



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

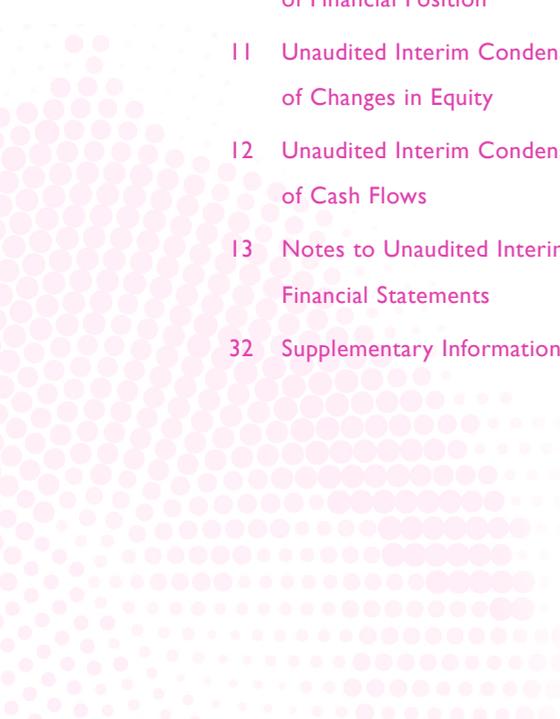


INTERIM REPORT
2020/2021

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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. Hui Man Ho, Ivan

AUDIT COMMITTEE

Mr. Cheng Chun Man (*Chairman*)
Mr. Man Wai Lun
Mr. Hui Man Ho, Ivan

NOMINATION COMMITTEE

Mr. Man Wai Lun (*Chairman*)
Mr. Cheng Chun Man
Mr. Hui Man Ho, Ivan

REMUNERATION COMMITTEE

Mr. Man Wai Lun (*Chairman*)
Mr. Cheng Chun Man
Mr. Hui Man Ho, Ivan

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

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point, 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

Room 22, 22/F
On Hong Commercial Building
145 Hennessy Road
Wanchai
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 2020 (“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\$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 for the six months ended 30 September 2019 to approximately HK\$0.86 million for the Period. 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\$7.4 million).

PROSPECT

The COVID-19 pandemic is still prevalent globally and the US-China trade dispute remains in question. The directors of the Company (the “Board” or “Directors”) are 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.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT *(Continued)*

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.

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2020, 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 30 September 2020, the Group's other borrowings included loan from a third party amounted to HK\$5,000,000 which was secured by the pledge of certain Group's land and buildings with carrying amount of approximately HK\$4,994,000 as at 30 September 2020.

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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2020, the Group employed 244 (2019: 331) 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.

EQUITY FUND RAISING ACTIVITIES AND USE OF PROCEEDS

Rights Issue of 202,184,561 shares

On 18 February 2020, the Company completed its rights issue and issued 202,184,561 rights shares on the basis of one rights share for every two existing shares, at the subscription price of HK\$0.14 per rights share (the "Rights Issue"). The net cash proceeds received from the Rights Issue amounted to approximately HK\$26,012,000 after share issue expenses. Details of the Rights Issue were set out in the Company's prospectus dated 23 January 2020.

According to the said prospectus, the net proceeds from the Rights Issue was estimated to be approximately HK\$26.3 million and were intended to be used as (i) approximately HK\$23.0 million for repayment of the Group's indebtedness; and (ii) approximately HK\$3.3 million for the general working capital of the Group.

On completion of the Rights Issue, the actual net proceeds were approximately HK\$26,012,000. As at 30 September 2020, HK\$20.7 million had been used for repayment of the Group's indebtedness and HK\$3.3 million had been utilized as general working capital. The unutilized amount is expected to be utilized as intended in the coming 6 months subject to future market developments.

Placing of new shares under general mandate

On 15 July 2020, the Company conducted a placing of 121,310,000 new ordinary shares to not less than six independent placees 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. The unutilized amount is expected to be utilized as intended in the coming 12 months subject to future market developments.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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).

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | | For the six months ended | |
|--|--------------|---------------------------------|--------------------|
| | | 30 September | |
| | | 2020 | 2019 |
| | | (Unaudited) | (Unaudited) |
| | <i>Notes</i> | 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 | 6 | 2,156 | 1,900 |
| Finance costs | 5 | (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 | 6 | (4,446) | (21,722) |
| Income tax (expense)/credit | 7 | (53) | 1,479 |
| LOSS FOR THE PERIOD | | (4,499) | (20,243) |
| Loss for the Period attributable to: | | | |
| Owners of the Company | | (3,428) | (20,578) |
| Non-controlling interests | | (1,071) | 335 |
| | | (4,499) | (20,243) |
| | | 2020 | 2019 |
| | | | (restated) |
| LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | |
| Basic | 9 | (0.53) HK cents | (4.89) HK cents |
| Diluted | | N/A | N/A |

