



**ELEGANCE OPTICAL INTERNATIONAL HOLDINGS LIMITED**

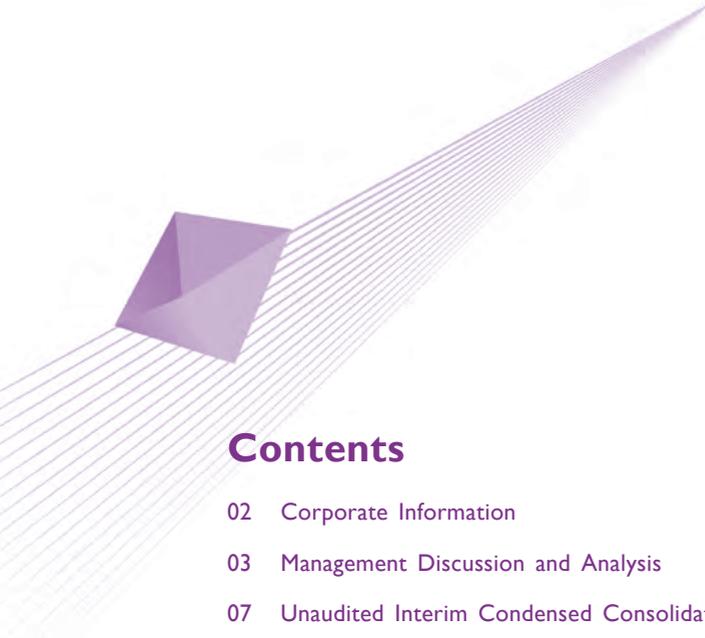
**高雅光學國際集團有限公司**

(Incorporated in Bermuda with limited liability)

Stock Code: 907

**INTERIM REPORT 2019/2020**





## Contents

- 02 Corporate Information
- 03 Management Discussion and Analysis
- 07 Unaudited Interim Condensed Consolidated Statement  
of Profit or Loss
- 08 Unaudited Interim Condensed Consolidated Statement  
of Comprehensive Income
- 09 Unaudited Interim Condensed Consolidated Statement  
of Financial Position
- 11 Unaudited Interim Condensed Consolidated Statement  
of Changes in Equity
- 12 Unaudited Interim Condensed Consolidated Statement  
of Cash Flows
- 13 Notes to Unaudited Interim Condensed Consolidated  
Financial Statements
- 34 Supplementary Information

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Chung Yuk Lun  
Mr. Chan Chung Yin, Victor

#### Independent Non-Executive Directors

Mr. Man Wai Lun  
Mr. Cheng Chun Man  
Mr. Tang, Warren Louis

### AUDIT COMMITTEE

Mr. Cheng Chun Man (*Chairman*)  
Mr. Man Wai Lun  
Mr. Tang, Warren Louis

### NOMINATION COMMITTEE

Mr. Man Wai Lun (*Chairman*)  
Mr. Cheng Chun Man  
Mr. Tang, Warren Louis

### REMUNERATION COMMITTEE

Mr. Man Wai Lun (*Chairman*)  
Mr. Cheng Chun Man  
Mr. Tang, Warren Louis

### COMPANY SECRETARY

Mr. Chung Yuk Lun

### PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited  
Chong Hing Bank Limited

### AUDITOR

CCTH CPA Limited

### HONG KONG SHARE REGISTRAR

Tricor Tengis Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### PRINCIPAL SHARE REGISTRAR

Conyers Corporate Services (Bermuda) Limited  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 2405, 24/F  
World Wide House  
19 Des Voeux Road Central  
Central  
Hong Kong

### WEBSITE

<http://www.irasia.com/listco/hk/eleganceoptical>

### STOCK CODE

907

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the six months ended 30 September 2019 (“Period”), Elegance Optical International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) recorded a loss before taxation of approximately HK\$21.7 million, and the loss attributable to the owners of the Group for the Period was approximately HK\$20.6 million as compared with a loss before taxation of approximately HK\$28.2 million for the corresponding period in last year.

Total revenue of the Group comprised of 5 segments, i.e. the manufacturing and trading of optical frames and sunglasses, property investment, debts and securities investment, film investment and distribution and money lending business. Total revenue for the Period was approximately HK\$45.5 million. As compared to approximately HK\$117.9 million recorded for the corresponding period in last year, it represents a drop of approximately 61.4%. The Group’s overall revenues was primarily attributed to the sales of optical frames and sunglasses, with a decrease by approximately 66.7% or approximately HK\$73.5 million to approximately HK\$36.8 million for the Period. (30 September 2018: HK\$110.2 million).

