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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 2018 AND CHANGE OF COMPANY SECRETARY AND AUTHORIZED REPRESENTATIVE

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 2018 together with the comparative figures for the corresponding period in last year.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 September	
		2018	2017
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	4	117,925	55,061
Cost of sales and services		<u>(107,115)</u>	<u>(50,033)</u>
Gross profit		10,810	5,028
Other income	4	957	1,429
Selling and distribution expenses		(1,199)	(1,571)
Administrative expenses		(37,215)	(50,290)
Other operating expense, net	6	(147)	(1,003)
Finance costs	5	(1,184)	(164)
Share of profits of a joint venture		165	185
Share of losses of an associate	10	<u>(426)</u>	<u>—</u>

		For the six months ended	
		30 September	
		2018	2017
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
LOSS BEFORE TAX	6	(28,239)	(46,386)
Income tax expense	7	<u>(603)</u>	<u>(22)</u>
LOSS FOR THE PERIOD		<u>(28,842)</u>	<u>(46,408)</u>
Attributable to:			
Owners of the parent		(26,979)	(46,164)
Non-controlling interests		<u>(1,863)</u>	<u>(244)</u>
		<u>(28,842)</u>	<u>(46,408)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	<u>(6.82) HK cents</u>	<u>(14.19) HK cents</u>

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

	For the six months ended	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
<i>Notes</i>	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	<u>(28,842)</u>	<u>(46,408)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Share of exchange differences on translation of a joint venture	(7)	24
Share of exchange differences on translation of an associate	10 (260)	–
Exchange differences on translation of foreign operations	<u>(1,921)</u>	<u>1,164</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(2,188)</u>	<u>1,188</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(31,030)</u>	<u>(45,220)</u>
Attributable to:		
Owners of the parent	(28,496)	(45,483)
Non-controlling interests	<u>(2,534)</u>	<u>263</u>
	<u>(31,030)</u>	<u>(45,220)</u>

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

		30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		57,878	61,878
Investment properties		75,357	75,357
Prepaid land lease payments		3,993	4,460
Investment in a joint venture		–	–
Investment in an associate	<i>10</i>	109,314	–
Available-for-sale financial asset		–	290
Financial asset at fair value through other comprehensive income		290	–
Prepayment and deposit		1,801	1,880
		<hr/>	<hr/>
Total non-current assets		248,633	143,865
CURRENT ASSETS			
Inventories		8,422	13,175
Trade receivables	<i>11</i>	21,837	14,117
Loan and interest receivables	<i>12</i>	55,482	36,762
Prepayments, deposits and other receivables		119,087	92,425
Equity investments at fair value through profit or loss	<i>13</i>	6,305	10,893
Cash and cash equivalents		28,214	138,782
		<hr/>	<hr/>
Total current assets		239,347	306,154
CURRENT LIABILITIES			
Trade payables	<i>14</i>	26,131	8,284
Other payables, accruals and deposits received and deferred income	<i>15</i>	45,065	44,429
Obligation under finance leases		825	366
Interest-bearing bank and other borrowings	<i>16</i>	20,877	11,063
Tax payable		17,675	17,244
		<hr/>	<hr/>
Total current liabilities		110,573	81,386
		<hr/>	<hr/>
NET CURRENT ASSETS		128,774	224,768
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		377,407	368,633
		<hr/>	<hr/>

		30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Deposit received and deferred income	15	159	4,641
Contract liabilities		3,545	–
Deferred tax liabilities		2,109	2,109
Obligation under finance leases		1,346	605
		<hr/>	<hr/>
Total non-current liabilities		7,159	7,355
		<hr/>	<hr/>
Net assets		370,248	361,278
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	17	40,437	38,837
Reserves		333,113	323,209
		<hr/>	<hr/>
		373,550	362,046
Non-controlling interests		(3,302)	(768)
		<hr/>	<hr/>
Total equity		370,248	361,278
		<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 2018 were authorised for issue in accordance with a resolution of the directors on 30 November 2018.

