



2022/
2023

INTERIM REPORT



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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chung Yuk Lun

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

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WEBSITE

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STOCK CODE

907

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

During the Period, the Group's revenue decreased by approximately 38.0%, to approximately HK\$21.6 million compared to the same period last year. Gross Profit decreased from approximately HK\$5.6 million to approximately HK\$1.8 million mainly due to drop in revenue, while the gross profit margin rate decreased from 16.0% to 8.4% representing a decline of 7.6% approximately. Administrative expenses decreased significantly by HK\$52.8 million compared to the same period last year, to approximately HK\$18.2 million, which was mainly attributable to the one-off and non-cash share-based payment amounting to approximately HK\$53.3 million recorded last year. As the result, the Group recorded a decrease in net loss before tax to approximately HK\$15.3 million (2021: loss of approximately HK\$64.7 million) and the loss attributable of the owners of the Company approximately HK\$11.3 million (2021: loss of approximately HK\$64.4 million).

BUSINESS SEGMENTS

The Group comprised of 5 segments, namely (i) manufacturing and trading of optical frames and sunglasses; (ii) property investment; (iii) debts and securities investment; (iv) film investment and distribution; and (v) energy business. Total revenue for the Period was approximately HK\$21.6 million. The Group's overall revenue was primarily attributed to the sales of optical frames and sunglasses, with a decrease by approximately 40.0% or approximately HK\$10.2 million to approximately HK\$15.3 million for the Period (2021: HK\$25.5 million). For property investment, rental income increased from approximately HK\$0.74 million as at 30 September 2021 to approximately HK\$0.98 million as at 30 September 2022. It remained relatively insignificant to the Group's operation. For debts and securities investment, loss of approximately HK\$2.0 million was recorded for the Period as compared to the loss of approximately HK\$0.8 million for the six months ended 30 September 2021. For film investment and distribution segment, it recorded a revenue of approximately HK\$5.3 million for the Period (2021: HK\$8.6 million). For energy business, no revenue was generated during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT

The business environment will be challenging in light of the present world-wide economic pressure and geopolitical conflicts at the moment. Global economy is, on one hand, suffering from the impact of high inflation and high interest rate and, on the other, is yet walked out from the shadow of COVID-19 in particular the strict COVID-19 restrictions and control measures are yet to be lifted in PRC. Consequentially, market demand will be suppressed which will inevitably affects the business of the Group as a whole.

In view of the above, for the optical frames and sunglasses related business, the Group will continue streamlining its operation model, implementing effective cost management, and maintain a flexible operation capacity to adjust its scale of operation with the market demand and minimize the impact of global supply chain disruption and economic fluctuation. For the film investment and distribution business, though there is uncertainty in the near future as PRC is under strict control measures, the Group remains cautiously optimistic about the PRC film market in the long run under the support of national policies and it is believed that the impact of COVID-19 will dissipate one day.

CHARGES ON THE GROUP'S ASSETS

As at 30 September 2022, the Group did not have any indebtedness secured by assets of the Group.

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 hedging significant foreign currency exposure should the need arise.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2022, the Company had no capital commitments, which were contracted but not provided for, save for an approximately HK\$247.0 million, which were contracted but not provided for, in respect of acquisition of 50% shareholding of H. Sterling (2021: Nil). As at 30 September 2022, the Company had no contingent liabilities (2021: 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 2022, the Group employed 202 (2021: 226) 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

Placing and subscription of new shares under general mandate

On 20 October 2021, the Company entered into subscription agreement with the subscriber for the subscription of 174,000,000 new shares for a total proceed of HK\$161,820,000 at the subscription price of HK\$0.93 per subscription share (the "Subscription"). For details, please refer to announcement of the Company titled "SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE" dated 20 October 2021. The Subscription was lapsed on 7 July 2022. For details, please refer to the Company announcement dated 5 July 2022.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position with cash and cash equivalents of approximately HK\$16.8 million (31 March 2022: HK\$18.8 million), short-term borrowings of zero balance (31 March 2022: HK\$14.6 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 14.1% as at 30 September 2022 (31 March 2022: 13.2%). The non-current liabilities of the Company mainly comprised of deferred tax liabilities, deposit received and lease liabilities amounting to approximately HK\$1.9 million, HK\$0.5 million and HK\$19.0 million respectively (31 March 2022: HK\$2.1 million, HK\$0.5 million and HK\$19.0 million) which came up a total amount of approximately HK\$21.4 million as at 30 September 2022 (31 March 2022: HK\$21.6 million). The Group's equity attributable to owners of the Company as at 30 September 2022 amounted to approximately HK\$152.2 million (31 March 2022: HK\$163.2 million).

