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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)**

### **(I) SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO 2024 ANNUAL REPORT; (II) ANNOUNCEMENT PURSUANT TO RULE 14.36 OF THE LISTING RULES**

#### **(I) SUPPLEMENTAL INFORMATION IN RELATION TO 2024 ANNUAL REPORT**

Reference is made to the annual report (the “**2024 Annual Report**”) of Elegance Optical International Holdings Limited (the “**Company**” together with its subsidiaries collectively referred to as the “**Group**”) for the year ended 31 March 2024 published on 30 July 2024. Unless the context otherwise defined, capitalized terms used herein shall have the same meanings as defined in the 2024 Annual Report.

The Board wishes to provide additional information in relation to the auditor’s qualified opinion contained in the 2024 Annual Report.

#### **Qualified opinion on Deposits and CB**

In the Independent Auditor’s Report, the auditor of the Company (the “**Auditor**”) expressed qualified opinion on (i) deposits paid for the subscription of shares in H. Sterling LNG Terminal Holding Limited (the “**H. Sterling LNG Terminal**”) (the “**Deposits**”); and (ii) investments in convertible bond (the “**CB**”).

In regarding the Deposits, the Auditor was unable to obtain sufficient appropriate audit evidence to evaluate whether the aggregate Deposits paid are fully irrecoverable and whether the additional impairment loss for the Deposits paid amounted to HK\$11,450,000 recognised has been properly accounted for in profit and loss of the Group for the financial year ended 31 March 2024 (“**FY2024**”).

In regarding the CB, the Auditor was unable to obtain sufficient appropriate audit evidence to assess whether the receivable of the CB are fully irrecoverable and whether the impairment loss amounted to HK\$15,664,000 recognised has been properly accounted for in profit and loss of the Group for FY2024.

## **The management's position and assessment on the audit modification in relation to the Deposits and the CB**

The Company has conducted a thorough assessment of the recoverability of the Deposits and the CB as of 31 March 2024. After careful evaluation of the available information, the Company concluded that both the Deposits and the CB were likely to be irrecoverable. To ensure an accurate assessment, the Company engaged an independent valuer to perform expected credit loss assessment on both the Deposits and the CB, thereby determining the appropriate level of impairment to be recognised.

While there is no fundamental disagreement with the Auditor regarding the facts related to the Deposits and the CB, the key difference lied in the level of evidence required to support the impairment assessment. The Company considered that it has made its best endeavours to provide all the available information and documents for the audit purpose. The Auditor has acknowledged receipt of these documents and has not raised specific concerns about their content. Nevertheless, the Auditor required for a higher threshold of evidence, seeking more conclusive and positive indicators to support the recoverability assessment of the Deposits and CB, rather than relying solely on negative indicators.

In regarding the expected credit loss assessment performed by the independent valuer, the Auditor has acknowledged the valuer's adoption of a 0% recovery rate for both the Deposits and CB. However, the Auditor recognised that such assessments were based primarily on negative indicators, which still fell short of its evidentiary standards. Despite recognising the valuer's qualifications, as well as the assumptions and methodology used in the valuation, the Auditor maintained that without the presence of positive indicators, the Auditor was unable to determine an appropriate recovery rate in relation to the Deposits and the CB, if any, under the current circumstances.

In order to address the issue, the Company has formulated a plan to remove the audit modification and will work closely with its Auditor on this matter.

## **The audit committee's view towards the audit modification in relation to the Deposits and the CB**

The audit committee reviewed the audit modification and understood that the Auditor was unable to obtain sufficient appropriate audit evidence in relation to the audit work as the Auditor required for a higher threshold of evidence. The audit committee also reviewed and understood the position of the management and they advised that the Company should come up with a plan to remove the audit modification in the next auditor's report. In this regard, the audit committee agreed with the view of the management's position described above.

### **The Company's action plan in addressing the audit modification**

The Company will closely monitor the progress of the recovery efforts. The Company is currently pursuing legal actions in Hong Kong. The Company expected that outcome of relevant legal actions should be able to conclude in the coming year. However, as advised, even though the Group prevails in the legal proceedings, the recoverability of the Deposits and CB mainly depends on the traceability and possibility in enforcement of the assets or properties of relevant parties. Therefore, alternatively, the Company is exploring the possibility of disposing of the relevant subsidiaries before the upcoming financial year-end, as it could potentially remove the audit qualification. The Company will carefully evaluate any disposal opportunities against ongoing recovery efforts to determine the most beneficial course of action for its shareholders.

The Board confirmed that the supplementary information provided and the clarification in this announcement do not affect any other information contained in the 2024 Annual Report and, save as disclosed above, the content of the 2024 Annual Report remains unchanged.

### **(II) ANNOUNCEMENT PURSUANT TO RULE 14.36 OF THE LISTING RULES**

Reference is made to the announcement of the Company dated 9 August 2021 in relation to subscription agreement pursuant to which the Group agreed to subscribe for 50% equity interest in H. Sterling LNG Terminal (the "**Subscription Agreement**").

Given that the conditions precedent under the Subscription Agreement have not been fulfilled or waived prior to 31 December 2021 (or such later date as the parties to the Subscription Agreement may agree), the Subscription Agreement was deemed to be terminated and ceased to be of any effect. The Company is in course of recovering the Deposits paid as disclosed in paragraph headed "*The Company's action plan in addressing the audit modification*".

The Company hereby apologizes for the inadvertent delay in making this announcement due to the a combined effect of no formal termination agreement was signed and the resignation of former executive Directors who were responsible for overseeing the transaction. The Company shall review the current monitoring procedures of acquisition or disposal of assets to prevent the occurrence of similar incident in future.

## **Internal Control Measures**

The Company attaches great importance to good corporate governance and effective internal controls. To prevent similar situation in the future, the Company will implement the following enhanced internal control measures:

- (i) To strengthen the coordination and reporting arrangements, the Company secretary, who is assisting the Company's compliance with the Listing Rules, will be responsible to monitor the status of each notifiable and/or connected transaction under the Listing Rules, and directly report to the Board on quarterly basis, and ensure that necessary disclosures have been made; and
- (ii) the Company will provide periodic training to the Board and relevant staff regarding the disclosure requirements under the Listing Rules, in order to familiarise them with ongoing compliance obligations.

By order of the Board  
**Elegance Optical International Holdings Limited**  
**Zhu Guohua**  
*Chairlady and Executive Director*

Hong Kong, 9 October 2024

*As at the date of this announcement, the executive Directors are Ms. Zhu Guohua and Mr. Gu Jianguo; the non-executive Director is Mr. Lam Wing Yiu and the independent non-executive Directors are Mr. Chan Chi Wai, Mr. Law, Michael Ka Ming and Ms. Lai Pik Chi Peggy.*