ANNUAL REPORT 2014

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

ANNUAL REPORT 2014
ELEGANCE OPTICAL INTERNATIONAL HOLDINGS LIMITED

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

HUI Leung Wah *(Chairman)*
POON Sui Hong
LEUNG Shu Sum

Non-Executive Directors

LISSI Barbara
DE GASPERIS Maurizio

Independent Non-Executive Directors

POON Kwok Fai, Ronald
PANG Sung Yuen
KWONG Ping Man

AUDIT COMMITTEE

POON Kwok Fai, Ronald *(Chairman)*
PANG Sung Yuen
KWONG Ping Man

REMUNERATION COMMITTEE

PANG Sung Yuen *(Chairman)*
POON Kwok Fai, Ronald
KWONG Ping Man

NOMINATION COMMITTEE

KWONG Ping Man *(Chairman)*
POON Kwok Fai, Ronald
PANG Sung Yuen

COMPANY SECRETARY

TSUI Choi Yee, Connie

PRINCIPAL BANKERS

Hang Seng Bank Limited
Chong Hing Bank Limited
Dah Sing Bank Limited
Standard Chartered Bank (Hong Kong) Limited

AUDITORS

Ernst & Young

HONG KONG SHARE REGISTRAR

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR

Codan Services 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

B2 & B4 8th Floor Block B
Mai Hing Industrial Building
16 – 18 Hing Yip Street
Kwun Tong
Kowloon
Hong Kong