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, money lending and film distribution and investment business.

2.1 ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2018 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 2018, except for the adoption of certain revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) for the first time in the current period as described in note 2.2 below.

Basis of preparation

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

2.2 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

- (a) 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 2018, except for the adoption of the following revised standards effective as of 1 April 2018.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Annual Improvements 2014–2016 Cycle	<i>Amendments to HKFRS 1 and HKAS 28</i>

Save as disclosed in 2.2(b) and 2.2(c) below, 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.

- (b) HKFRS 9 Financial Instruments — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated as the Group does not have any hedge instrument.

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial asset — 1 April 2018	Available-for-sale financial asset	Financial asset at fair value through other comprehensive income
	<i>HK\$'000</i>	<i>HK\$'000</i>
Closing balance 31 March 2018 — HKAS 39	290	–
Reclassify from AFS to FVOCI	<u>(290)</u>	<u>290</u>
Opening balance 1 April 2018 — HKFRS 9	<u>–</u>	<u>290</u>

The Group elected to present in other comprehensive income changes in the fair value of all its investments previously classified as available-for-sale financial asset, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, an asset with a fair value of HK\$290,000 were reclassified from available-for-sale financial asset to financial asset at fair value through other comprehensive income.

(c) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 April 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group has adopted the new rules prospectively and has not restated comparatives for the 2017 financial year. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 April 2018):

	HKAS 18 carrying amount 31 March 2018 HK\$'000	Reclassification HK\$'000	HKFRS 15 carrying amount 1 April 2018 HK\$'000
Deferred income	4,417	(4,417)	–
Contract liabilities	<u>–</u>	<u>4,417</u>	<u>4,417</u>

There was no impact on the Group's retained earnings as at 1 April 2018.

3. SEGMENT INFORMATION

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

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

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

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

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

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

	Manufacturing and trading	Property investment	Debts and securities investment	Money lending	Film distribution and investment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended						
30 September 2018 (unaudited)						
Segment revenue:						
Revenue from external customers	<u>110,231</u>	<u>1,162</u>	<u>903</u>	<u>3,893</u>	<u>1,736</u>	<u>117,925</u>
Segment results	(28,815)	595	(253)	3,567	(2,156)	(27,062)
Bank interest income						7
Unallocated gains						–
Corporate and other unallocated expenses						–
Finance costs						<u>(1,184)</u>
Loss before tax						<u>(28,239)</u>
At 30 September 2018 (unaudited)						
Segment assets	145,130	65,128	6,366	55,536	187,606	459,766
Corporate and other unallocated assets						<u>28,214</u>
Total assets						<u>487,980</u>
Segment liabilities	71,630	349	–	30	5,062	77,071
Corporate and other unallocated liabilities						<u>40,661</u>
Total liabilities						<u>117,732</u>

	Manufacturing and trading <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Debts and securities investment <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Film distribution and investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended						
30 September 2017 (unaudited)						
Segment revenue:						
Revenue from external customers	<u>49,436</u>	<u>747</u>	<u>4,132</u>	<u>746</u>	<u>–</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>
At 31 March 2018 (audited)						
Segment assets	130,714	75,504	11,076	36,895	57,048	311,237
Corporate and other unallocated assets						<u>138,782</u>
Total assets						<u>450,019</u>
Segment liabilities	51,732	354	250	–	5,989	58,325
Corporate and other unallocated liabilities						<u>30,416</u>
Total liabilities						<u>88,741</u>

Geographical information

(a) Revenue from external customers

	For the six months ended	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
America	27,924	28,347
Europe	12,797	16,857
The People's Republic of China (the "PRC") (including Hong Kong)	75,727	8,058
Other Asian countries	1,165	1,783
Others	312	16
	<u>117,925</u>	<u>55,061</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, sales of eyewear products to local agents and retailers in Hong Kong and film distribution income. The Directors believe that the agents in Hong Kong export most of the Group's products to Europe and America.

