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ELEGANCE OPTICAL INTERNATIONAL HOLDINGS LIMITED

高雅光學國際集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 907)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

INTERIM RESULTS

The board of directors (the “**Board**” or “**Directors**”) of Elegance Optical International Holdings Limited (the “**Company**”) would like to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2020 (“**Period**”) together with the comparative figures for the corresponding period in 2019 as set out below:

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2020

		For the six months ended	
		30 September	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	4	43,337	45,491
Cost of sales and services		(35,387)	(42,006)
Gross profit		7,950	3,485
Other income	4	1,948	1,001
Selling and distribution expenses		(1,570)	(569)
Administrative expenses		(16,882)	(32,087)
Other operating income	5	2,156	1,900
Finance costs	6	(2,444)	(1,652)
Share of (loss)/profit of a joint venture		(114)	258
Share of profit of an associate		4,510	5,942
LOSS BEFORE TAX	5	(4,446)	(21,722)
Income tax (expense)/credit	7	(53)	1,479
LOSS FOR THE PERIOD		(4,499)	(20,243)

		For the six months ended	
		30 September	
		2020	2019
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Loss for the Period attributable to:			
Owners of the Company		(3,428)	(20,578)
Non-controlling interests		(1,071)	335
		<u>(4,499)</u>	<u>335</u>
		<u>(4,499)</u>	<u>(20,243)</u>
		2020	2019
			(restated)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic	<i>9</i>	<u>(0.53) HK cents</u>	<u>(4.89) HK cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	For the six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LOSS FOR THE PERIOD	<u>(4,499)</u>	<u>(20,243)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Share of exchange differences on translation of a joint venture	(32)	(5)
Share of exchange differences on translation of an associate	284	(48)
Exchange differences on translation of foreign operations	<u>723</u>	<u>(982)</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX	<u>975</u>	<u>(1,035)</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX	<u>(3,524)</u>	<u>(21,278)</u>
Total comprehensive expense for the Period attributable to:		
Owners of the Company	(2,605)	(21,630)
Non-controlling interests	<u>(919)</u>	<u>352</u>
	<u>(3,524)</u>	<u>(21,278)</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

		30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		42,500	44,027
Investment properties		61,685	69,382
Right-of-use assets		20,138	20,387
Intangible assets		230	10,250
Investment in an associate		95,510	91,000
Prepayments and deposits		230	230
		220,293	235,276
CURRENT ASSETS			
Inventories		3,607	8,802
Trade receivables	<i>10</i>	33,041	8,338
Loan and interest receivables	<i>11</i>	11,630	11,129
Prepayments, deposits and other receivables		19,364	36,656
Financial assets at fair value through profit or loss		51,026	51,022
Cash and cash equivalents		33,506	28,441
		152,174	144,388
CURRENT LIABILITIES			
Trade payables	<i>12</i>	3,131	5,113
Contract liabilities		6,823	7,279
Other payables, accruals and deposits received	<i>13</i>	71,205	72,918
Interest-bearing bank and other borrowings		20,187	30,513
Income tax payable		15,581	15,528
Lease liabilities		65	90
		116,992	131,441
NET CURRENT ASSETS		35,182	12,947
TOTAL ASSETS LESS CURRENT LIABILITIES		255,475	248,223

		30 September	31 March
		2020	2020
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Deposits received	<i>13</i>	67	67
Deferred tax liabilities		2,589	2,351
Interest-bearing other borrowings		8,665	8,262
Lease liabilities		16,954	16,985
		<u>28,275</u>	<u>27,665</u>
NET ASSETS		<u>227,200</u>	<u>220,558</u>
EQUITY			
Share capital	<i>14</i>	72,786	60,655
Reserves		164,149	168,740
		<u>236,935</u>	<u>229,395</u>
Equity attributable to owners of the Company		236,935	229,395
Non-controlling interests		(9,735)	(8,837)
		<u>227,200</u>	<u>220,558</u>
TOTAL EQUITY		<u>227,200</u>	<u>220,558</u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATION INFORMATION

The unaudited interim condensed consolidated financial statements of Elegance Optical International Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2020 were authorised for issue in accordance with a resolution of the directors on 27 November 2020.