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the six months ended 30 September	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
REVENUE	4	21,620	34,875
Cost of sales and services		(19,803)	(29,317)
Gross profit		1,817	5,558
Other income	4	3,037	4,174
Selling and distribution expenses		(261)	(1,694)
Administrative expenses		(18,237)	(71,053)
Other operating (expense)/income		–	(275)
Finance costs	6	(732)	(829)
Share of loss of an associate		(875)	(625)
LOSS BEFORE TAX	5	(15,251)	(64,744)
Income tax expense	8	–	–
LOSS FOR THE PERIOD		(15,251)	(64,744)
Loss for the Period attributable to:			
Owners of the Company		(11,336)	(64,368)
Non-controlling interests		(3,915)	(376)
		(15,251)	(64,744)
		2022	2021
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic	9	HK cents (1.30)	HK cents (7.37)
Diluted		N/A	N/A

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 September	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Notes		
LOSS FOR THE PERIOD	<u>(15,251)</u>	<u>(64,744)</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)	82
Share of exchange differences on translation of an associate	(98)	2,288
Exchange differences on translation of foreign operations	<u>(1,765)</u>	<u>1,117</u>
OTHER COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD, NET OF TAX	<u>(1,895)</u>	<u>3,487</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX	<u>(17,146)</u>	<u>(61,257)</u>
Total comprehensive expense for the Period attributable to:		
Owners of the Company	(11,019)	(60,636)
Non-controlling interests	<u>(6,127)</u>	<u>(621)</u>
	<u>(17,146)</u>	<u>(61,257)</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2022 (Unaudited) <i>HK\$'000</i>	31 March 2022 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		27,923	32,986
Investment properties		58,384	59,330
Right-of-use assets		18,832	19,302
Investment in an associate	10	40,125	41,000
		<u>145,264</u>	<u>152,618</u>
CURRENT ASSETS			
Inventories		2,330	5,483
Trade receivables	11	5,313	10,203
Prepayments, deposits and other receivables		34,026	56,189
Financial assets at fair value through profit or loss		17,004	19,748
Cash and cash equivalents		16,818	18,770
		<u>75,491</u>	<u>110,393</u>
CURRENT LIABILITIES			
Trade payables	12	2,837	7,662
Contract liabilities		2,262	2,600
Other payables, accruals and deposits received	13	48,640	53,774
Interest-bearing bank and other borrowings		–	14,609
Income tax payable		15,327	15,327
Lease liabilities		607	676
		<u>69,673</u>	<u>94,648</u>
NET CURRENT ASSETS		<u>5,818</u>	<u>15,745</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>151,082</u>	<u>168,363</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Deposits received	13	483	519
Deferred tax liabilities		1,904	2,072
Lease liabilities		19,046	18,977
		<u>21,433</u>	<u>21,568</u>
NET ASSETS		<u>129,649</u>	<u>146,795</u>
EQUITY			
Share capital	14	8,728	8,728
Reserves		143,457	154,476
Equity attributable to owners of the Company		<u>152,185</u>	<u>163,204</u>
Non-controlling interests		<u>(22,536)</u>	<u>(16,409)</u>
TOTAL EQUITY		<u>129,649</u>	<u>146,795</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent										
	Issued capital	Share premium account	Capital reserve	Asset revaluation reserve [#]	Share option reserve	Goodwill eliminated against reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2022	8,728	247,085	107,433	22,986	53,312	(152)	7,175	(283,363)	163,204	(16,409)	146,795
Loss for the period	-	-	-	-	-	-	-	(11,336)	(11,336)	(3,915)	(15,251)
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	-	-	-	-	-	-	(98)	-	(98)	-	(98)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	447	-	447	(2,212)	(1,765)
Total comprehensive loss for the period	-	-	-	-	-	-	317	(11,336)	(11,019)	(6,127)	(17,146)
Recognition of share options granted	-	-	-	-	-	-	-	-	-	-	-
At 30 September 2022 (unaudited)	<u>8,728</u>	<u>247,085</u>	<u>107,433</u>	<u>22,986</u>	<u>53,312</u>	<u>(152)</u>	<u>7,492</u>	<u>(294,699)</u>	<u>152,185</u>	<u>(22,536)</u>	<u>129,649</u>
At 1 April 2021	8,728	247,085	41,925	22,986	-	(152)	3,653	(106,287)	283,446	(10,954)	272,492
Loss for the period	-	-	-	-	-	-	-	(64,368)	(64,368)	(376)	(64,744)
Other comprehensive loss for the period:											
Share of exchange differences on translation of a joint venture	-	-	-	-	-	-	82	-	82	-	82
Share of exchange differences on translation of an associate	-	-	-	-	-	-	2,288	-	2,288	-	2,288
Exchange differences on translation of foreign operations	-	-	-	-	-	-	1,362	-	1,362	(245)	1,117
Total comprehensive loss for the period	-	-	-	-	-	-	3,732	(64,368)	(60,636)	(621)	(61,257)
Recognition of share options granted	-	-	-	-	53,312	-	-	-	53,312	-	53,312
At 30 September 2021 (unaudited)	<u>8,728</u>	<u>247,085</u>	<u>41,925</u>	<u>22,986</u>	<u>53,312</u>	<u>(152)</u>	<u>7,385</u>	<u>(170,655)</u>	<u>276,122</u>	<u>(11,575)</u>	<u>264,547</u>