(b) Non-current assets

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

Information about major customers attributable to manufacturing and trading

	For the six months ended	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Customer A	16,042	17,267
Customer B	<u>66,641</u>	<u>N/A¹</u>
Total	<u>82,683</u>	<u>17,267</u>

¹ 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, interest income on money lending business and film distribution income.

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

	For the six months ended	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Sales of goods	110,231	49,436
Rental income	1,162	747
Fair value gains on equity investments at fair value through profit and loss, net	903	3,990
Dividend income from equity investments at fair value through profit or loss	–	142
Interest income on money lending business	3,893	746
Film distribution	1,736	–
	<u>117,925</u>	<u>55,061</u>
Other income		
Sales of scrap materials	68	519
Bank interest income	7	7
Government grants	–	59
Written back of other payables	–	24
Accounting service fee	540	480
Others	342	340
	<u>957</u>	<u>1,429</u>

5. FINANCE COSTS

	For the six months ended	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank and other loans	1,140	164
Interest on finance leases	44	–
	<u>1,184</u>	<u>164</u>

6. LOSS BEFORE TAX

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

	For the six months ended	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold*	100,062	49,844
Depreciation	5,735	5,560
Amortisation of prepaid land lease payments	59	57
Minimum lease payments under operating leases in respect of land and buildings	3,476	3,691
Employee benefits expense (including directors' remunerations):		
Wages and salaries	17,079	32,985
Termination payment	2,230	18,681
Pension scheme contributions**	1,543	3,322
	20,852	54,988
Gross rental income	1,162	(747)
Less: direct operating expenses (including repairs and maintenance arising from rental-earning investment properties)*	(18)	172
Net rental income	1,114	(575)
Provision for inventory obsolescence*	2,309	17
Foreign exchange differences, net	2,866	(2,018)
Other operating expenses/(income), net:		
Gain on disposal of items of property, plant and equipment	(15)	(18)
Impairment of goodwill	–	600
Impairment loss of trade receivables	4	1
Impairment loss on an investment in joint venture	158	209
Others	–	211
	147	1,003

* 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 2017: Nil).

7. INCOME TAX

	For the six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong – Charge for the period	603	–
Current – Elsewhere – Underprovision in prior years	–	22
Total tax charge for the period	<u>603</u>	<u>22</u>

Hong Kong profits tax has been provided as the Group generated assessable profits in Hong Kong during the period (six months ended 30 September 2017: 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 2018 (six months ended 30 September 2017: 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\$26,979,000 (six months ended 30 September 2017: HK\$46,164,000) and the weighted average number of 395,490,002 (six months ended 30 September 2017: 325,417,429) 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 2018 and 2017 in respect of a dilution as there were no dilutive potential ordinary shares in issue during these periods.

10. INVESTMENT IN AN ASSOCIATE

	30 September 2018 (Unaudited) HK\$'000
Cost of investment in an associate unlisted	110,000
Share of losses	(426)
Exchange difference arising on translation	<u>(260)</u>
	<u>109,314</u>

Details of the Group's associate at the end of the reporting period are as follows:

Name of entity	Place of incorporation	Principal place of business	Proportion of ownership interest and voting power held by the Group		Principal activities
			2018	2017	
Filmko Culture Limited	British Virgin Islands	PRC	25%	–	Film distribution

The associate is accounted for using the equity method in the consolidated financial statements.

11. TRADE RECEIVABLES

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Trade receivables	22,150	14,426
Impairment	<u>(313)</u>	<u>(309)</u>
	<u>21,837</u>	<u>14,117</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 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 aged analysis of trade receivables as at 30 September 2018 and 31 March 2018, based on the invoice date and net of impairment of trade receivables, is as follows:

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Current to 90 days	19,470	14,072
91 – 180 days	<u>2,367</u>	<u>45</u>
	<u>21,837</u>	<u>14,117</u>

12. LOAN AND INTEREST RECEIVABLES

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Loan and interest receivables	<u>55,482</u>	<u>36,762</u>

As at 30 September 2018, loan receivables represented loans of HK\$55,100,000 granted by the Group to a number of parties including related parties. The loans bear interest at rates of 10% to 20% 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 management 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.

13. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Listed equity investments, at market value	<u>6,305</u>	<u>10,893</u>

The above equity investments at 30 September 2018 and 31 March 2018 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.

14. TRADE PAYABLES

The following is an aged analysis of the trade payables as at 30 September 2018 and 31 March 2018:

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Current to 90 days	25,534	7,760
91 – 180 days	173	460
181 – 360 days	133	32
Over 360 days	<u>291</u>	<u>32</u>
Total	<u>26,131</u>	<u>8,284</u>

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

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Other payables	1,320	922
Accruals	7,737	7,863
Deposits received	36,167	35,868
Deferred income	<u>–</u>	<u>4,417</u>
	45,224	49,070
Less: Non-current portion	<u>(159)</u>	<u>(4,641)</u>
	<u>45,065</u>	<u>44,429</u>

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

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	At 30 September 2018			At 31 March 2018		
	Effective interest rate (%)	Maturity	HK\$'000 (Unaudited)	Effective interest rate (%)	Maturity	HK\$'000 (Audited)
Current						
Bank loans – secured	Hibor + 2	2018	868	3.06–3.22	2018	1,080
Other loan – unsecured	12	2019	<u>20,009</u>	12	2019	<u>9,983</u>
Analysed into:						
Bank loans repayable within one year			868			1,080
Other loan repayable within one year			<u>20,009</u>			<u>9,983</u>
			<u>20,877</u>			<u>11,063</u>

As at 30 September 2018, the Group's banking facilities amounted to HK\$3 million (31 March 2018: HK\$70 million), of which approximately HK\$0.87 million (31 March 2018: HK\$1.08 million) had been utilized at the end of the reporting period, and were secured by a fixed deposit amounting to HK\$3 million provided by one of the subsidiaries' directors (31 March 2018: HK\$70 million).

During the six months ended 30 September 2018, the Group raised a new loan of HK\$10 million with an interest rate of 12% per annum and repayable in one year (six months ended 30 September 2017: HK\$2,408,000).

17. SHARE CAPITAL

	As at 30 September 2018 HK\$'000	As at 31 March 2018 HK\$'000
Authorised:		
1,000,000,000 (31 March 2018: 1,000,000,000) ordinary shares of HK\$0.10 (31 March 2018: HK\$0.10) each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
404,369,123 (31 March 2018: 388,369,123) ordinary shares of HK\$0.10 (31 March 2018: HK\$0.10) each	<u>40,437</u>	<u>38,837</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 2018	388,369,123	38,837
Issue of new shares upon completion of acquisition (<i>Note (a)</i>)	<u>16,000,000</u>	<u>1,600</u>
At 30 September 2018	<u>404,369,123</u>	<u>40,437</u>

- (a) On 11 July 2018, 16,000,000 ordinary shares were issued at the subscription price of HK\$2.50 per share pursuant to the sales and purchase agreement dated 21 June 2018 in relation to the acquisition of 25% of Filmko Culture Limited.

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 2018, the Group (the “Group” referred to the Company together with its subsidiaries) recorded a loss before taxation of approximately HK\$28.2 million, and the loss attributable to the owners of the Group for the period ended 30 September 2018 was approximately HK\$27.0 million as compared with a loss before taxation of approximately HK\$46.4 million for the corresponding period in last year. Total revenue for the reporting period was approximately HK\$117.9 million. As compared to approximately HK\$55.1 million recorded for the corresponding period ended 30 September 2017, it represents an increase of approximately 114.0% for the period under review.

Total revenue was comprised of 5 segments, namely the manufacturing and trading of optical frames and sunglasses, property investment, debts and securities investment, money lending and film distribution and investment.

The lion’s share of total revenue came from the sales of optical frames and sunglasses. This was increased by approximately HK\$60.8 million to approximately HK\$110.2 million as compared with the figure of approximately HK\$49.4 million for the corresponding period in last year. For property investment, rental income increased from approximately HK\$0.7 million in 2017 to approximately HK\$1.2 million in 2018 as an additional investment property was acquired in October 2017.