WEBSITE

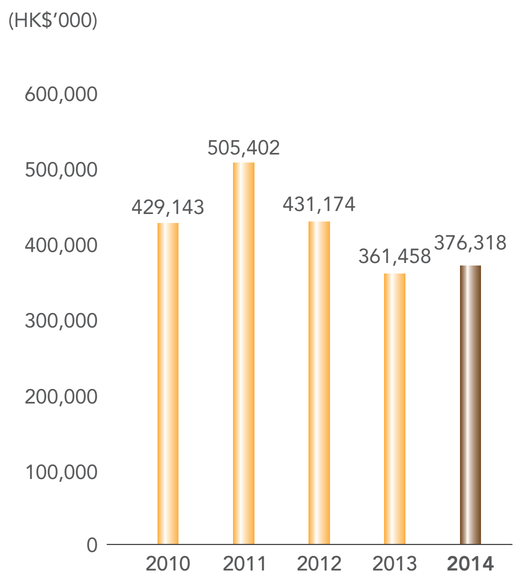
www.elegance-group.com

STOCK CODE

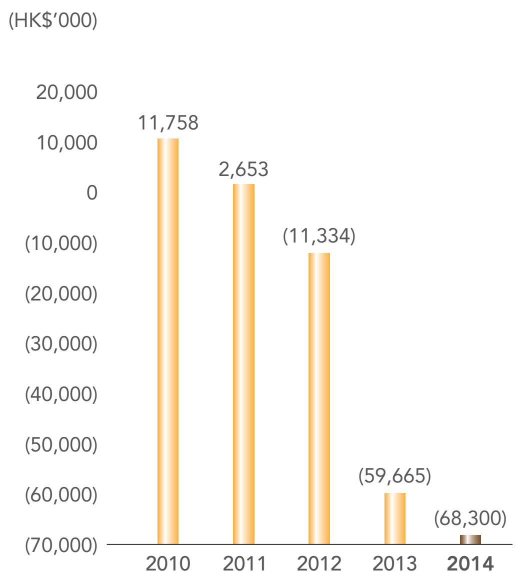
907

FINANCIAL HIGHLIGHTS

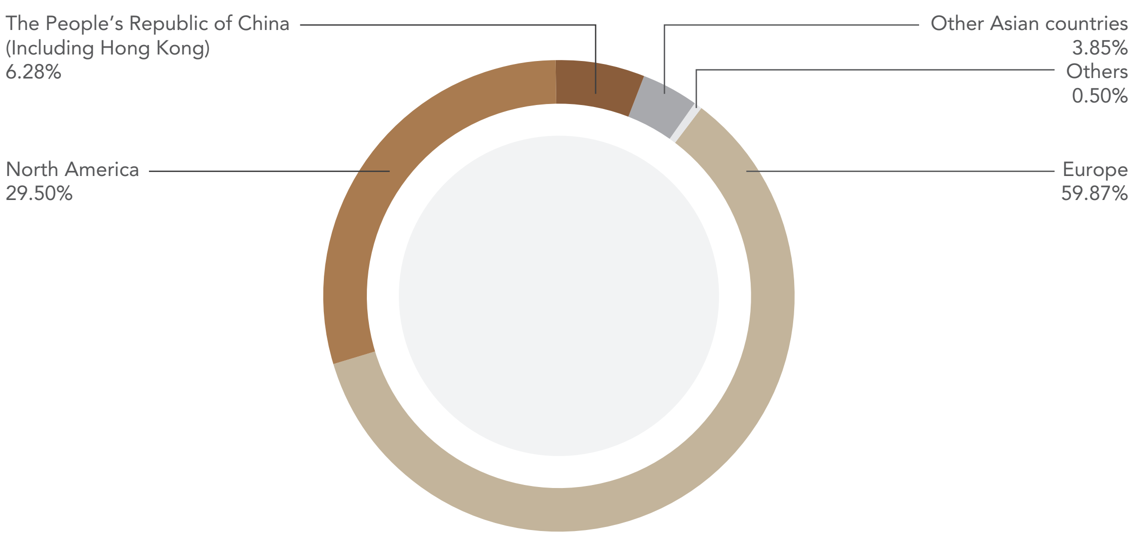
REVENUE



PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY



BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA FOR THE YEAR ENDED 31 MARCH 2014



CHAIRMAN'S STATEMENT

DIVIDEND

The board of directors (the "Board") of Elegance Optical International Holdings Limited (the "Company") does not recommend any dividend (2013: Nil) for the year ended 31 March 2014 at the forthcoming annual general meeting of the Company to be held on 29 August 2014 ("Annual General Meeting").

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 29 August 2014 (being the date of the annual general meeting of the Company) for facilitating the processing of proxy voting at the Annual General Meeting, during which the registration of transfers of shares will be suspended. All transfers of shares, accompanied by the relevant share certificates, must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 28 August 2014 in order to be eligible to attend and vote at the forthcoming Annual General Meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The loss attributable to the owners of the Company deteriorated to HK$68,300,000 for the year ended 31 March 2014 from that of a loss of HK$59,665,000 of the same period last year. At the same time there was a slight improvement of sales by 4.11% to HK$376,318,000 in the period.

The loss was the combined results of the costly manufacturing environment in Mainland China, the low production efficiency, the strong Renminbi ("RMB") which prevailed in the year under review, the strong competition in and tough requirements of the market.

The manufacturing environment in Mainland China is increasingly costly. One of the principal causes is the high labour cost. The minimum wages in Shenzhen where the Group's main manufacturing activity operates further rose by 13% in early 2014, the related labour costs such as the social insurance premium for workers in Mainland China also increased significantly. The ripple effect of the consistent annual increases of the minimum wages at notable rates can also be seen in all aspects of our operation.

CHAIRMAN'S STATEMENT

The expensive environment was aggravated by the lower work efficiency of the workforce. With the changes in work ethics, we have seen higher staff and worker turnover rate and less responsible work behaviour.

The strength of RMB also worked against our favour. Although RMB has fallen more than 2.5 per cent against the United States dollar ("USD") since mid-February 2014, it climbed steadily in value against both the USD and Hong Kong dollar before 2014, which caused a significant increase of the exchange loss of the Group.

It appears that we are seeing the light on the sales side. Benefiting from the economic recovery of the United States, the Group's sales to this market segment increased by 15.79% to HK$111,032,000 in the year under review, while the Group's sales to its largest market segment, Europe, slightly increased by 1.68% to HK$225,292,000.

However, the sailing is never smooth. Customers are not willing to keep stock. Instead, they demand shorter delivery time, and the average size of each order from customers became smaller and smaller. In processing these small, demanding and short lead time orders, the Group incurred extra costs due to the additional machine set up fees and payment for workers' overtime work. Added to our troubles are the competition in the supply side and the trend of market polarization, both of which work together to restrain our ability to raise prices.

With the increased costs and the suppressed upward price momentum, the Company suffered another loss making year.

CHAIRMAN'S STATEMENT

PROSPECTS

Looking ahead, the tough operating environment in our manufacturing sector in Mainland China will persist. With the constant increase in operating costs and labour costs in Mainland China, the Group's profit margin will continue to be stressed.