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
2022
(Unaudited)
HK\$'000

2021
(Unaudited)
HK\$'000

NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	20,431	(35,312)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Interest received	96	31
Purchases of items of property, plant and equipment	(6,564)	(1,366)
Net cash flows from/(used in) investing activities	(6,468)	(1,335)
CASH FLOWS FROM FINANCING ACTIVITIES		
New other borrowings	–	24,576
Repayment of other borrowings	(14,609)	(10,000)
Capital element of lease liabilities	(194)	(276)
Net cash flows from financing activities	(14,803)	14,300
NET DECREASE IN CASH AND CASH EQUIVALENTS	(840)	(22,347)
Cash and cash equivalents at beginning of period	17,985	40,078
Effect of foreign exchange rate changes, net	(327)	254
CASH AND CASH EQUIVALENTS AT END OF PERIOD	16,818	17,985
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	16,818	17,985

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 2022 were authorised for issue in accordance with a resolution of the directors on 30 November 2022.

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 energy business.

2.1 ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2022 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 (“HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Other than the changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRS”), 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 2022.

Basis of preparation

The unaudited interim condensed 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 consolidated 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

HKICPA has issued a number of amendment to the HKFRSs that are first effective or available for early adoption for the Period. In the current period, the Group has applied, for the first time, the following amendments to the HKFRSs issued by the HKICPA. These HKFRSs are mandatorily effective for the annual period beginning on or after 1 April 2022 for the preparation of the Group's unaudited interim condensed consolidated financial statements.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The adoption of revised HKFRSs has no material effect on the Group's results and financial position for the current and previous accounting periods. The Group has not applied any new or revised HKFRSs that have been issued but are not yet effective for the current accounting period.

There have been no significant changes to the accounting policies applied in these financial statements for the Period presented as a result of these developments.

The unaudited condensed consolidated financial statements for the Period have not been audited by the Company's independent auditor but have been reviewed by the Company's audit committee.

The preparation of the unaudited condensed consolidated financial statements of the Group for the Period is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require the management to exercise their judgements in the process of applying the Group's accounting policies.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. A number of new or amended standards are effective from 1 April 2022 but they do not have a material effect on the Group's unaudited interim condensed consolidated financial statements.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION

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

- (a) the manufacturing and trading segment engaged in manufacture and trading of optical frames and sunglasses;
- (b) the property investment segment engaged in leasing of properties for rental income;
- (c) the debts and securities investment segment engaged in investments in financial instruments and quoted shares;
- (d) the film investment and distribution segment engaged in film rights and movie investments and distributions; and
- (e) the energy business segment engaged in investments in energy sector related instrument and sale and trading of petroleum chemical products.