For property investment, rental income increased from approximately HK\$1.16 million as at 30 September 2018 to approximately HK\$1.29 million in at 30 September 2019. However, it remained relatively insignificant to the Group’s operation.

For investments in listed securities, loss of approximately HK\$0.76 million was recorded for the Period compare to gains of approximately HK\$0.90 million for the six months ended 30 September 2018. The fair value of the Group’s securities investment amounted to approximately HK\$3.82 million as at 30 September 2019.

For money lending business, interest income was approximately HK\$0.80 million (30 September 2018: HK\$3.89 million). Due to the increase in uncertainty in the worldwide economic environment, the Group had decided not to renew its money lenders licence in the preceding financial year. No new loans were granted to borrowers for the Period.

For film and distribution segment, Flimko Culture Limited, whose 25% interest was acquired by the Group in July 2018, recorded a profit after tax of approximately HK\$23.7 million for the Period.

### PROSPECT

The Group considers both the local and global economy has been facing numerous downside risk and believed the business environment, stock and property markets will remain unstable and challenging for quite a period of time with the impact of US-China trade war. The Group will continue to adopt a prudent approach in the development of its eyewear business, debts and securities investment and property investment.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PROSPECT *(Continued)*

The Group would not grant any new loans to borrowers as the money lenders licence had not been renewed. The Group will continue to perform ongoing evaluation of the financial conditions of its existing clients to reduce its exposure to credit risk. The Group will allocate more resources for other business segments of the Group accordingly.

For film and distribution, given that PRC has the world's second largest film market after US, even in first half year of 2019 the overall industry growth speed has slowed down compare to a vast growth rate in previous years, the Group is still cautiously optimistic regarding the opportunities in the PRC film market.

The Group will continue to 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.

### CHARGES ON THE GROUP'S ASSETS

As at 30 September 2019, the Group's banking facilities amounted to approximately HK\$3 million, which was not 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 2019, the Group's banking facilities amounted to HK\$3 million, of which import loans of approximately HK\$525,000 were utilised, and were secured by a fixed deposit amounting to approximately HK\$3 million provided by one of the subsidiaries' directors.

As at 30 September 2019, the Group's other borrowings included loan from a third party amounted to HK\$10,000,000 which was secured by the pledge of certain Group's land and buildings with carrying amount of approximately HK\$11,258,000 as at 30 September 2019.

### CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position with cash and cash equivalents of approximately HK\$17.8 million (31 March 2019: HK\$13.9 million), short-term borrowings of approximately HK\$37.0 million (31 March 2019: HK\$20.7 million) and the debt to equity ratio (expressed as a percentage of non-current liabilities over equity attributable to owners of the Company) is approximately 3.5% as at 30 September 2019 (31 March 2019: 0.9%). The non-current liabilities of the Company mainly comprised of deferred tax liabilities, deposit received and lease liabilities amounting to approximately HK\$2.2 million, HK\$0.07 million and HK\$7.49 million respectively (31 March 2019: HK\$2.2 million, HK\$0.2 million and nil) which came up a total amount of approximately HK\$9.8 million as at 30 September 2019 (31 March 2019: HK\$2.7 million). The Group's equity attributable to owners of the Company as at 30 September 2019 amounted to approximately HK\$281.7 million (31 March 2019: HK\$303.4 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 2019, the Company had no capital commitments, which were contracted but not provided for, in respect of acquisition of property, plant and equipment (2018: Nil). As at 30 September 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.

### EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2019, the Group employed 331 (2018: 419) full time employees in Mainland China and Hong Kong. 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.

### EVENTS AFTER THE REPORTING PERIOD

The following relevant amounts were recognised accordingly in the unaudited condensed consolidated financial statements for the Period.

#### Winding Up Petition

On 11 October 2019, the directors of the Company (the “Board” or “Directors”) 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 15).