The recent depreciation of RMB against the USD has temporarily relieved some of the cost pressure of the Group. However, this depreciation has been widely seen by the market as a move by the Chinese Central Bank to encourage more two-way movement in the currency and to discourage one-way speculation on the appreciation of RMB against the USD. It increases the instability of our future financial performance. If ultimately RMB returns to a path of appreciation in the long term, it will not be a favourable development for the Company.

The effects of the withdrawal from quantitative easing program by the United States Federal Reserve on the global economy is uncertain. To some extent, consumer confidence as well as the sales of the Group's products may be affected by this uncertainty. However, the recent unprecedented move of the European Central Bank to cut its interest rate on deposit to minus 0.1% for the first time is seen as an aggressive move to boost the European economic recovery. The market is expecting more unconventional measures to come and hopefully this will revive the European economies and hence the buying appetite of our European buyers.

The management of the Group is fully aware of the challenges ahead. The Group will continue to monitor closely its manufacturing operations to improve production efficiency. Meanwhile, the management of the Group will continue to explore and implement any options which would help to reduce its manufacturing costs and take measures to foster improvement in productivity and to increase revenue.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a strong financial position with cash and bank balances of HK$42,342,000 and no bank borrowing and hence a zero gearing ratio as at 31 March 2014. The Group's equity attributable to owners of the Company as at 31 March 2014 amounted to HK$362,572,000 (31 March 2013: HK$421,057,000).

FOREIGN CURRENCY RISK

The Group conducts its business transactions mainly in Hong Kong dollar, RMB and USD. As the Hong Kong dollar is pegged to the USD, the Group does not foresee any material exchange risk in this respect. However, the Group is subject to certain foreign exchange impacts caused by the appreciation of RMB. The Group has entered into a forward currency contract to manage its exchange rate exposures. The management closely monitors foreign exchange exposure and will further consider hedging significant foreign currency exposure should the need arise.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 March 2014, the Group had capital commitments, which were contracted but not provided for, in respect of acquisition of property, plant and equipment of HK$5,000 (31 March 2013: HK$626,000). As at 31 March 2014, the Company had a contingent liability of HK$74,808,000 (31 March 2013: HK$72,000,000) in respect of guarantees given to banks in connection with facilities granted to its subsidiary.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2014, the Group employed 2,657 (31 March 2013: 3,773) 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.

CHAIRMAN'S STATEMENT

BUSINESS MODEL AND STRATEGY

Being one of the major manufacturers and exporters of optical frames, the Group has put its emphasis on product quality and production technology development. Putting the customers' needs on the highest priority, the Group always strives to provide customers with first class service and full satisfaction.

The Group's single operating segment, the manufacture and sale of eyewear products, represents the specific characteristics of the Group's business model. The Group strives to design and produce high quality eyewear products through its own manufacturing facilities based in Southern China. We would also seek to add value at each stage of our operations, from manufacturing to marketing. We believe that by building close business relationships and partnerships with our customers we can enhance our functional excellence to the benefits of the Group in areas such as advancement in manufacturing craftsmanship and production technology which can often be shared with our customers on a long term basis. We have long been working with large and small customers of leading international standing to produce eyewear products bearing their own or licensed brand names. Our customers by trade nature cover mainly distributors, who work on international, regional or local scales, national, regional or local optical chain stores and traders across different major countries and cities around the globe.

Most of our employees are located in Mainland China and Hong Kong. The qualities and abilities of our employees have a powerful effect on our business and ability to compete and meet our commitments to our customers. We continue to encourage development and training of skills and capabilities of our employees to contribute to our business growth. We are committed to improving work environment and seeking to create a safe and inclusive environment for our employees.

Although the operating performance of the Group in the year under review is short of satisfactory, the prevailing sales channels and the methods used are of proven importance and will be maintained. The management believes the drivers of the business will remain to be delivering innovative high quality products at reasonable price level and in short lead time. At a time when the global economy and the market conditions are not stable nor favourable, the Group will continue to focus on the manufacturing activities which it has excelled at for years and will seek to strengthen the internal organisation.

APPRECIATION

I would like to take this opportunity to express my deepest gratitude to all of our staff and fellow directors for their contributions, support and dedication. I would also like to thank our customers, shareholders, bankers, suppliers and other business partners for their continuous support.

