64)</u>	<u>11,320</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	<u>(102,905)</u>	<u>(5,737)</u>
Total comprehensive expense for the year attributable to:		
Owners of the Company	(98,702)	(3,985)
Non-controlling interests	<u>(4,203)</u>	<u>(1,752)</u>
	<u>(102,905)</u>	<u>(5,737)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	<i>Notes</i>	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>58,141</b>	61,878
Investment properties		<b>77,457</b>	75,357
Prepaid land lease payments		<b>4,163</b>	4,460
Investment in an associate		<b>99,985</b>	—
Investment in a joint venture		—	—
Financial assets at fair value through other comprehensive income		<b>290</b>	—
Available-for-sale financial asset		—	290
Prepayments and deposits		<b>1,880</b>	1,880
		<b>241,916</b>	143,865
<b>CURRENT ASSETS</b>			
Inventories		<b>7,784</b>	13,175
Trade receivables	<i>11</i>	<b>25,623</b>	14,117
Loan and interest receivables	<i>12</i>	<b>20,022</b>	36,762
Prepayments, deposits and other receivables		<b>111,750</b>	92,425
Equity investments at fair value through profit or loss		<b>6,705</b>	10,893
Cash and cash equivalents		<b>13,937</b>	138,782
		<b>185,821</b>	306,154
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>13</i>	<b>7,707</b>	8,284
Contract liabilities		<b>12,639</b>	—
Other payables, accruals, deposits received and deferred income	<i>14</i>	<b>67,924</b>	44,429
Obligation under finance leases		<b>1,255</b>	366
Interest-bearing bank and other borrowings		<b>20,749</b>	11,063
Income tax payable		<b>16,340</b>	17,244
		<b>126,614</b>	81,386
<b>NET CURRENT ASSETS</b>		<b>59,207</b>	224,768
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>301,123</b>	368,633

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)**As at 31 March 2019*

	<i>Notes</i>	<b>2019</b> <b><i>HK\$'000</i></b>	2018 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Deposits received and deferred income	<i>14</i>	<b>159</b>	4,641
Deferred tax liabilities		<b>2,225</b>	2,109
Obligation under finance leases		<b>291</b>	605
		<u><b>2,675</b></u>	<u>7,355</u>
Net assets		<u><b>298,448</b></u>	<u>361,278</u>
<b>EQUITY</b>			
Share capital	<i>15</i>	<b>40,437</b>	38,837
Reserves		<b>262,982</b>	323,209
		<u><b>303,419</b></u>	<u>362,046</u>
Equity attributable to owners of the Company		<b>303,419</b>	362,046
Non-controlling interests		<b>(4,971)</b>	(768)
		<u><b>(4,971)</b></u>	<u>(768)</u>
Total equity		<u><b>298,448</b></u>	<u>361,278</u>

## 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, money lending business 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 amendments to HKFRSs that are mandatorily effective for the current year**

The Company has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except for HKFRS 9 and HKFRS 15, the application of the above new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

## **New and amendments to HKFRSs in issued but are 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 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contract <sup>3</sup>
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>4</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>5</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> 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 January 2020

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2020

### **3. SEGMENT INFORMATION**

For management purposes, the Group is organised 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 provision of loan financing in Hong Kong.

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, 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, investment in and balances with a joint venture and investment in an associate, 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 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>
<b>In respect of the year ended</b>						
<b>31 March 2019</b>						
<b>Segment revenue:</b>						
Revenue from external customers	<u>169,287</u>	<u>2,314</u>	<u>1,300</u>	<u>1,102</u>	<u>4,948</u>	<u>178,951</u>
<b>Segment (loss)/profit</b>	<b>(45,611)</b>	<b>1,663</b>	<b>(686)</b>	<b>(27,830)</b>	<b>(24,328)</b>	<b>(96,792)</b>
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	—	<u>11,525</u>
Loss before tax						<u>(103,361)</u>
<b>Segment assets</b>	<b>124,127</b>	<b>77,457</b>	<b>6,705</b>	<b>184,809</b>	<b>20,702</b>	<b>413,800</b>
Corporate and other unallocated assets						<u>13,937</u>
Total assets						<u>427,737</u>
<b>Segment liabilities</b>	<b>72,046</b>	<b>354</b>	<b>—</b>	<b>17,575</b>	<b>—</b>	<b>89,975</b>
Corporate and other unallocated liabilities						<u>39,314</u>
Total liabilities						<u>129,289</u>
<b>Other segment information:</b>						
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	—	—	—	—	(28,204)	(28,204)
Impairment loss on investment in and loan to a joint venture	(162)	—	—	—	—	(162)
Additions to items of property, plant and equipment	<u>5,341</u>	<u>236</u>	<u>—</u>	<u>3,789</u>	<u>—</u>	<u>9,366</u>