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

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

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

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

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	Energy business HK\$'000	Total HK\$'000
Six months ended						
30 September 2022 (unaudited)						
Segment revenue:						
Revenue from external customers	15,326	975	-	5,319	-	21,620
Segment result	(14,151)	121	(2,011)	4,666	-	(11,375)
Bank interest income						96
Corporate and other unallocated expenses						(2,365)
Finance costs						(732)
Share of loss of an associate						(875)
Loss before tax						(15,251)
At 30 September 2022						
(unaudited)						
Segment assets						
Corporate and other unallocated assets	64,207	39,512	1,232	42,390	26,522	173,863
Total assets						46,892
Total assets						220,755
Segment liabilities						
Corporate and other unallocated liabilities	50,444	136	3,442	5,476	12,706	72,204
Total liabilities						18,902
Total liabilities						91,106

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	Energy business HK\$'000	Total HK\$'000
Six months ended						
30 September 2021 (unaudited)						
Segment revenue:						
Revenue from external customers	25,544	742	–	8,589	–	34,875
Segment result	(5,313)	619	(808)	(2,642)	(2,123)	(10,267)
Bad debt recovery						2,809
Bank interest income						31
Corporate and other unallocated expenses						(55,863)
Finance costs						(829)
Share of loss of an associate						(625)
Loss before tax						(64,744)
At 30 September 2021 (unaudited)						
Segment assets						
Corporate and other unallocated assets	89,624	63,412	4,719	162,013	37,744	357,512
Total assets						23,671
Total assets						381,183
Segment liabilities						
Corporate and other unallocated liabilities	65,535	80	2,962	35,820	6,689	111,086
Total liabilities						5,550
Total liabilities						116,636

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	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
America	11,974	20,047
Europe	2,383	3,475
The People's Republic of China (the "PRC") (including Hong Kong)	6,576	11,118
Others	687	235
	<u>21,620</u>	<u>34,875</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	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Customer A	5,966	14,536
Customer B	3,156	N/A
Customer C	2,534	N/A
Total	<u>11,656</u>	<u>14,536</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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue		
Sales of goods – at a point in time	15,326	25,544
Film distribution agency and commission income – over time	5,319	8,589
Rental income	975	742
	<u>21,620</u>	<u>34,875</u>
Other income		
Sales of scrap materials	–	142
Bank interest income	96	31
Bad debt recovery	–	2,809
Handling income	–	639
Accounting service fee	820	540
Rental income from lease of machineries	1,322	–
Others	799	13
	<u>3,037</u>	<u>4,174</u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. LOSS BEFORE TAX

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

	For the six months ended	
	30 September	2021
	2022	(Unaudited)
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold*	10,419	22,417
Depreciation	1,501	1,872
Depreciation of right-of-use assets	269	308
Employee benefits expense (including directors' remunerations):		
Wages and salaries	13,796	10,346
Equity-settled share-based payment	–	53,312
Pension scheme contributions**	273	345
	14,069	64,003
Gross rental income	975	742
Less: direct operating expenses (including repairs and maintenance arising from rental-earning investment properties)*	–	–
Net rental income	975	742
(Reversal) for inventory obsolescence*	(938)	–

* 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 2021: Nil).

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCE COSTS

	For the six months ended 30 September	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Interest on bank and other loans	453	520
Interest on lease liabilities	279	309
	<u>732</u>	<u>829</u>

7. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2022 (2021: Nil).

8. INCOME TAX

	For the six months ended 30 September	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current – Charge for the Period	–	–
Total tax charge for the Period	<u>–</u>	<u>–</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.