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the six months ended | |
|---|--------------------------|-------------------------|
| | 2020 | 2019 |
| Notes | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| 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

| | | 30 September 2020 (Unaudited) <i>HK\$'000</i> | 31 March 2020 (Audited) <i>HK\$'000</i> |
|--|--------------|--|--|
| | <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 | 10 | 95,510 | 91,000 |
| Prepayments and deposits | | 230 | 230 |
| | | 220,293 | 235,276 |
| CURRENT ASSETS | | | |
| Inventories | | 3,607 | 8,802 |
| Trade receivables | 11 | 33,041 | 8,338 |
| Loan and interest receivables | 12 | 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 |

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | 30 September 2020 (Unaudited) HK\$'000 | 31 March 2020 (Audited) HK\$'000 |
|--|-------|---|---|
| | Notes | | |
| CURRENT LIABILITIES | | | |
| Trade payables | 13 | 3,131 | 5,113 |
| Contract liabilities | | 6,823 | 7,279 |
| Other payables, accruals and deposits received | 14 | 71,205 | 72,918 |
| Interest-bearing bank and other borrowings | 15 | 20,187 | 30,513 |
| Income tax payable | | 15,581 | 15,528 |
| Lease liabilities | | 65 | 90 |
| | | <u>116,992</u> | <u>131,441</u> |
| NET CURRENT ASSETS | | <u>35,182</u> | <u>12,947</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>255,475</u> | <u>248,223</u> |
| NON-CURRENT LIABILITIES | | | |
| Deposits received | 14 | 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 | 16 | 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) |
| TOTAL EQUITY | | <u>227,200</u> | <u>220,558</u> |

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to owners of the parent | | | | | | | | | |
|---|--------------------------------------|-----------------------------------|-----------------------------|--|---|--|------------------------------|-------------------|---------------------------------------|--------------------------|
| | Issued capital HK\$'000 | Share premium account HK\$'000 | Capital reserve HK\$'000 | Asset revaluation reserve [#] 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 2020 | 60,655 | 194,869* | 41,925* | 22,986* | (152)* | 125* | (91,013)* | 229,395 | (8,837) | 220,558 |
| Loss for the period | - | - | - | - | - | - | (2,605) | (2,605) | (919) | (3,524) |
| Other comprehensive loss for the period: | | | | | | | | | | |
| Share of exchange differences on translation of a joint venture | - | - | - | - | - | (32) | - | (32) | - | (32) |
| Share of exchange differences on translation of an associate | - | - | - | - | - | 284 | - | 284 | - | 284 |
| Exchange differences on translation of foreign operations | - | - | - | - | - | (1,774) | - | (1,774) | 21 | (1,753) |
| Total comprehensive loss for the period | - | - | - | - | - | (1,522) | (2,605) | (4,127) | (898) | (5,025) |
| Issue of shares | 12,131 | - | - | - | - | - | - | 12,131 | - | 12,131 |
| Shares issue expenses | - | (464) | - | - | - | - | - | (464) | - | (464) |
| At 30 September 2020 (unaudited) | <u>72,786</u> | <u>194,405*</u> | <u>41,925*</u> | <u>22,986*</u> | <u>(152)*</u> | <u>(1,397)*</u> | <u>(93,618)*</u> | <u>236,935</u> | <u>(9,735)</u> | <u>227,200</u> |
| 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>(152)*</u> | <u>1,638*</u> | <u>(13,192)*</u> | <u>282,028</u> | <u>(4,858)</u> | <u>276,847</u> |

* These reserve accounts comprise the consolidated reserves of HK\$164,149,000 (31 March 2020: HK\$168,740,000) 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 | |
|---|--|---------------------------------|
| | 2020 (Unaudited) HK\$'000 | 2019 (Unaudited) HK\$'000 |
| NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES | 6,005 | (11,820) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 4 | 7 |
| Purchases of items of property, plant and equipment | (1,238) | – |
| Proceeds from disposal of investment properties | 10,260 | – |
| Net cash flows from investing activities | 9,026 | 7 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of shares upon placing | 12,131 | – |
| Share issue expenses | (464) | – |
| New other borrowings | – | 16,273 |
| Repayment of other borrowings | (10,900) | – |
| Repayment of bank loans | – | (525) |
| Repayment of capital element of finance lease | – | (582) |
| Capital element of lease liabilities | (262) | (287) |
| Net cash flows from financing activities | 505 | 14,879 |
| NET INCREASE CASH AND CASH EQUIVALENTS | 15,536 | 3,066 |
| Cash and cash equivalents at beginning of period | 17,846 | 13,937 |
| Effect of foreign exchange rate changes, net | 124 | 843 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 33,506 | 17,846 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 33,506 | 17,846 |

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.

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 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.