	Manufacturing and trading <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Debts and securities investment <i>HK\$'000</i>	Film distribution <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>In respect of the year ended</b>						
<b>31 March 2018</b>						
<b>Segment revenue:</b>						
Revenue from external customers	<u>91,477</u>	<u>1,984</u>	<u>15,106</u>	<u>750</u>	<u>2,473</u>	<u>111,790</u>
<b>Segment (loss)/profit</b>	(80,582)	(1,245)	10,165	(2,804)	1,368	(73,098)
Bank interest income						17
Unallocated gains						62,662
Corporate and other unallocated expenses						(3,259)
Finance costs						(424)
Share of profit of a joint venture	213	—	—	—	—	<u>213</u>
Loss before tax						<u>(13,889)</u>
<b>Segment assets</b>	130,714	75,504	11,076	57,048	36,895	311,237
Corporate and other unallocated assets						<u>138,782</u>
Total assets						<u>450,019</u>
<b>Segment liabilities</b>	51,732	354	250	5,989	—	58,325
Corporate and other unallocated liabilities						<u>30,416</u>
Total liabilities						<u>88,741</u>
<b>Other segment information:</b>						
Share of profit of a joint venture	213	—	—	—	—	213
Depreciation and amortisation	(10,528)	(14)	(162)	(94)	—	(10,798)
Provision for inventory obsolescence	(626)	—	—	—	—	(626)
Impairment of trade receivables	(1)	—	—	—	—	(1)
Impairment losses on available-for-sale financial asset, net	(30)	—	—	—	—	(30)
Impairment loss on investment in and loan to a joint venture	(466)	—	—	—	—	(466)
Impairment of goodwill	—	—	—	(969)	(600)	(1,569)
Impairment of intangible asset	—	—	—	(1,690)	—	(1,690)
Additions to items of property, plant and equipment	<u>3,555</u>	<u>109</u>	<u>344</u>	<u>—</u>	<u>—</u>	<u>4,008</u>

## Geographical information

### (a) Revenue from external customers

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Europe	23,733	30,290
America	53,859	50,897
The People's Republic of China ("PRC") (including Hong Kong)	96,908	27,040
Other Asian countries	3,674	3,519
Others	777	44
	<u>178,951</u>	<u>111,790</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 believe that the agents in Hong Kong export the Group's products mainly 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 segment

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Customer A	82,220	29,252
Customer B	30,174	N/A <sup>1</sup>
	<u>112,394</u>	<u>29,252</u>

<sup>1</sup> The revenue derived from this customer amounted to less than 10% of the Group's revenue for the year ended 31 March 2018.

#### 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, interest income on money lending business and agency and commission income from film distribution.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>Revenue:</b>		
Sale of goods	169,287	91,477
Rental income	2,314	1,984
Interest income on money lending business	4,948	2,473
Film distribution agency and commission income	1,102	750
Fair value gains on equity investments at fair value through profit or loss, net	1,300	14,962
Dividend income from equity investments at fair value through profit or loss	—	144
	<u>178,951</u>	<u>111,790</u>
<b>Other income and gains:</b>		
Sale of scrap materials	68	811
Accounting service fee	1,260	960
Bank interest income	13	17
Gain on disposal of items of property, plant and equipment	27	138
Gain on changes in fair values of investment properties	2,100	1,996
Government grants	—	60
Write-back of other payables	363	127
Foreign exchange gains, net	—	3,085
Others	905	560
	<u>4,736</u>	<u>7,754</u>

#### 5. OTHER OPERATING EXPENSES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Impairment of trade receivables ( <i>note 11</i> )	11	1
Impairment of loan and interest receivables ( <i>note 12</i> )	28,844	—
Impairment losses on available-for-sale financial asset, net	—	30
Impairment loss on investment in an associate	21,000	—
Impairment loss on investment in and loan to a joint venture	162	466
Impairment of intangible asset	—	1,690
Impairment of goodwill	—	1,569
Others	—	250
	<u>50,017</u>	<u>4,006</u>