Hui Leung Wah
Chairman

Hong Kong
27 June 2014

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

HUI Leung Wah, aged 61, is the Chairman and Managing Director of the Company. He is the founder of the Group and has 48 years of experience in the optical frames manufacturing industry. He is responsible for the overall supervision and policy making of the Group's activities. Mr. Hui is a director of certain subsidiaries of the Group. He was awarded the Young Industrialist Awards of Hong Kong in September 1995, given by the Federation of Hong Kong Industries. Mr. Hui has served as a Committee Member of The Hong Kong Optical Manufacturers Association (the "Association") since 1990, and he served as the president and vice president of the Association for various terms from 1998 to 2010. Mr. Hui is the father of Ms. Hui Sze Man, Doris and Ms. Hui Wing Ka, Candy, members of the senior management of the Group. He is also the brother-in-law of Mr. Poon Sui Hong, an Executive Director of the Company and Mr. Cheng Wai Keung, Edmond, a member of the senior management of the Group.

POON Sui Hong, aged 55, is an Executive Director and a General Manager of the Group. He joined the Group in 1984 and has over 28 years of experience in the marketing and production of optical frames. He is presently responsible for the strategic planning and supervision of the Group's marketing activities. He is a director of certain subsidiaries of the Group. Mr. Poon is the brother-in-law of Mr. Hui Leung Wah and Mr. Cheng Wai Keung, Edmond.

LEUNG Shu Sum, aged 59, is an Executive Director and one of the founding members of the Group and has over 38 years of experience in optical frames production. He is currently responsible for supervising the production activities at the People's Republic of China (the "PRC") production facilities.

NON-EXECUTIVE DIRECTORS

LISSI Barbara, aged 44, joined the Company as a Non-Executive Director on 18 July 2008. Ms. Lissi graduated in Chinese Language and Literature at the prestigious Venice University (Italy). She has over 20 years of extensive experience in the marketing, purchasing, and management function in Italian companies based in Mainland China and Hong Kong. She is currently the Safilo's Asia Sourcing Director of the Safilo S.p.A. based in Hong Kong. She speaks Italian, English and Chinese fluently.

DE GASPERIS Maurizio, aged 36, joined the Company as a Non-Executive Director on 2 May 2013. Mr. De Gasperis is the chief financial officer of Asia Pacific business region of Safilo Group. Mr. De Gasperis is currently a director of Safilo Far East Limited. Prior to joining Safilo Far East Limited, he served Safilo Group in the Italian headquarters as head of corporate internal audit and member of the supervisory committee. Mr. De Gasperis has more than 10 years of international experience in the corporate governance and auditing sector. Mr. De Gasperis holds a Master's degree in Business Administration and he is a certified internal auditor of the Institute of Internal Auditors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

POON Kwok Fai, Ronald, aged 65, joined the Company as an Independent Non-Executive Director in 1996. Mr. Poon is a solicitor and notary public practising in Hong Kong and has over 34 years of experience in the legal profession.

PANG Sung Yuen, aged 63, joined the Company as an Independent Non-Executive Director on 29 August 2013. Mr. Pang was formerly the Commissioner of Correctional Services in Hong Kong SAR Government. He joined the Correctional Services in 1971. During his service with the government he held senior positions in the last 20 years and had vast experience in human resource management; inspectorate and management services and overall security matters. Mr. Pang holds a diploma in Criminal Justice and attended a one-year programme in Public Administration in University of California at Berkeley and the Strategic Management Programme in Ashridge Business School in London. He was promoted to the rank of Deputy Commissioner in 2000 and Commissioner of Correctional Services in 2003. Mr. Pang retired from the civil service in July 2006. Since retirement, Mr. Pang has worked as a consultant in security and management. Mr. Pang was appointed as Justice of Peace between 1996 and 2007 and awarded the Correctional Service Distinguished Service Medal in 1998 and Silver Bauhinia Star in 2007 by the Hong Kong SAR Government.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

KWONG Ping Man, aged 49, joined the Company as an Independent Non-Executive Director on 16 May 2014. Mr. Kwong is a director of O'Park Corporate Services Limited. He has over 17 years of experience in accounting and administration. Mr. Kwong previously worked as an accountant, a company secretary and a chief financial officer at private and listed companies. Mr. Kwong obtained a Bachelor's degree in Commerce Accounting from Curtin University of Technology in Australia in August 1996, a Postgraduate diploma in Corporate Administration and a Master's degree in Professional Accounting from The Hong Kong Polytechnic University in November 1998 and November 2003 respectively. He is a certified practising accountant of CPA Australia, a fellow of the Hong Kong Institute of Certified Public Accountants, and an associate member of The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators. Mr. Kwong is currently an independent non-executive director of Tang Palace (China) Holdings Limited (Stock Code: 1181) and Century Sunshine Group Holdings Limited (Stock Code: 509), the shares of which are listed on The Stock Exchange of Hong Kong Limited (the "SEHK").