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

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\$11,336,000 (2021: HK\$64,368,000) and the number of 872,863,684 (2021: 872,863,684) 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 2022 and 2021 or as at those dates.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. INVESTMENT IN AN ASSOCIATE

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Unlisted associate		
Cost of investment	110,000	110,000
Share of post-acquisition profit and other comprehensive income	28,983	29,858
Impairment loss recognised	(98,858)	(98,858)
	<u>40,125</u>	<u>41,000</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)

Notes:

- (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 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Trade receivables	6,956	12,246
Impairment	(1,643)	(2,043)
	<u>5,313</u>	<u>10,203</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 2022: 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 2022 and 31 March 2022, based on the invoice date and net of provisions, is as follows:

	30 September 2022 (Unaudited) <i>HK\$'000</i>	31 March 2022 (Audited) <i>HK\$'000</i>
Within 90 days	4,796	4,619
91 – 180 days	–	3
181 – 360 days	517	5,581
	<u>5,313</u>	<u>10,203</u>

12. TRADE PAYABLES

The following is an aged analysis of the trade payables as at 30 September 2022 and 31 March 2022 based on the payment due date:

	30 September 2022 (Unaudited) <i>HK\$'000</i>	31 March 2022 (Audited) <i>HK\$'000</i>
Within 90 days	2,802	7,223
91 – 180 days	35	27
181 – 360 days	–	1
Over 360 days	–	411
Total	<u>2,837</u>	<u>7,662</u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Amount due to a related party	11,905	17,750
Other payables	20,456	19,254
Accruals	13,567	16,216
Deposits received	3,195	1,073
	<u>49,123</u>	<u>54,293</u>
Less: Non-current portion	(483)	(519)
	<u>48,640</u>	<u>53,774</u>

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

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
At 31 March 2022, 1 April 2022 and 30 September 2022	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 April 2022	<u>872,863,684</u>	<u>8,728</u>
At 30 September 2022	<u>872,863,684</u>	<u>8,728</u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. 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.

At 30 September 2022, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Within one year	2,292	1,363
In the second to fifth years, inclusive	4,616	1,628
	<u>6,908</u>	<u>2,991</u>

16. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	For the six months ended 30 September 2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Accountancy fee received from related companies	(820)	(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 [#]	580	591

[#] 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

16. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Outstanding balances with related parties

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Loans to a joint venture	<u>2,708</u>	<u>2,749</u>
Due to a related party*	<u>11,905</u>	<u>15,281</u>

* Included in other payables, accruals and deposits received at 30 September 2022 is amount due to the spouse of Mr. Hui Leung Wah, the director of certain subsidiaries of the Company, amounted to approximately HK\$11,905,000 (31 March 2022: approximately HK\$15,281,000) 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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Short-term employee benefits	711	1,920
Post-employment benefits	<u>18</u>	<u>18</u>
Total compensation paid and payable to key management personnel	<u>729</u>	<u>1,938</u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. 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:

The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 September 2022 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 and convertible bond have 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:

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Fair value hierarchy *(Continued)*

Assets measured at fair value:

As at 30 September 2022 (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	690	-	16,314	17,004

As at 31 March 2022 (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	3,434	-	16,314	19,748

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 2022: Nil).

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. EVENT AFTER THE REPORTING PERIOD

On 28 September 2022, the Group entered into the sale and purchase agreement with Mr. Hui Leung Wah, pursuant to which the Group has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the sale shares, representing 55% of the entire issued share capital of the Gold Strong Industrial Limited (the “Target Company”) (a non-wholly owned subsidiary of the Company), at a consideration of HK\$21,000,000 to be paid and settled in cash. Upon completion, the Target Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated with the financial statements of the Group. The Completion took place after 30 September 2022. The disposal transaction constituted a discloseable transaction and a connected transaction for the Company and was subject to the reporting and announcement requirements under Chapter 14 and Rule 14A.101 of the Listing Rules. For details, please refer to the Company’s announcements dated 28 September 2022 and 10 October 2022.

19. 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 30 November 2022.