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

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

2.1 ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2020 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 2020, except for the adoption of certain revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) for the first time in the current period as described in note 2.2 below.

Basis of preparation

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

2.2 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2020, except for the adoption of the following revised standards effective as of 1 April 2020.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

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

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

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

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

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

	Manufacturing and trading <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Debts and securities investment <i>HK\$'000</i>	Film investment and distribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 September 2020					
(unaudited)					
Segment revenue:					
Revenue from external customers	<u>27,801</u>	<u>858</u>	<u>694</u>	<u>13,984</u>	<u>43,337</u>
Segment result	(3,947)	(23)	160	(33)	(3,843)
Bank interest income					4
Corporate and other unallocated expenses					(2,559)
Finance costs					(2,444)
Share of profit of a joint venture					(114)
Share of profit of an associate					<u>4,510</u>
Loss before tax					<u>(4,446)</u>
At 30 September 2020 (unaudited)					
Segment assets	133,287	61,755	5,942	139,815	340,799
Corporate and other unallocated assets					<u>31,668</u>
Total assets					<u>372,467</u>
Segment liabilities	110,509	120	35	13,588	124,252
Corporate and other unallocated liabilities					<u>21,015</u>
Total liabilities					<u>145,267</u>

	Manufacturing and trading <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Debts and securities investment <i>HK\$'000</i>	Film investment and distribution <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 September 2019						
(unaudited)						
Segment revenue:						
Revenue from external customers	<u>36,760</u>	<u>1,284</u>	<u>(753)</u>	<u>7,398</u>	<u>802</u>	<u>45,491</u>
Segment result	(17,186)	1,268	(1,804)	(4,042)	691	(21,073)
Bank interest income						7
Corporate and other unallocated expenses						(5,204)
Finance costs						(1,652)
Share of profit of a joint venture						258
Share of profit of an associate						<u>5,942</u>
Loss before tax						<u>(21,722)</u>
At 30 September 2019 (unaudited)						
Segment assets	124,905	72,419	4,445	209,723	20,827	432,319
Corporate and other unallocated assets						<u>6,646</u>
Total assets						<u>438,965</u>
Segment liabilities	86,870	147	9	42,347	46	129,419
Corporate and other unallocated liabilities						<u>30,546</u>
Total liabilities						<u>159,965</u>

Geographical information

(a) Revenue from external customers

	For the six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
America	18,367	24,725
Europe	5,188	8,739
The People's Republic of China (the "PRC") (including Hong Kong)	18,428	9,358
Other Asian countries	–	2,469
Others	1,354	200
	<u>43,337</u>	<u>45,491</u>

The revenue information above is based on the locations of the customers. The PRC (including Hong Kong) segment mainly represents gain or loss on debts and securities investment, rental income from leases located in Hong Kong and the PRC, 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

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

	For the six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Customer A	12,402	17,916
Customer B	13,450	–
Total	<u>25,852</u>	<u>17,916</u>

4. REVENUE AND OTHER INCOME

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

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

	For the six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Sales of goods	27,801	36,760
Rental income	858	1,284
Fair value gains/(loss) on equity investments at fair value through profit and loss, net	694	(753)
Interest income on money lending business	–	802
Film distribution agency and commission income	13,984	7,398
	<u>43,337</u>	<u>45,491</u>
Other income		
Sales of scrap materials	342	23
Bank interest income	4	7
Handling income	413	234
Accounting service fee	540	540
Interest income from loan receivables	501	–
Others	148	197
	<u>1,948</u>	<u>1,001</u>