Eyewear sales saw a significant increase as the Group received bulk order from a new customer in the PRC during the period. European customers, probably affected by the weaker Euro and the consistently poor Eurozone economies, bought approximately 24.1% less from the Group, comparing the period under review with the corresponding period in last year. Sales figures for American customers saw a slight reduction of approximately 1.5%. PRC sales accounted for 61.7% of total eyewear sales, while European sales accounted for 11.6% of total eyewear sales and American sales accounted for 25.3%.

During the financial period under review, pursuant to the Group’s focus on cutting costs and raising production efficiency through work reorganization in prior years, the Group has turned around the gross loss situation in the past to a gross profit in the recent one to two years. As the Group’s effort to streamline the labour force in our Shenzhen’s factory is close to completion, spending on redundancy payment in the period under review was less than last year’s corresponding period, which attributed to the decreased general and administrative expenses in the period under review as compared to the corresponding period in last year.

The Group downsized its investment in securities during the period in light of the uncertain and volatile stock market conditions. The fair value of the Group’s securities investment amounted to approximately HK\$6.3 million as at 30 September 2018. The Group recorded a net gain of approximately HK\$0.9 million during the period. The management will continue to adopt prudent approach in investment and monitor the stock market closely and keep looking for opportunities to realise gains from its investment portfolio.

The money lending business showed good growth as interest income increased from approximately HK\$0.7 million to approximately HK\$3.9 million for the period under review, representing an increase of approximately 4.6 times, mainly due to the granting of several new loans. Profit for the period was approximately HK\$3.6 million and the loan portfolio together with interest amounted to approximately HK\$55.5 million as at 30 September 2018. The Group adopted a prudent risk management policy and conducted regular review of relevant credit risk and market risk on its money lending business.

The Group acquired the entire equity interest of Filmko Pictures (Hong Kong) Co., Limited (“Filmko Hong Kong”), a film distributor for films screened in Hong Kong and overseas, in October 2017. On 21 June 2018, Pride Success Enterprises Limited, a wholly-owned subsidiary of the Company, entered into the second supplemental agreement with Alex Film Limited and Mr. Wong Hoi Fung (as the guarantor) to amend and supplement certain terms of the sales and purchase agreement dated 22 January 2018 (as amended by the first supplemental agreement dated 11 April 2018), pursuant to which the parties agreed in the second supplemental agreement to (i) amend the sale shares from 6,000 shares, representing 60% of all the shares issued by Filmko Culture Limited (“Filmko Culture”) to 2,500 shares, representing 25% of all the shares issued by Filmko Culture and (ii) remove the sale and purchase of the shareholder’s loan from the acquisition. Upon completion on 11 July 2018, the Group holds 25% of all the shares issued by Filmko Culture and each member of Filmko Culture and its subsidiaries (the “Filmko Culture Group”) become an associated company of the Company. The Filmko Culture Group is principally engaged in the business of film distribution in the PRC and has distributed various films produced or released by Filmko Pictures Co., Limited.

The film distribution and investment business segment generated a revenue of approximately HK\$1.7 million during the period, mainly attributable to the distribution commission received for the distribution of the film Monkey King 3 by Filmko Hong Kong. The Group also recorded a loss of approximately HK\$0.4 million for its interest in Filmko Culture Group during the period.

Prospects

Under the current US-China trade war, the eyewear business is expected to be operating in a challenging environment. The Group intends to take a prudent approach in its business development. Also, the Group will continue to develop its own branded eyewear and accessories business with a view to broadening its client base and revenue source.

On the back of the upward trend of interest rates in Hong Kong, the Group is closely monitoring the risk involved in its money lending business. The Group will adopt a more prudent approach in granting new loans on a selective basis.

With the acquisition of 25% of the film distribution business in the PRC which has a profit guarantee of HK\$40 million for the next three years, the Group will have a steady attributable profit for the next few years to come. In order to tap into the fast growing cultural/entertainment market in the PRC, the Group intends to make further investments in television programmes and films as well as other opportunities in this sector should suitable opportunities arise.