SUPPLEMENTARY INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

Long positions in shares and underlying shares

Name of Director	Nature of interest	Number of ordinary shares of the Company interested	Number of underlying ordinary shares held under Share Option Scheme	Approximate percentage of shareholding (Note 1)
Mr. Yu Baodong ("Mr. Yu") (Note 3)	Beneficial owner	–	8,000,000 (Note 2)	0.92%
Mr. Chung Yuk Lun ("Mr. Chung")	Beneficial owner	–	8,000,000 (Note 2)	0.92%
Mr. Wong Chong Fai ("Mr. Wong") (Note 3)	Beneficial owner	45,000,000	8,000,000 (Note 2)	6.07%

Notes:

1. Based on 872,863,684 ordinary shares of the Company ("Ordinary Share(s)") in issue as at 30 September 2022.
2. These underlying shares were share options granted by the Company under the Share Option Scheme on 19 March 2021 and accepted by Mr. Yu and Mr. Chung on 1 April 2021 and Mr. Wong on 4 April 2021 at exercise price of HK\$1.33 per share.
3. Mr. Yu and Mr. Wong had resigned as director of the Company on 11 October 2022.

Save as disclosed above, as of the 30 September 2022, so far as is known to any Director or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) required to be recorded in the register kept by the Company pursuant to section 352 of the SFO; or (iii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUPPLEMENTARY INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES" and "SHARE OPTION SCHEME" in this report, at no time during the six months ended 30 September 2022 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

As at 30 September 2022, none of the Directors nor their respective close associates was interested in any business which was considered to compete or was likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

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

As at 30 September 2022, 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:

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	16.30%

SUPPLEMENTARY INFORMATION

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. At the annual general meeting of the Company held on 25 August 2021, the Company was authorised to refresh the scheme mandate limit to issue a maximum of 87,286,368 share options under the Share Option Scheme. More information can be referred in the Company’s circular dated 26 July 2021.

Movements of share options under the Share Option Scheme held by the Directors, employee and consultant are as follows:

Name of category of participant	Date of grant of Share option	Exercise period	Exercise price per share HK\$	Numbers of underlying shares in respect of which share options were granted			
				As at 31 March 2022	Granted during the Period	Exercise/Cancelled/Lapsed	As at 30 September 2022
Directors							
Mr. Yu (<i>Note 1</i>)	1/4/2021	1/4/2021 – 31/3/2031	1.33	8,000,000	–	–	8,000,000
Mr. Chung	1/4/2021	1/4/2021 – 31/3/2031	1.33	8,000,000	–	–	8,000,000
Mr. Wong (<i>Note 1</i>)	4/4/2021	4/4/2021 – 3/4/2031	1.33	8,000,000	–	–	8,000,000
Other eligible participants							
Employee	7/4/2021	7/4/2021 – 6/4/2031	1.33	8,000,000	–	–	8,000,000
Mr. Xiao Junwei, independent Consultant	1/4/2021	1/4/2021 – 31/3/2031	1.33	8,000,000	–	–	8,000,000
Mr. Lien Wai Hon, independent Consultant	7/4/2021	7/4/2021 – 6/4/2031	1.33	8,000,000	–	–	8,000,000
Mr. Miao Ki Kong, independent Consultant	7/4/2021	7/4/2021 – 6/4/2031	1.33	8,000,000	–	–	8,000,000
Mr. Huang wei, independent Consultant	7/4/2021	7/4/2021 – 6/4/2031	1.33	4,000,000	–	–	4,000,000
Total				<u>60,000,000</u>	<u>–</u>	<u>–</u>	<u>60,000,000</u>

Notes:

1. Mr. Yu and Mr. Wong had resigned as director of the Company on 11 October 2022.
2. The Share Options are granted without any vesting conditions/period.

SUPPLEMENTARY INFORMATION

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 2022.

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 2022, which are required to be disclosed pursuant to Rule 13.51B(1) 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. Man Wai Lun	China Clean Energy Technology Group Limited (Stock Code: 2379)	Executive Director	(R) 2022.10.03

CORPORATE GOVERNANCE

During the six months ended 30 September 2022, the Company has adopted and complied with the applicable code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

SUPPLEMENTARY INFORMATION

REVIEW OF UNAUDITED INTERIM RESULTS

The unaudited interim condensed consolidated financial information for the six months ended 30 September 2022 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.

By order of the Board

Elegance Optical International Holdings Limited

Chung Yuk Lun

Executive Director

Hong Kong, 30 November 2022