5. LOSS BEFORE TAX

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

	For the six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold*	24,941	35,170
Depreciation	2,765	3,881
Amortisation of prepaid land lease payments	–	56
Depreciation of right-of-use assets	354	146
Minimum lease payments under operating leases in respect of land and buildings	692	1,757
Employee benefits expense (including directors' remunerations):		
Wages and salaries	8,743	13,575
Termination payment	332	2,492
Pension scheme contributions**	445	877
	9,520	16,944
Gross rental income	858	1,284
Less: direct operating expenses (including repairs and maintenance arising from rental-earning investment properties)*	(198)	(16)
Net rental income	660	1,268
Provision for inventory obsolescence*	612	–
Foreign exchange differences, net	(1,955)	1,976
Other operating income:		
Gain on disposal of items of property, plant and equipment	–	1,900
Gain on disposal of investment properties	2,156	–
	2,156	1,900

* 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 2019: Nil).

6. FINANCE COSTS

	For the six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank and other loans	2,185	1,287
Interest on finance leases	–	21
Interest on lease liabilities	259	344
	<u>2,444</u>	<u>1,652</u>

7. INCOME TAX

	For the six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Charge for the Period	(53)	–
Current – Overprovision in prior years	–	1,479
	<u>(53)</u>	<u>1,479</u>

Taxes on assessable profits 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 has resolved not to declare any interim dividend for the six months ended 30 September 2020 (2019: Nil).

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

The calculation of the basic loss per share is based on the loss for the Period attributable to owners of the Company of approximately HK\$3,428,000 (2019: HK\$20,578,000) and the weighted average number of 648,979,039 (2019: 420,543,982) ordinary shares of the Company in issue during the Period.

The weighted average number of ordinary shares adopted for the basic loss per share for the six months ended 30 September 2019 has been adjusted to take into account of the effect arising from the rights issue of shares by the Company on 18 February 2020.

No diluted loss per share is presented as the Group had no potentially dilutive ordinary shares in issue during the period ended 30 September 2020 and 2019 or as at those dates.

10. TRADE RECEIVABLES

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Trade receivables	33,716	10,671
Impairment	(675)	(2,333)
	<u>33,041</u>	<u>8,338</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 2020: 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 2020 and 31 March 2020, based on the invoice date and net of provisions, is as follows:

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Within 90 days	23,280	8,146
91 – 180 days	2,589	39
181 – 360 days	7,172	153
	<u>33,041</u>	<u>8,338</u>

11. LOAN AND INTEREST RECEIVABLES

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Loan and interest receivables, unsecured	21,750	21,249
Less: impairment loss recognised	(10,120)	(10,120)
	<u>11,630</u>	<u>11,129</u>

These loan receivables are stated at amortised cost at effective interest rates ranging from 10% to 15% (31 March 2020: 10% to 15%). Loans and interest receivable thereon will be settled by the borrowers at their respective maturity dates within one year. As these loan receivables relate to a number of different borrowers, the Directors of the Company are of the opinion that there is no concentration of credit risk over these loan receivables. The grants of these loans were approved and monitored by the Group's management. The Group does not hold any collateral or other credit enhancement over its loan receivable balances. The carrying amounts of these loan receivables approximate to their fair values.

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

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Neither past due nor impaired	<u>11,630</u>	<u>11,129</u>

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

12. TRADE PAYABLES

The following is an aged analysis of the trade payables as at 30 September 2020 and 31 March 2020 based on the payment due date:

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Within 90 days	2,365	4,592
91 – 180 days	375	157
181 – 360 days	40	245
Over 360 days	<u>351</u>	<u>119</u>
Total	<u>3,131</u>	<u>5,113</u>

13. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Amount due to a related party	18,923	15,319
Other payables	24,531	16,492
Accruals	12,927	11,920
Deposits received	<u>14,891</u>	<u>29,254</u>
	71,272	72,985
Less: Non-current portion	<u>(67)</u>	<u>(67)</u>
	<u>71,205</u>	<u>72,918</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.