## MANAGEMENT DISCUSSION AND ANALYSIS

### EVENTS AFTER THE REPORTING PERIOD *(Continued)*

#### **Winding Up Petition** *(Continued)*

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 report, 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 Lenders Licence**

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

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 September	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
REVENUE	4	45,491	117,925
Cost of sales and services		(42,006)	(107,115)
Gross profit		3,485	10,810
Other income	4	1,001	957
Selling and distribution expenses		(569)	(1,199)
Administrative expenses		(32,087)	(37,215)
Other operating expense, net	6	1,900	(147)
Finance costs	5	(1,652)	(1,184)
Share of profits of a joint venture		258	165
Share of profit/(loss) of an associate		5,942	(426)
LOSS BEFORE TAX	6	(21,722)	(28,239)
Income tax credit/(expense)	7	1,479	(603)
LOSS FOR THE PERIOD		(20,243)	(28,842)
Loss for the Period attributable to:			
Owners of the Company		(20,578)	(26,979)
Non-controlling interests		335	(1,863)
		(20,243)	(28,842)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic	9	(5.09) HK cents	(6.82) HK cents
Diluted		N/A	N/A

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30 September	
Notes	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	<u>(20,243)</u>	<u>(28,842)</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	(5)	(7)
Share of exchange differences on translation of an associate	(48)	(260)
Exchange differences on translation of foreign operations	<u>(982)</u>	<u>(1,921)</u>
OTHER COMPREHENSIVE (EXPENSE)/ INCOME FOR THE PERIOD, NET OF TAX	<u>(1,035)</u>	<u>(2,188)</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX	<u>(21,278)</u>	<u>(31,030)</u>
Total comprehensive expense for the Period attributable to:		
Owners of the Company	(21,630)	(28,496)
Non-controlling interests	<u>352</u>	<u>(2,534)</u>
	<u>(21,278)</u>	<u>(31,030)</u>

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September 2019 (Unaudited) <i>HK\$'000</i>	31 March 2019 (Audited) <i>HK\$'000</i>
<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	<b>51,576</b>	58,141
Investment properties	<b>72,317</b>	77,457
Right-of-use assets	<b>11,785</b>	4,163
Investment in an associate	<b>105,928</b>	99,985
Investment in a joint venture	<b>–</b>	–
Financial assets at fair value through other comprehensive income	<b>290</b>	290
Prepayments and deposits	<b>230</b>	1,880
	<b>242,126</b>	241,916
<b>CURRENT ASSETS</b>		
Inventories	<b>6,785</b>	7,784
Trade receivables	<b>11 16,278</b>	25,623
Loan and interest receivables	<b>12 20,824</b>	20,022
Prepayments, deposits and other receivables	<b>131,282</b>	111,750
Equity investments at fair value through profit or loss	<b>13 3,824</b>	6,705
Cash and cash equivalents	<b>17,846</b>	13,937
	<b>196,839</b>	185,821

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2019 (Unaudited) <i>HK\$'000</i>	31 March 2019 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>CURRENT LIABILITIES</b>			
Trade payables	14	21,732	7,707
Contract liabilities		13,542	12,639
Other payables, accruals, deposits received and deferred income	15	63,385	67,924
Obligation under finance leases		551	1,255
Interest-bearing bank and other borrowings	16	37,023	20,749
Income tax payable		15,525	16,340
Lease liabilities		574	–
		<u>152,332</u>	<u>126,614</u>
<b>NET CURRENT ASSETS</b>		<u>44,507</u>	<u>59,207</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>286,633</u>	<u>301,123</u>
<b>NON-CURRENT LIABILITIES</b>			
Deposits received and deferred income	15	70	159
Deferred tax liabilities		2,225	2,225
Obligation under finance leases		–	291
Lease liabilities		7,491	–
		<u>9,786</u>	<u>2,675</u>
<b>NET ASSETS</b>		<u>276,847</u>	<u>298,448</u>
<b>EQUITY</b>			
Share capital	17	40,437	40,437
Reserves		241,268	262,982
Equity attributable to owners of the Company		281,705	303,419
Non-controlling interests		(4,858)	(4,971)
<b>TOTAL EQUITY</b>		<u>276,847</u>	<u>298,448</u>