## 6. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest on bank loans and other loan	2,219	412
Interest on finance leases	<u>12</u>	<u>12</u>
	<u><u>2,231</u></u>	<u><u>424</u></u>

## 7. LOSS BEFORE TAX

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Cost of inventories sold*	161,832	96,537
Depreciation of property, plant and equipment	10,364	10,681
Amortisation of prepaid land lease payments	116	117
Auditor's remuneration	1,200	1,220
Minimum lease payments under operating leases in respect of land and buildings	7,199	6,083
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries and other benefits	49,952	57,557
Pension scheme contributions**	<u>5,383</u>	<u>5,165</u>
	<u>55,335</u>	<u>62,722</u>
Gross rental income	(2,314)	(1,984)
Less: Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties*	<u>259</u>	<u>127</u>
Net rental income	<u>(2,055)</u>	<u>(1,857)</u>
(Reversal)/provision for inventory obsolescence*	(1,070)	626
Foreign exchange losses, net	<u><u>2,285</u></u>	<u><u>—</u></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 (2018: Nil).

## 8. INCOME TAX CREDIT/(EXPENSE)

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	—	(2,904)
Current — Elsewhere		
Credit/(Charge) for the year	1	(60)
Overprovision in prior years	—	37
Deferred tax credit/(charge)	<u>519</u>	<u>(241)</u>
Total tax credit (expense) for the year	<u><u>520</u></u>	<u><u>(3,168)</u></u>

Hong Kong profits tax is calculated at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during 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 2019 (2018: 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\$99,090,000 (2018: HK\$14,117,000), and the weighted average of 399,897,890 (2018: 356,807,401) ordinary shares in issue during the year.

No diluted loss per share is presented as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2019 and 2018 or as at those dates.

## 11. TRADE RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	25,943	14,426
Less: impairment loss recognised	<u>(320)</u>	<u>(309)</u>
	<u><u>25,623</u></u>	<u><u>14,117</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 (2018: 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 aging 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:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 90 days	<b>17,734</b>	14,072
91 to 180 days	<b>7,851</b>	45
181 to 360 days	<b>38</b>	—
	<u><b>25,623</b></u>	<u>14,117</u>

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

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At beginning of year	<b>309</b>	308
Impairment losses recognised ( <i>note 5</i> )	<b>11</b>	1
At end of year	<u><b>320</b></u>	<u>309</u>

Included in the impairment loss recognised on trade receivables is a provision for individually impaired trade receivables of HK\$320,000 (2018: HK\$309,000) with the aggregate carrying amounts before provision of HK\$320,000 (2018: HK\$309,000). The individually impaired trade receivables relate to customers that were in financial difficulties and it is expected that only a portion of these receivables may be recovered.

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

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Neither past due nor impaired	<b>12,152</b>	12,036
Less than one month past due	<b>5,239</b>	1,765
One to three months past due	<b>343</b>	271
Over three months past due	<b>7,889</b>	45
	<u><b>25,623</b></u>	<u>14,117</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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loan and interest receivables, unsecured	48,866	36,762
Less: impairment loss recognised ( <i>note 5</i> )	<u>(28,844)</u>	<u>—</u>
	<u><u>20,022</u></u>	<u><u>36,762</u></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.

Included in the loan and interest receivables at 31 March 2018 is a loan made to a substantial shareholder of the Company in the principal amount of HK\$2,610,000, which carried interest at 18% per annum and repayable within 3 months from that date. This loan receivable was fully repaid by the substantial shareholder during the current year.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Neither past due nor impaired	<u><u>20,022</u></u>	<u><u>36,762</u></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.

## 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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 90 days	7,208	7,760
91 to 180 days	153	460
181 to 360 days	15	32
Over 360 days	<u>331</u>	<u>32</u>
	<u><u>7,707</u></u>	<u><u>8,284</u></u>

Trade payables are non-interest-bearing and are normally settled on 90-day (2018: 90-day) terms.



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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Amount due to a related party	9,813	—
Other payables	12,968	922
Accruals	14,718	7,863
Deposits received	30,584	35,868
Deferred income	—	4,417
	<u>68,083</u>	<u>49,070</u>
Less: Non-current portion	<u>(159)</u>	<u>(4,641)</u>
	<u><u>67,924</u></u>	<u><u>44,429</u></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 17).