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
At 31 March 2020, 1 April 2020 and 30 September 2020	1,000,000,000	100,000
Issued and fully paid:		
At 1 April 2020	606,553,684	60,655
Placing of new shares (<i>Note</i>)	121,310,000	12,131
At 30 September 2020	727,863,684	72,786

Note:

On 15 July 2020, the Company entered into a placing agreement with a placing agent in respect of the placing of up to 121,310,000 new shares at an issue price of HK\$0.1 per share. On 29 July 2020, the placing was completed and 121,310,000 new shares were placed by the placing agent to not less than six places at an issue price of HK\$0.1 per share resulting in raising proceeds, before expenses, of HK\$12,131,000 of which was credited to the share capital account. The related transaction costs amounted to HK\$463,930 have been recorded in the share premium account.

15. EVENT AFTER THE REPORTING PERIOD

Capital Reorganisation

On 14 August 2020, the Company proposed to implement the capital reorganisation (the “**Capital Reorganisation**”) which comprised the following: (1) the capital reduction by way of the par value of each issued share from HK\$0.1 to HK\$0.01 by cancelling the paid-up capital of the Company to the extent of HK\$0.09 on each issued share; and (2) the share subdivision of each authorised but unissued share of HK\$0.1 into ten (10) new shares of HK\$0.01 each.

Subsequent to the end of the reporting period, the proposed Capital Reorganisation was approved in the annual general meeting held on 30 September 2020. The Capital Reorganisation has become effective on 6 October 2020.

For further details, please refer to the circular of the Company dated 31 August 2020 and the announcements of the Company dated 14 August 2020 and 30 September 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the Period, the Group recorded a loss before taxation of approximately HK\$4.4 million, and the loss attributable to the owners of the Group for the Period was approximately HK\$3.4 million as compared with a loss before taxation of approximately HK\$21.7 million for the corresponding period in last year.

Total revenue of the Group comprised of 4 segments, i.e. the manufacturing and trading of optical frames and sunglasses, property investment, debts and securities investment and film investment and distribution. Total revenue for the Period was approximately HK\$43.3 million. As compared to approximately HK\$45.5 million recorded for the corresponding period in last year, it represents a drop of approximately 4.74%. The Group's overall revenue was primarily attributed to the sales of optical frames and sunglasses, with a decrease by approximately 24.4% or approximately HK\$9.0 million to approximately HK\$27.8 million for the Period (2019: HK\$36.8 million).

For property investment, rental income decreased from approximately HK\$1.28 million as at 30 September 2019 to approximately HK\$0.86 million as at 30 September 2020. However, it remained relatively insignificant to the Group's operation.

For debts and securities investment, gain of approximately HK\$0.16 million was recorded for the Period as compared to a loss of approximately HK\$1.8 million for the six months ended 30 September 2019.

For film investment and distribution segment, Flimko Culture Limited, recorded a revenue of approximately HK\$14.0 million for the Period (2019: HK\$23.7 million).

PROSPECT

The COVID-19 pandemic is still prevalent globally and the US-China trade dispute remains in question. The Board is of the view that the outlook for global economic environment is still full of uncertainties. The business operation of the Group, especially the manufacturing and trading of optical frames and sunglasses business, will continue to be disrupted.

The Group keeps the view that the film market in the PRC is facing crisis as well as opportunities. Since 2020, as affected by the COVID-19 pandemic, the cinemas in PRC were suspended for period of time, resulting in a drastic drop in number of audiences as well as box office revenue. However, with the ease of COVID-19 pandemic in PRC, the cinemas have gradually resumed their operations and the film industry, especially film production and distribution, has gradually picked up since summer. Also, further to a series of favorable policies on the film industry being issued by the PRC government in the first half of the year, at the end of October 2020, the PRC government also stated the goal to become a strong country in culture by 2035.