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 September 2019

	Attributable to owners of the parent										
	Issued capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve <sup>#</sup> HK\$'000	Available-for-sale financial asset revaluation reserves HK\$'000	Goodwill eliminated against reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2019	40,437	189,075*	41,925*	21,974*	-	(152)*	2,774*	7,386*	303,419	(4,971)	298,448
Loss for the period	-	-	-	-	-	-	-	(20,578)	(20,578)	335	(20,243)
Other comprehensive loss for the period:											
Share of exchange differences on translation of a joint venture	-	-	-	-	-	-	(5)	-	(5)	-	(5)
Share of exchange differences on translation of an associate	-	-	-	-	-	-	(48)	-	(48)	-	(48)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,083)	-	(1,083)	(222)	(1,305)
Total comprehensive loss for the period	-	-	-	-	-	-	(1,136)	(20,578)	(21,714)	113	(21,601)
At 30 September 2019 (unaudited)	<u>40,437</u>	<u>189,075*</u>	<u>41,925*</u>	<u>21,974*</u>	<u>-*</u>	<u>(152)*</u>	<u>1,638*</u>	<u>(13,192)*</u>	<u>282,028</u>	<u>(4,858)</u>	<u>276,847</u>
At 1 April 2018	38,837	150,675*	41,925*	21,974*	-*	(152)*	2,311*	106,476*	362,046	(768)	361,278
Loss for the period	-	-	-	-	-	-	-	(26,979)	(26,979)	(1,863)	(28,842)
Other comprehensive loss for the period:											
Share of exchange differences on translation of a joint venture	-	-	-	-	-	-	(7)	-	(7)	-	(7)
Share of exchange differences on translation of an associate	-	-	-	-	-	-	(260)	-	(260)	-	(260)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,250)	-	(1,250)	(671)	(1,921)
Total comprehensive loss for the period	-	-	-	-	-	-	(1,517)	(26,979)	(28,496)	(2,534)	(31,030)
Acquisition of an associate	1,600	38,400	-	-	-	-	-	-	40,000	-	40,000
At 30 September 2018 (unaudited)	<u>40,437</u>	<u>189,075*</u>	<u>41,925*</u>	<u>21,974*</u>	<u>-*</u>	<u>(152)*</u>	<u>794*</u>	<u>79,497*</u>	<u>373,550</u>	<u>(3,302)</u>	<u>370,248</u>

\* These reserve accounts comprise the consolidated reserves of HK\$241,268,000 (31 March 2019: HK\$262,982,000) in the unaudited interim condensed consolidated statement of financial position.

# The asset revaluation reserve arose from a change in use from owner-occupied properties to investment properties carried at fair value.

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	<b>(11,820)</b>	(48,312)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	7	7
Purchases of items of property, plant and equipment	-	(4,229)
Proceeds from disposal of items of property, plant and equipment	-	15
Acquisition of an associate	-	(70,000)
Net cash flows used in investing activities	<b>7</b>	(74,207)
CASH FLOWS FROM FINANCING ACTIVITIES		
New other borrowings	<b>16,273</b>	10,000
New bank loans	-	1,758
Repayment of bank loans	<b>(525)</b>	(1,944)
Repayment of lease liabilities	<b>(287)</b>	-
Repayment of capital element of finance lease	<b>(582)</b>	(501)
Net cash flows from/(used in) financing activities	<b>14,879</b>	9,313
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>3,066</b>	(113,206)
Cash and cash equivalents at beginning of period	<b>13,937</b>	138,782
Effect of foreign exchange rate changes, net	<b>843</b>	2,638
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>17,846</b>	28,214
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>17,846</b>	28,214

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### I. 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 2019 were authorised for issue in accordance with a resolution of the directors on 29 November 2019.

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, film investment and distribution business and money lending business.

### 2.1 ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2019 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 2019, 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.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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 2019, except for the adoption of the following revised standards effective as of 1 April 2019.

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements. The Group has also not applied any new or amended standards that are not effective in respect of the current period.

#### HKFRS 16 Leases

Until the 2019 financial year, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in substance fixed payments).

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

The Group has adopted HKFRS 16 from 1 April 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 April 2019.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 2.2 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

*(Continued)*

#### **HKFRS 16 Leases** *(Continued)*

On adoption of HKFRS 16, the Group recognized right-of-use assets and lease liabilities in relation to leases which had previously been classified as operating leases under HKAS 17. The lease liabilities of approximately HK\$8.0 million was measured at the present value of the remaining minimum lease payments, discounted using the Group's incremental borrowing rates as of 1 April 2019, with the relevant interest charged to profit or loss over the lease period. The right-of-use assets of approximately HK\$8.0 million were recognized at cost, representing the amount of initial measurement of the lease liabilities. The right-of-use assets of approximately HK\$8.0 million are to be depreciated over the lease period on a straight-line basis. The interest expense in respect of lease liabilities and depreciation of right-of-use assets charged to profit or loss during the six months ended 30 September 2019 was approximately HK\$344,000 and HK\$146,000 respectively.

### 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 film investment and distribution segment engaged in film right and movie investments and distributions; and
- (e) the money lending business segment engaged in money lending activities.