#### 15. SHARE CAPITAL

	2019 <i>HK\$'000</i>	2018 <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:		
404,369,123 (2018: 388,369,123) shares of HK\$0.10 each	<u>40,437</u>	<u>38,837</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 2017, 31 March 2018 and 1 April 2018	388,369,123	38,837
Issue of new shares ( <i>Note</i> )	<u>16,000,000</u>	<u>1,600</u>
At 31 March 2019	<u><u>404,369,123</u></u>	<u><u>40,437</u></u>

*Note:* 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.

## 16. DISPOSAL OF SUBSIDIARIES

### Disposal of Grand River Investment Limited (“Grand River”)

On 25 January 2018, the Group entered into a disposal agreement with an investment holding company wholly-owned by Mr. Hui Leung Wah, the former chairman of the Board and a former executive Director of the Company (“**Mr. Hui**”), to dispose (the “**Grand River Disposal**”) of its entire interest in Grand River, a wholly-owned subsidiary of the Company, for a total consideration of HK\$79,000,000. The subsidiary owned a residential property in Hong Kong. The Grand River Disposal was completed in March 2018.

	<b>2018</b> <b>HK\$'000</b>
Net assets disposed of:	
Property, plant and equipment	17,040
Prepayments and deposits	21
Due to a fellow subsidiary	(17,907)
Deferred tax liabilities	(723)
	<u>(1,569)</u>
Assignment of the loan due from Grand River	<u>17,907</u>
	16,338
Gain on disposal of a subsidiary	<u>62,662</u>
Total consideration	<u><u>79,000</u></u>
Satisfied by:	
Cash and cash equivalents	<u><u>79,000</u></u>

An analysis of the net inflow of cash and cash equivalents in respect of the Grand River Disposal is as follows:

	<b>HK\$'000</b>
Cash consideration	<u>79,000</u>
Net inflow of cash and cash equivalents in respect of the Grand River Disposal	<u><u>79,000</u></u>

## 17. 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 14).

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 Lending Licence

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

## **DIVIDEND**

The Board of the Company does not recommend the payment of any dividend for the year ended 31 March 2019 (“Year”) (2018: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

For the Year, the Group recorded a loss before tax of approximately HK\$103.4 million. The loss attributable to the owners of the Company for the Year was approximately HK\$99.1 million (2018: loss attributable to the owners of the Company of approximately HK\$14.1 million, which was after inclusion of a gain made from the disposal of a subsidiary amounting to approximately HK\$62.7 million).

Total revenue for the Year was approximately HK\$179.0 million. Compared to approximately HK\$111.8 million recorded for the year ended 31 March 2018, it represents an increase of approximately 60.1%. Total revenue comprised of 5 segments, i.e. the manufacturing and trading of optical frames and sunglasses, property investment, debts and securities investment, money lending and film investment and distribution.

The largest part of total revenue came from the sales of optical frames and sunglasses. This increased by approximately 85.1% or approximately HK\$77.8 million to HK\$169.3 million (2018: HK\$91.5 million). Eyewear sales noticeably increased due to the Group’s commencement of cooperation with a business strategic partner during the Year.

For property investment, rental income increased from approximately HK\$2.0 million in 2018 to approximately HK\$2.3 million in 2019. However, it remained relatively insignificant to the Group’s operation.

For investments in listed securities, gains of approximately HK\$1.3 million (2018: HK\$15.1 million) were recorded in the financial year under review. The fair value of the Group’s securities investment amounted to approximately HK\$6.7 million as at 31 March 2019. 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 money lending business, the Group had recognized impairment loss of approximately HK\$28.8 million on the loan receivables for the Year since the recoverability of the outstanding loan receivables became uncertain. The Group has taken and will continue to take necessary actions, including but not limited to legal action to recover the outstanding indebtedness.

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 PRC. The Company issued four films this Year and recorded a profit after tax of approximately HK\$43.3 million, which had exceeded the amount of profit guarantee.

## **PROSPECT**

The Group considers both the local and mainland's business environment will remain challenging in the near future with the impact of US-China trade war. The Group will continue to take a prudent approach in the development of its eyewear business, debts and securities investment.

Due to the increase in uncertainty in the worldwide economic environment, the Group has decided not to renew its money lender licence and will not grant any new loans to borrowers. The Group will allocate more resources for other business segments of the Group.