The Group will continue to operate the business in a steady manner to navigate through challenging market. At the same time, the Group will look for appropriate investment opportunities.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2020, the Company had no capital commitments, which were contracted but not provided for, in respect of acquisition of property, plant and equipment (2019: Nil). As at 30 September 2020, the Company had no contingent liabilities (2019: Nil) in respect of corporate guarantees given to banks for the general banking facilities granted to its subsidiaries.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 15 July 2020, the Company conducted a placing of 121,310,000 new ordinary shares at a price of HK\$0.1 each to raise a gross proceeds of approximately HK\$12.1 million (the “**Placing**”). The net proceeds from the Placing (after deducting the placing commission for the Placing and other relevant expenses) were approximately HK\$11.67 million, which were intended to apply for (i) general working capital of the Group and/or (ii) any possible investments in the future when opportunities arise. The Placing was completed on 29 July 2020. As at 30 September 2020, the net proceeds have not been used.

For further details of the Placing, please refer to the announcements of the Company dated 15 July 2020 and 29 July 2020.

EVENT AFTER THE REPORTING PERIOD

Capital Reorganisation

On 14 August 2020, the Company proposed to implement the capital reorganisation (the “**Capital Reorganisation**”) which comprised the following: (1) the capital reduction by way of the par value of each issued share from HK\$0.1 to HK\$0.01 by cancelling the paid-up capital of the Company to the extent of HK\$0.09 on each of the issued; and (2) the share subdivision of each authorised but unissued share of HK\$0.1 into ten (10) new shares of HK\$0.01 each.

Subsequent to the end of the reporting period, the proposed Capital Reorganisation was approved in the annual general meeting held on 30 September 2020. The Capital Reorganisation has become effective on 6 October 2020.

For further details, please refer to the circular of the Company dated 31 August 2020 and the announcements of the Company dated 14 August 2020 and 30 September 2020.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position with cash and cash equivalents of approximately HK\$33.5 million (31 March 2020: HK\$28.4 million), short-term borrowings of approximately HK\$20.2 million (31 March 2020: HK\$30.5 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 11.9% as at 30 September 2020 (31 March 2020: 12.1%). The non-current liabilities of the Company mainly comprised of deferred tax liabilities, deposit received, interest-bearing other borrowings and lease liabilities amounting to approximately HK\$2.6 million, HK\$0.1 million, HK\$8.7 million and HK\$17.0 million respectively (31 March 2020: HK\$2.4 million, HK\$0.1 million, HK\$8.3 million and HK\$17.0 million) which came up a total amount of approximately HK\$28.3 million as at 30 September 2020 (31 March 2020: HK\$27.7 million). The Group's equity attributable to owners of the Company as at 30 September 2020 amounted to approximately HK\$236.9 million (31 March 2020: HK\$229.4 million).

CORPORATE GOVERNANCE

During the six months ended 30 September 2020, the Company has adopted and complied with the applicable code provisions as set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), except for the following deviations:

Code provision A.2

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

Code provision A.4.1

Code provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. Other than Mr. Hui Man Ho, Ivan who has been appointed for an initial term of two years which is renewed automatically for successive terms of one year, the other existing independent non-executive Directors of the Company do not have any specific term of appointment. All of them are subject to retirement by rotation and re-election at the annual general meetings pursuant to the Bye-laws of the Company. The Bye-laws require that every Director will retire from office no later than the third annual general meeting of the Company after he was last elected or re-elected. Further, any person appointed by the Board to fill a casual vacancy or as an additional director (including non-executive Director) will hold office only until the next general meeting and will then be eligible for re-election. As such, the Board considers that such requirements are sufficient to meet the underlying objectives of the relevant Code provision.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the six months ended 30 September 2020.

REVIEW OF UNAUDITED INTERIM RESULTS

The unaudited condensed consolidated interim financial information for the six months ended 30 September 2020 has not been reviewed nor audited by the Company’s auditor, CCTH CPA Limited, but has been reviewed by the audit committee of the Company, which comprises the three independent non-executive Directors of the Company.

PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND INTERIM REPORT

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

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

Hong Kong, 27 November 2020

As at the date of this announcement, the executive Directors are Mr. Chung Yuk Lun and Mr. Chan Chung Yin, Victor; and the independent non-executive Directors are Mr. Man Wai Lun, Mr. Cheng Chun Man and Mr. Hui Man Ho, Ivan.