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.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. SEGMENT INFORMATION (Continued)

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 HK\$'000	Property investment HK\$'000	Debts and securities investment HK\$'000	Film investment and distribution HK\$'000	Money lending HK\$'000	Total HK\$'000
<b>Six months ended</b>						
<b>30 September 2019</b>						
<b>(unaudited)</b>						
<b>Segment revenue:</b>						
Revenue from external customers	36,760	1,284	(753)	7,398	802	45,491
Segment results	(17,186)	1,268	(1,804)	(4,042)	691	(21,073)
Bank interest income						7
Corporate and other unallocated expenses						(5,206)
Finance costs						(1,652)
Share of profit of a joint venture						258
Share of profit of an associate						5,942
Loss before tax						(21,722)
<b>At 30 September 2019</b>						
<b>(unaudited)</b>						
<b>Segment assets</b>	<b>124,905</b>	<b>72,419</b>	<b>4,445</b>	<b>209,723</b>	<b>20,827</b>	<b>432,319</b>
Corporate and other unallocated assets						6,646
Total assets						438,965
<b>Segment liabilities</b>	<b>86,870</b>	<b>147</b>	<b>9</b>	<b>42,347</b>	<b>46</b>	<b>129,419</b>
Corporate and other unallocated liabilities						30,546
Total liabilities						159,965

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. SEGMENT INFORMATION (Continued)

	Manufacturing and trading HK\$'000	Property investment HK\$'000	Debts and securities investment HK\$'000	Film investment and distribution HK\$'000	Money lending HK\$'000	Total HK\$'000
<b>Six months ended</b>						
<b>30 September 2018</b>						
<b>(unaudited)</b>						
<b>Segment revenue:</b>						
Revenue from external customers	110,231	1,162	903	1,736	3,893	117,925
Segment results	(28,815)	595	(253)	(2,156)	3,567	(27,062)
Bank interest income						7
Unallocated gains						-
Corporate and other unallocated expenses						-
Finance costs						(1,184)
Loss before tax						(28,239)
<b>At 31 March 2019 (audited)</b>						
<b>Segment assets</b>	124,127	77,457	6,705	184,809	20,702	413,800
Corporate and other unallocated assets						13,937
Total assets						427,737
<b>Segment liabilities</b>	72,046	354	-	17,575	-	89,975
Corporate and other unallocated liabilities						39,314
Total liabilities						129,289

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. SEGMENT INFORMATION *(Continued)*

#### Geographical information

##### (a) Revenue from external customers

	For the six months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
America	24,725	27,924
Europe	8,739	12,797
The People's Republic of China (the "PRC") (including Hong Kong)	9,358	75,727
Other Asian countries	2,469	1,165
Others	200	312
	<u>45,491</u>	<u>117,925</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, 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	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Customer A	17,916	16,042
Customer B	N/A <sup>1</sup>	66,641
Total	<u>17,916</u>	<u>82,683</u>

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

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

	For the six months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Revenue</b>		
Sales of goods	36,760	110,231
Rental income	1,284	1,162
Fair value gains/(loss) on equity investments at fair value through profit and loss, net	(753)	903
Interest income on money lending business	802	3,893
Film distribution agency and commission income	7,398	1,736
	45,491	117,925
<b>Other income</b>		
Sales of scrap materials	23	68
Bank interest income	7	7
Handling income	234	–
Accounting service fee	540	540
Others	197	342
	1,001	957

### 5. FINANCE COSTS

	For the six months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Interest on bank and other loans	1,287	1,140
Interest on finance leases	21	44
Interest on lease liabilities	344	–
	1,652	1,184

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 6. LOSS BEFORE TAX

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

	For the six months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Cost of inventories sold*	35,170	100,062
Depreciation	3,881	5,735
Amortisation of prepaid land lease payments	56	59
Depreciation of right-of-use assets	146	–
Minimum lease payments under operating leases in respect of land and buildings	1,757	3,476
Employee benefits expense (including directors' remunerations):		
Wages and salaries	13,575	17,079
Termination payment	2,492	2,230
Pension scheme contributions**	877	1,543
	16,944	20,852
Gross rental income	1,284	1,162
Less: direct operating expenses (including repairs and maintenance arising from rental-earning investment properties)*	(16)	(18)
Net rental income	1,268	1,144
Provision for inventory obsolescence*	–	2,309
Foreign exchange differences, net	1,976	2,866
Other operating expenses/(income), net:		
Gain on disposal of items of property, plant and equipment	(1,900)	(15)
Impairment loss of trade receivables	–	4
Impairment loss on an investment in joint venture	–	158
	(1,900)	147

\* 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 2018: Nil).