Going forward, the Group will continue to identify and explore other investments and business opportunities to broaden its asset and revenue base as well as to enhance its value to shareholders.

Charges on the Group's Assets

As at 30 September 2018, the Group's banking facilities amounted to approximately HK\$3 million, of which import loans of approximately HK\$0.87 million were utilised at the end of the reporting period. Such banking facilities were secured by a fixed deposit amounting to HK\$3 million provided by one of the subsidiaries' directors. As at 31 March 2018, the Group's banking facilities amounted to HK\$70 million, of which import loans of approximately HK\$1 million were utilised, and were secured by a fixed deposit amounting to approximately HK\$70 million provided by one of the subsidiaries' directors.

Capital Structure, Liquidity and Financial Resources

The Group maintained a balance of cash and cash equivalents of approximately HK\$28.2 million (31 March 2018: approximately HK\$138.8 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 1.9% as at 30 September 2018 (31 March 2018: approximately 2.0%). The Group's equity attributable to owners of the Company as at 30 September 2018 amounted to approximately HK\$373.6 million (31 March 2018: approximately HK\$362.0 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 2018, the Group had no significant capital commitment, which was contracted but not provided for, in respect of acquisition of property, plant, equipment and investment (30 September 2017: HK\$0.9 million). As at 30 September 2018, the Company had no contingent liabilities in respect of corporate guarantees given to banks for the general banking facilities granted to its subsidiaries (31 March 2018: nil).

Employees and Remuneration Policy

As at 30 September 2018, the Group employed approximately 419 full time employees in China and Hong Kong (30 September 2017: 617). The total remuneration paid to employees, including the directors, for the six months ended 30 September 2018 was approximately HK\$20.9 million (30 September 2017: HK\$55.0 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 2018.

CORPORATE GOVERNANCE

During the six months ended 30 September 2018, 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 Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the following deviations:

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.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 non-executive directors (including the 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 and therefore does not intend to take any remedial steps in this regard.

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 three independent non-executive directors, 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 three independent non-executive directors, namely, 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 encountered 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 for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in the Appendix 10 of the Listing Rules. Having made specific enquiry of all directors of the Company, 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 2018 has been reviewed by the Audit Committee. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group.

CHANGE OF COMPANY SECRETARY AND AUTHORIZED REPRESENTATIVE

The Board announces that Mr. Yeung Man Chit Daniel (“Mr. Yeung”) has resigned as the company secretary (the “Company Secretary”) and the authorized representative (the “Authorized Representative”) under Rule 3.05 of the Listing Rules of the Stock Exchange of the Company with effect from 30 November 2018.

The Board is pleased to announce that Mr. Chung Yuk Lun (“Mr. Chung”) will be appointed as the Company Secretary of the Company and Mr. Wong Hoi Ping (“Mr. Wong”) will be appointed as the Authorized Representative of the Company pursuant to Rule 3.05 of the Listing Rules with effect from 30 November 2018. Mr. Chung is a fellow member of the Association of Chartered Certified Accountants, an associated member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Institute of Chartered Accountants in England and Wales. Mr. Chung and Mr. Wong are currently executive Directors of the Company.

The Board would like to take this opportunity to express its sincere gratitude to Mr. Yeung for his valuable contributions to the Company during his respective tenure of office as Company Secretary and the Authorized Representative of the Company.

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.

By order of the Board
Elegance Optical International Holdings Limited
Liu Shufeng
Executive Director

Hong Kong, 30 November 2018

As at the date of this announcement, the executive Directors are Ms. Liu Shufeng, Mr. Wong Hoi Ping and Mr. Chung Yuk Lun; non-executive Director is Mr. Wong Hoi Fung; and the independent non-executive Directors are Mr. Chan Ming Kei, Mr. Wan Kin Man, Tony, Mr. Chen Youchun and Mr. Chan Chung Yin Victor.