The Group believes that the film industry in the PRC has vast growth potential as the box office of films in the PRC has increased from approximately RMB17.1 billion in 2012 to approximately RMB61.0 billion in 2018, representing a compound annual growth rate of approximately 23.6%. The PRC has become the world's second largest film market after the U.S. and the cinema admission has increased from approximately 0.4 billion in 2012 to approximately 1.2 billion in 2018, representing a compound annual growth rate of approximately 25.5%. The total number of overall screens in the PRC has increased from 13,118 in 2012 to 60,079 in 2018, ranking first in the world in movie screens. Even the overall business environment has a lot of uncertainty, the Group is cautiously optimistic regarding the opportunities in the PRC film market.

The Group will further 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 31 March 2019, the Company had no capital commitments, which were contracted but not provided for, in respect of acquisition of property, plant and equipment (2018: HK\$2.3 million). As at 31 March 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 consolidated financial statements for the year ended 31 March 2019.

### 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 14).

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 Lending Licence**

Due to the increase in uncertainty in the worldwide economic environment, the Group has decided not to renew its money lender licence and would not grant any new loans to borrowers. The Group will allocate more resources for other business segments of the Group.

### **LIQUIDITY AND FINANCIAL RESOURCES**

The Group’s financial position with cash and cash equivalents of approximately HK\$13.9 million (2018: HK\$138.8 million), short-term borrowings of approximately HK\$20.7 million (2018: HK\$11.1 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 0.9% as at 31 March 2019 (2018: 2.0%). The non-current liabilities of the Company mainly comprised of deferred tax liabilities, deposit received and obligation under finance lease amounting to approximately HK\$2.2 million, HK\$0.2 million and HK\$0.3 million respectively (2018: HK\$2.1 million, HK\$4.6 million and HK\$0.6 million) which came up a total amount of approximately HK\$2.7 million as at 31 March 2019 (2018: HK\$7.3 million). The Group’s equity attributable to owners of the Company as at 31 March 2019 amounted to approximately HK\$298.4 million (2018: HK\$362.1 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 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.

#### **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 ended 31 March 2019.

### **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 under Appendix 10 of the Listing Rules ("**Model Code**"). 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 Year.

### **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 2019 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 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.

## **FULFILLMENT OF RESUMPTION CONDITIONS**

Reference is made to the (1) announcements of the Company dated 18 June 2019 and 12 July 2019 in relation to the delay in publication of the 2019 Annual Results; and (2) announcements of the Company dated 1 August 2019 and 18 October 2019 in relation to the resumption guidance (the “**Resumption Guidance**”).

Trading in the shares of the Company on the Stock Exchange has been suspended from 9:00 a.m. on 2 July 2019 at the request of the Company. The Company has been notified by the Stock Exchange of the following resumption guidance:

- (i) publish all outstanding financial results and address any audit modifications (“**Resumption Condition 1**”);
- (ii) have the winding up petition(s) (or order(s), if made) against the Company withdrawn or dismissed (“**Resumption Condition 2**”); and
- (iii) inform the market of all material information for the Company’s shareholders and other investors to appraise its positions (“**Resumption Condition 3**”).

The Company is pleased to announce that all the conditions contained in the Resumption Guidance have been fulfilled, the details of which are set out as follows:

### **Resumption Condition 1**

On 20 November 2019, the Company published the annual results announcement for the Year without any audit qualifications. The Company shall publish its annual report for the Year as soon as reasonably practicable.

### **Resumption Condition 2**

As disclosed in the announcement dated 8 November 2019 and under the section headed “EVENT AFTER THE REPORTING PERIOD — Winding Up Petition” in this announcement:

On 8 November 2019, upon the payment of the agreed amount to the Petitioner, the Company and the Petitioner 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.

As at the date of this announcement, the Company is still awaiting the determination of the High Court in respect to the Consent Summons. Since the debt owing to the Petitioner was fully settled, the Board is confident that the order of withdrawal of the Winding Up Petition will be granted by the High Court.

Save as disclosed above, the Directors confirmed that there is no longer any winding-up petition against the Company as at the date of this announcement.

### **Resumption Condition 3**

Save as disclosed above, the Directors confirm that to the best of their knowledge, information and belief, there is no material information that needs to be disclosed pursuant to any of the requirements set out in the Listing Rules, nor are there any matters that need to be brought to the attention of the Shareholders and potential investors of the Company and the Directors are not aware of any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as at the date of this announcement.

### **RESUMPTION OF TRADING**

An application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 21 November 2019.

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

Hong Kong, 20 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.*