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 7. INCOME TAX

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2019</b>	2018
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current – Hong Kong – Charge for the Period	–	(603)
Current – Elsewhere – Overprovision in prior years	<u>1,479</u>	<u>–</u>
Total tax charge for the Period	<u><u>1,479</u></u>	<u><u>603</u></u>

Hong Kong profits tax has been provided as the Group generated assessable profits in Hong Kong during the Period. 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 does not recommend payment of any interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: 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\$20,578,000 (six months ended 30 September 2018: HK\$26,979,000) and the weighted average number of 404,369,123 (six months ended 30 September 2018: 395,490,002) ordinary shares of the Company in issue during the Period.

No diluted loss per share is presented as the Group had no potentially dilutive ordinary shares in issue during the period ended 30 September 2019 and 2018 or as at those dates.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 10. INVESTMENT IN AN ASSOCIATE

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Cost of investment in an associate – unlisted	110,000	110,000
Share of post-acquisition Profit/loss and other comprehensive income	16,928	10,985
Impairment loss recognised	(21,000)	(21,000)
	<u>105,928</u>	<u>99,985</u>

Particulars of the associates of the Group are as follows:

Name	Place of incorporation	Principal place of business	Issued ordinary registered paid-in capital	Proportion equity interest attributable to the Group	Principal activities
Filmko Culture Limited ("Filmko Culture")	British Virgin Islands ("BVI")	PRC	Ordinary US\$10,000	25%	Films distribution and production in Hong Kong and Mainland China
Filmko Entertainment Limited*	Hong Kong	HK	Ordinary HK\$10,000	25%	Films distribution and production and artiste product
Xingan Haoshi Culture Development (Wuxi) Co., Limited*	The PRC/Mainland China	PRC	Registered US\$3,500,000	25%	Investment holding
Nunjing Xinhao Film Culture Development Co., Limited*	The PRC/Mainland China	PRC	Registered RMB23,000,000	25%	Investment holding
Jiangsu Anshi Yingna Film Distribution Co. Limited*	The PRC/Mainland China	PRC	Registered RMB10,000,000	25%	Film distribution and agency service
Khorg as Anshi Yingna films*	The PRC/Mainland China	PRC	Registered RMB10,000,000	25%	Film distribution and agency service

\* These entities are wholly-owned by Filmko Culture.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 10. INVESTMENT IN AN ASSOCIATE *(Continued)*

*Note:*

- (i) The above associates have been accounted for using the equity method in these consolidated financial statements.
  
- (ii) On 11 July 2018, the Group acquired 25% equity interest in an entity, Filmko Culture Limited (“Filmko Culture”), for a consideration of HK\$110,000,000 which was settled by the payment in cash of HK\$70,000,000 by the Group and the issue of 16,000,000 new ordinary shares of the Company. Filmko Culture is an investment holding company which was incorporated in the British Virgin Islands and the subsidiaries of Filmko Culture were established in the PRC and are engaged in film distribution in the PRC.

Pursuant to the terms of the acquisition, Alex Film Limited (the vendor and a company beneficially owned as to 72% by Mr. Wong Hoi Fung, a director of the Company) and Mr. Wong Hoi Fung shall give guarantees to the Group that the consolidated profit of Filmko Culture and its subsidiaries for each of the three years ending 31 March 2021 shall not be less than HK\$40 million (the “Guaranteed Profit”) and that any shortfall between the actual profits for these years and the Guaranteed Profit shall be compensated by the vendor. The directors of the Company are of the view that as the recoverability of the shortfall compensation, if any which are ultimately materialised, is uncertain, the fair value of the profit guarantee given by the vendor is insignificant and such profit guarantee has not been recognised in the unaudited interim condensed consolidated financial statements. Mr. Wong Hoi Fung, as a guarantor, shall guarantee by way of continuing guarantee to the Group the due and punctual performance by Alex Film Limited of its obligations under the profit guarantee.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### II. TRADE RECEIVABLES

	30 September 2019 (Unaudited) <i>HK\$'000</i>	31 March 2019 (Audited) <i>HK\$'000</i>
Trade receivables	16,598	25,943
Impairment	(320)	(320)
	<u>16,278</u>	<u>25,623</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 2019: 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 2019 and 31 March 2019, based on the invoice date and net of provisions, is as follows:

	30 September 2019 (Unaudited) <i>HK\$'000</i>	31 March 2019 (Audited) <i>HK\$'000</i>
Within 90 days	6,958	17,734
91-180 days	2	7,851
181-360 days	8,922	38
Over 360 days	396	-
	<u>16,278</u>	<u>25,623</u>

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 12. LOAN AND INTEREST RECEIVABLES

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Loan and interest receivables, unsecured	49,668	48,866
Less: impairment loss recognised	<u>(28,844)</u>	<u>(28,844)</u>
	<u>20,824</u>	<u>20,022</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.

