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ELEGANCE OPTICAL INTERNATIONAL HOLDINGS LIMITED

高雅光學國際集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 907)

VOLUNTARY ANNOUNCEMENT BUSINESS UPDATE

This is a voluntary announcement made by Elegance Optical International Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) to inform its shareholders of the latest business development of the Group.

EYEWEAR BUSINESS

As disclosed in the announcement of the Company dated 28 September 2022, the Company made strategic decisions to transform the Group’s manufacturing of optical frames and sunglasses into trading of optical frames and sunglasses (“**Eyewear Business**”) in order to proactively align the business and reduce costs in response to external pressures, and reposition the Group as a one-stop solution provider focusing in the upstream to midstream eyewear products market.

With over decades experience in eyewear industry, the Group has cultivated extensive assets and expertise that provide a robust foundation for transitioning to a sourcing-focused business model. Despite exiting direct manufacturing operations, the Company enters this new chapter from a position of strength.

Although the Company grounded in manufacturing, it retained with its well-rounded eyewear expertise, relationships, and leadership which allows the Group to effectively develop and execute the strategy to scale the sourcing business and engage partners and customers. This retains invaluable institutional knowledge shaped by the Company’s mastery across eyewear design, production, quality control, and supply chain management. Leveraging this specialized expertise will ensure the Company delivers maximum value as it focuses on core sourcing competencies.

Despite the Eyewear Business has experienced a temporary revenue declines, the Group believed the disposal of the manufacturing factory does not affect business ties with long-standing eyewear customers. While it may take time for clients to adjust to the new business model, the Group remains their trusted partner for procuring quality eyewear products. The loss of in-house manufacturing represents a temporary change in operations, not a permanent loss of customer relationships or demand. By maintaining strong client partnerships and acting as a facilitator of eyewear trade, the Group is well-positioned to restore revenues over time as customers become accustomed to the new business model.

FILM BUSINESS

The Group first commenced its film business in 2017 and engaged in film distribution business through its subsidiary. The Group subsequently expanded its film business and made two film investments in FY2019 and FY2020 (“**Film Business**”). Nevertheless, as stated in the announcement of the Company dated 13 September 2022, the actual box office of the film investments were significantly impacted mainly attributable the national lock down and closure of cinemas due to the pandemic.

The Group has then adopted a cautious approach and temporarily ceased to make further film investments. On the other hand, the Group has been actively diversified its Film Business through film distribution and film-related production services, while seeking potential investment opportunities aiming to capture the rebound momentum.

Strategic cooperation with EMP

As the entertainment business begins to recover from the pandemic, the Group has the opportunities to assume a more upstream role in the industry’s value chain and resume in undertaking major film investments. The Company has entered in to Master Participation Agreement with Emperor Motion Picture Limited (“**EMP**”) for a term of 3 years in relation to investing into a slate or portfolio of multiple film projects of EMP. The Group considers EMP as one of the leading integrated player in Hong Kong film industry which has extensive presence across the entire film value chain. Given the industrial landscape and given EMP’s unique positioning, at this stage, the Group believes deep collaboration with EMP offers the most direct path of participation for the Group. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, EMP is independent third parties and not connected with the Company.

By investing in a portfolio of multiple film projects rather than betting on single films, the Group can reasonably expect that the Group is able to generate sustainable returns over time, even if any individual film underperform. The Group will invest in films that align with the Group’s investment strategy, which includes matching the Group’s budgeting and a minimum participation ratio of 30% in a single film. When selecting potential film project investments, the Group will conduct extensive independent due diligence. The in-house experts of the Group will examines factors like synopsis, proposed casting, director credentials, budgets and target demographics to form investment decisions. The Company, as a major co-investor, will provide active consultative input steering core decisions before committing funds. The Group will also ensures execution to meet contracted expectations, and that all materials comply with regulations in target territories. As at the date of this announcement, the Group has made 3 investment, including “*The Brotherhood Of Rebel*” (《禁職2》), and “*Ready or Rot*” (《不日成婚2》), and has agreed and committed to invest in another 3 films which are targeted to be released in 2024.

The Company are optimistic towards the prospect of the recovering industry, and committed for long-term developing in Film Business. The Group expect to fund the future film investment with internal resources generating from existing film investment, and seeking external funding for further expand its investment portfolio as and when appropriate.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 17 April 2024

As at the date of this announcement, the executive Director is Mr. Chung Yuk Lun; and the independent non-executive Director is Chan Chi Wai.