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 <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 | 27,801 | 858 | 694 | 13,984 | 43,337 |
| 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 | | | | | 4,510 |
| Loss before tax | | | | | (4,446) |
| At 30 September 2020 | | | | | |
| (unaudited) | | | | | |
| Segment assets | 133,287 | 61,755 | 5,942 | 139,815 | 340,799 |
| Corporate and other unallocated assets | | | | | 31,668 |
| Total assets | | | | | 372,467 |
| Segment liabilities | 110,509 | 120 | 35 | 13,588 | 124,252 |
| Corporate and other unallocated liabilities | | | | | 21,015 |
| Total liabilities | | | | | 145,267 |

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (Continued)

| | 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 | 36,760 | 1,284 | (753) | 7,398 | 802 | 45,491 |
| 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 | | | | | | 5,942 |
| Loss before tax | | | | | | (21,722) |
| At 30 September 2019 | | | | | | |
| (unaudited) | | | | | | |
| Segment assets | 124,905 | 72,419 | 4,445 | 209,723 | 20,827 | 432,319 |
| Corporate and other unallocated assets | | | | | | 6,646 |
| Total assets | | | | | | 438,965 |
| Segment liabilities | 86,870 | 147 | 9 | 42,347 | 46 | 129,419 |
| Corporate and other unallocated liabilities | | | | | | 30,546 |
| Total liabilities | | | | | | 159,965 |

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 | |
|---|--|---------------|
| | 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> |

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 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 (Unaudited) HK\$'000 | 2019 (Unaudited) 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. FINANCE COSTS

| | For the six months ended 30 September 2020 (Unaudited) HK\$'000 | 2019 (Unaudited) 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> |

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 | |
|--|--|---------------------------------|
| | 2020 (Unaudited) HK\$'000 | 2019 (Unaudited) 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).

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX

| | For the six months ended 30 September | |
|--|--|---------------------------------|
| | 2020 (Unaudited) HK\$'000 | 2019 (Unaudited) HK\$'000 |
| Current – Charge for the Period | (53) | – |
| Current – Overprovision in prior years | – | 1,479 |
| Total tax charge for the Period | <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.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. INVESTMENT IN AN ASSOCIATE

| | 30 September 2020 (Unaudited) HK\$'000 | 31 March 2020 (Audited) HK\$'000 |
|--|---|---|
| Cost of investment in an associate – unlisted | 110,000 | 110,000 |
| Share of post-acquisition Profit/loss and other comprehensive income | 25,053 | 20,543 |
| Impairment loss recognised | (39,543) | (39,543) |
| | <u>95,510</u> | <u>91,000</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 | 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 | Hong Kong | Ordinary HK\$10,000 | 25% | Films distribution and production and artiste product |
| Nanjing Xinhao Film Culture Development Co., Limited* | PRC | PRC | Registered RMB23,000,000 | 25% | Investment holding |
| Jiangsu Anshi Yingna Film Distribution Co. Limited* | PRC | PRC | Registered RMB10,000,000 | 25% | Film distribution and agency service |
| Khorgas Anshi Yingna Film Distribution Co. Limited* | PRC | 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.

11. 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.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE RECEIVABLES *(Continued)*

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> |

12. 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 | <u>(10,120)</u> | <u>(10,120)</u> |
| | <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.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. LOAN AND INTEREST RECEIVABLES *(Continued)*

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.

13. 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> |

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. 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 | 14,891 | 29,254 |
| | <u>71,272</u> | <u>72,985</u> |
| Less: Non-current portion | (67) | (67) |
| | <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.

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | As at 30 September 2020 | | | As at 31 March 2020 | | |
|-------------------------|-----------------------------------|----------|---------------|-----------------------------------|----------|---------------|
| | Effective interest rate (%) | Maturity | HK\$'000 | Effective interest rate (%) | Maturity | HK\$'000 |
| Current | | | | | | |
| Other loans – Secured | 13.2% | 2020 | 5,000 | – | – | – |
| Other loans – Unsecured | 6%-12% | 2020 | 15,187 | 12%-13.2% | 2020 | 30,513 |
| | | | <u>20,187</u> | | | <u>30,513</u> |
| Non-current | | | | | | |
| Other loan – Unsecured | 8% | 2021 | 8,665 | 8% | 2021 | 8,262 |
| | | | <u>28,852</u> | | | <u>38,775</u> |

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

| | As at 30 September 2020 <i>HK\$'000</i> | As at 31 March 2020 <i>HK\$'000</i> |
|---|--|--|
| Analysed into: | | |
| Other loan repayable within one year | 20,187 | 30,513 |
| Other loan repayable more than one year | 8,665 | 8,262 |
| | 28,852 | 38,775 |

Notes:

- (a) The Group's banking facilities (the "Banking Facilities") amounting to HK\$3,000,000 (31 March 2020 : HK\$3,000,000), of which HK\$Nil (31 March 2020 : HK\$Nil) had been utilised as at the end of the reporting period, and were secured by a fixed deposit amounting to HK\$3,000,000 provided by a director of the Company's subsidiaries.
- (b) The Group's other loans, amounting HK\$20,187,000 and HK\$8,665,000, are payable within one year after the end of the reporting period and more than one year after the end of the reporting period respectively.
- (c) As at 30 September 2020, the Group's other borrowings included loan from a third party amounted to HK\$5,000,000 which was secured by the pledge of certain Group's land and buildings with carrying amount of approximately HK\$4,994,000 as at 30 September 2020.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. 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 placees 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.

17. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with the leases negotiated for terms ranging from two to three years. The terms of the leases also require the tenant to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. OPERATING LEASE ARRANGEMENTS (Continued)

(a) As lessor (Continued)

At 30 September 2020, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

| | 30 September 2020 (Unaudited) HK\$'000 | 31 March 2020 (Audited) HK\$'000 |
|---|---|---|
| Within one year | 472 | 960 |
| In the second to fifth years, inclusive | 201 | 418 |
| | <u>673</u> | <u>1,378</u> |

18. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

| | For the six months ended 30 September 2020 (Unaudited) HK\$'000 | 2019 (Unaudited) HK\$'000 |
|--|---|---------------------------------|
| Accountancy fee received from related companies | (540) | (540) |
| Rental expenses paid to a director of the subsidiaries | 222 | 222 |
| Rental expenses on sales and leaseback transactions to a director of the subsidiaries [#] | 591 | 553 |

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties

| | 30 September 2020 (Unaudited) HK\$'000 | 31 March 2020 (Audited) HK\$'000 |
|--------------------------|---|---|
| Loans to a joint venture | 3,426 | 3,286 |
| Due to related parties* | - | 572 |

* Included in other payables, accruals and deposits received at 30 September 2020 is amount due to Mr. Yu Wing Lung, a director of subsidiary of the Company, amounted to HK\$Nil (31 March 2020: HK\$572,000), which is unsecured, non-interest bearing and repayable on demand.

(c) Compensation of key management personnel of the Group

| | For the six months ended 30 September 2020 (Unaudited) HK\$'000 | 2019 (Unaudited) HK\$'000 |
|------------------------------|---|---------------------------------|
| Short-term employee benefits | 555 | 855 |

19. 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.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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:

The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 September 2020 was assessed to be insignificant.

Financial assets measured at fair value

The fair values of listed equity investments at fair value through profit or loss and an unlisted financial assets at fair value through other comprehensive income are based on quoted market prices.

The fair values of investments in film production has been calculated by discounting the cash flow to capture the present value of the expected future economic benefits to be derived from the investment, based on an appropriate discount rate.

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 2020 (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 assets at fair value through profit or loss | 5,708 | - | 45,318 | 51,026 |

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Fair value hierarchy *(Continued)*

Assets measured at fair value: (Continued)

As at 31 March 2020 (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 | | | |
| | Financial assets at fair value through profit or loss | 5,704 | – | | 45,318 | 51,022 |

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 2020: Nil).

20. 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.

21. 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 27 November 2020.

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 18 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 2020, 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

| Name of Shareholders | Number of issued ordinary shares held | Capacity and nature of interest | % of issued share capital of the Company |
|----------------------|---------------------------------------|---------------------------------|--|
| Osman Bin Kitchell | 142,297,719 | Beneficial owner | 19.55% |
| Wong Hoi Fung | 49,020,000 | Beneficial owner | 6.73% |

SHARE OPTION SCHEME

The Company has adopted a share option scheme ("Share Option Scheme") on 16 March 2020 to provide incentive or rewards to participants including the Directors and eligible employees of the Group. No options were granted under the Share Option Scheme since its adoption.

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 2020.

CHANGES IN DIRECTORS' INFORMATION

The changes 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 2020, which are required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) and Code A.6.6 of Appendix 14 of the Listing Rules are set out below:

Changes in biographical details of Directors

| Name of Directors | Name of Listed Company | Position | Details (YYYY-MM-DD) |
|----------------------------|--|------------------------------------|----------------------|
| Mr. Chan Chung Yin, Victor | Palace Banquet Holdings Limited (Stock Code: 1703) | Independent Non-Executive Director | (A): 2020-09-28 |
| | KNK Holdings Limited (Stock Code: 8039) | Independent Non-Executive Director | (R): 2020-11-02 |
| Mr. Man Wai Lun | China Trustful Group Limited (Stock Code: 8265) | Independent Non-Executive Director | (R): 2020-11-09 |

Notes:

A = Appointment Date

R = Resignation Date

SUPPLEMENTARY INFORMATION

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 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.

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 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 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.

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

Hong Kong, 27 November 2020