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

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Neither past due nor impaired	<u>20,824</u>	<u>20,022</u>

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

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

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Listed equity investments, at market value	<u>3,824</u>	<u>6,705</u>

The above equity investments at 30 September 2019 and 31 March 2019 were, upon initial recognition, designated by the Group as financial assets at fair value through profit and loss.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 14. TRADE PAYABLES

The following is an aged analysis of the trade payables as at 30 September 2019 and 31 March 2019 based on the payment due date:

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Within 90 days	21,300	7,208
91-180 days	87	153
181-360 days	9	15
Over 360 days	336	331
	<u>21,732</u>	<u>7,707</u>
Total	<u>21,732</u>	<u>7,707</u>

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

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Amount due to a related party	-	9,813
Other payables	17,510	12,968
Accruals	16,046	14,718
Deposits received	29,899	30,584
	<u>63,455</u>	<u>68,083</u>
Less: Non-current portion	<u>(70)</u>	<u>(159)</u>
	<u>63,385</u>	<u>67,924</u>

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

Included in 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 20).

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	At 30 September 2019			At 31 March 2019		
	Effective interest rate (%)	Maturity	HK\$'000 (Unaudited)	Effective interest rate (%)	Maturity	HK\$'000 (Audited)
<b>Current</b>						
Bank loans – secured	-	-	-	3.58–3.77	2019	525
Other loan – unsecured	6–15.2	2020	37,023	12	2019	20,224
Analysed into:						
Bank loans repayable within one year			868			525
Other loan repayable within one year			37,023			20,224
			<u>37,023</u>			<u>20,749</u>

As at 30 September 2019, the Group's banking facilities amounted to HK\$3 million (31 March 2019: HK\$3 million), which was not utilised at the end of the reporting period (31 March 2019: HK\$525,000), and were secured by a fixed deposit amounting to HK\$3 million provided by one of the subsidiaries' directors (31 March 2019: HK\$3 million).

As at 30 September 2019, the Group's other borrowings included loan from a third party amounted to HK\$10,000,000 which was secured by the pledge of certain Group's land and buildings with carrying amount of approximately HK\$11,258,000 as at 30 September 2019.

### 17. SHARE CAPITAL

	As at 30 September 2019 HK\$'000	As at 31 March 2019 HK\$'000
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 (31 March 2019: 404,369,123) ordinary shares of HK\$0.10 each	<u>40,437</u>	<u>40,437</u>

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 18. OPERATING LEASE ARRANGEMENTS

#### (a) As lessor

The Group leases certain of its office premises and factories under operating lease arrangements, with the lease negotiated for a term of not more than three years. The terms of the lease also require the tenant to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions.

At 30 September 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>30 September 2019 (Unaudited) HK\$'000</b>	31 March 2019 (Audited) HK\$'000
Within one year	<b>724</b>	1,313
In the second to fifth years, inclusive	<b>690</b>	301
	<b><u>1,414</u></b>	<u>1,614</u>

#### (b) As lessee

The Group leases certain of its office premises, factories, dormitories, staff quarters and retail shop under operating lease arrangements. Leases for office premises are negotiated for terms ranging from one to fifty years.

At 30 September 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 September 2019 (Unaudited) HK\$'000</b>	31 March 2019 (Audited) HK\$'000
Within one year	<b>1,556</b>	2,612
In the second to fifth years, inclusive	<b>3,159</b>	2,657
After five years	<b>27,204</b>	27,091
	<b><u>31,919</u></b>	<u>32,360</u>

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 19. RELATED PARTY TRANSACTIONS

#### (a) Transactions with related parties

	For the six months ended	
	30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accountancy fee received from related companies	(540)	(540)
Rental expenses paid to a director of the subsidiaries	222	222
Rental expenses paid to a related company**	-	90
Rental expenses on sales and leaseback transactions to a director of the subsidiaries#	553	553
Loan interest received from related parties***	-	798
	<u>          </u>	<u>          </u>

\* The related company is a company wholly owned by a director of certain subsidiaries of the Company.

\*\* The related party transactions were relating to loans made to certain directors of the Company or its subsidiaries. Such loans are unsecured and bear interest of 15%–20% per annum.

# The related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

#### (b) Outstanding balances with related parties

	30 September	31 March
	2019	2019
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loans to a joint venture	<u>3,305</u>	<u>3,560</u>
Loans to related parties*	<u>          </u>	<u>9,813</u>

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 19. RELATED PARTY TRANSACTIONS *(Continued)*

#### (b) Outstanding balances with related parties *(Continued)*

- \* The related party transactions were relating to loans made to certain directors of the Company or its subsidiaries, which also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. Such loans are unsecured and bear interest of 15% to 20% per annum.

#### (c) Compensation of key management personnel of the Group

	For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term employee benefits	<b>855</b>	<b>1,891</b>

### 20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, loan receivables, financial assets included in prepayments, deposits and other receivables, trade payables, amount due from/to related parties, interest-bearing bank borrowings and current portion of financial liabilities included in other payables, accruals and deposits received approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance team reports directly to the financial controller. At each reporting date, the finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The fair values of the non-current portion of a loan to a joint venture and the non-current portion of a deposit received have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of listed equity investments and an unlisted available-for-sale financial asset are based on quoted market prices.

#### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

#### *Assets measured at fair value:*

As at 30 September 2019 (unaudited)

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial asset at fair value through other comprehensive income:				
Club debenture	290	-	-	290
Equity investments at fair value through profit or loss	3,824	-	-	3,824
	<u>4,114</u>	<u>-</u>	<u>-</u>	<u>4,114</u>

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

#### Fair value hierarchy *(Continued)*

Assets measured at fair value: *(Continued)*

As at 31 March 2019 (audited)

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Available-for-sale financial asset:				
Club debenture	290	–	–	290
Equity investments at fair value through profit or loss	6,705	–	–	6,705
	<u>6,995</u>	<u>–</u>	<u>–</u>	<u>6,995</u>

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (31 March 2019: Nil).

### 21. 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 15).

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 report, the Company is still awaiting the determination of the High Court in respect to the Consent Summons.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 21. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

#### **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 Lenders Licence**

Due to the increase in uncertainty in the worldwide economic environment, the Group had decided not to renew its money lenders licence in the preceding financial year and would not grant any new loans to borrowers.

### 22. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 29 November 2019.

## SUPPLEMENTARY INFORMATION

### **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

None of the Directors or their respective associates and the chief executive of the Company had any interests or short positions in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the reporting period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company, their respective spouses or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

Save as disclosed in the related party transactions disclosures set out in note 19 and the investment in an associate disclosures set out in note 10 of the financial statements, none of the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period.

### **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST IN SHARES AND UNDERLYING SHARES**

As at 30 September 2019, so far as the Directors are aware of, the interest or short positions of the persons or corporations, other than Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, were as follows:

**SUPPLEMENTARY INFORMATION****SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST IN SHARES AND UNDERLYING SHARES** *(Continued)*

Long positions:

<b>Name of Shareholders</b>	<b>Number of issued ordinary shares held</b>	<b>Capacity and nature of interest</b>	<b>% of issued share capital of the Company</b>
Mr. Kitchell Osman Bin	70,662,000	Interest in a controlled corporation	17.47%
Great Panorama International Limited	70,662,000	Beneficial owner	17.47%

*Note:* Great Panorama International Limited is wholly-owned by Mr. Kitchell Osman Bin.

**SHARE OPTION SCHEME**

The Company adopted a share option scheme (the "Scheme") on 16 May 2003 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. No options have been granted since the adoption of the Scheme. The Scheme expired on 15 May 2013. The Company has not adopted any new share option scheme thereafter.

**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 2019.

**CHANGES IN DIRECTORS' INFORMATION**

There was no change in the information of the Directors of the Company since the publication of the annual report of the Company for the year ended 31 March 2019.

**CORPORATE GOVERNANCE**

During the six months ended 30 September 2019, 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 Listing Rules, 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.

## SUPPLEMENTARY INFORMATION

### CORPORATE GOVERNANCE *(Continued)*

#### 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.

### 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. Having made specific enquiry to 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 period under review.

### REVIEW OF UNAUDITED INTERIM RESULTS

The unaudited condensed consolidated interim financial information for the six months ended 30 September 2019 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.

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

Hong Kong, 29 November 2019