SENIOR MANAGEMENT

TSANG Tak Hung, Donald, aged 55, is one of the General Managers of the Group and is responsible for the management, strategic planning and corporate development of the Group. Prior to joining the Group in 1994, he has over 12 years of management experience by serving in various financial institutions in Hong Kong and Canada including the SEHK.

CHENG Wai Keung, Edmond, aged 54, is an Assistant General Manager supervising the Group's Production Department. He joined the Group in 1988 and has worked in various departments within the Group including the Marketing, Production and Purchasing Departments. Mr. Cheng now oversees the Group's manufacturing operation in the Shenzhen factory. Mr. Cheng is the brother-in-law of Mr. Hui Leung Wah and Mr. Poon Sui Hong. He holds directorships in certain subsidiaries of the Group.

HUI Sze Man, Doris, aged 33, joined the Group in 2005 as an Assistant to the Chairman. Ms. Hui is in charge of the Research and Development Department. She is also responsible for overseeing the manufacturing operations of the Group. She holds a Bachelor's degree in Arts from York University in Canada. Ms. Hui served as director of Yan Chai Hospital from 2007 to 2009. She has also been a member of Young Industrialists Council Youth Chapter since 2003. She is the daughter of Mr. Hui Leung Wah and the sister of Ms. Hui Wing Ka, Candy.

HUI Wing Ka, Candy, aged 30, is an Assistant General Manager of the Group. Ms. Hui joined the Group in 2008 and is in charge of the Design Departments. She is also responsible for managing the Group's global sales and marketing operations. She holds a Bachelor's degree in Arts (Honors) from University of Toronto in Canada. Ms. Hui is currently the vice-chairman of Young Industrialists Council Youth Chapter. She is also a member of The Youth Committee of Chinese Manufacturers' Association of Hong Kong. Ms. Hui is the daughter of Mr. Hui Leung Wah and the sister of Ms. Hui Sze Man, Doris.

TSUI Choi Yee, Connie, aged 49, joined the Group in July 2007 as the Financial Controller and Company Secretary. She holds a Master's degree in Business Administration jointly awarded by The University of Sydney and The University of New South Wales. Ms. Tsui is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia. She has over 21 years of experience in the field of accounting and auditing.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The statement of corporate governance practices set out below and information incorporated by reference constitutes the Corporate Governance Report of the Company.

The Board is committed to applying high standard of corporate governance practices and procedures in fulfilling its responsibilities. It is the belief of the Board that shareholders can maximise their benefits from good corporate governance. The Company has always recognised the importance of transparency and accountability. The Group has adopted the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the SEHK as its own code of corporate governance practices. The directors of the Company (the "Directors") consider that the Company has complied with the Code throughout the year ended 31 March 2014, except for the following deviation:

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not have any officer with the title "chief executive" under the Board. Mr. Hui Leung Wah assumes the role of both Chairman and Managing Director of the Company and he is in charge of the overall management of the Company. The Company does not have a separate Chairman and Managing Director as Mr. Hui currently holds both positions. The Board believes that the assumption of the roles of Chairman and Managing Director can, as far as the Group is concerned, promote the efficient formulation and implementation of the strategies of the Company, which will enable the Group to capture business opportunities efficiently and promptly. The Board also believes that through the supervision of its Board and its Independent Non-Executive Directors (the "INEDs") a balancing mechanism is in place and operating so that the interests of the shareholders are adequately and fairly represented.

The statement on the "Business Model and Strategy" in the "MANAGEMENT DISCUSSION AND ANALYSIS" of the Chairman's Statement is adopted and incorporated by reference here.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct ("Code of Conduct") regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company has received confirmations from all of them that they have complied with the required standard set out in the Model Code and the Company's Code of Conduct throughout the year.

BOARD OF DIRECTORS

Board Composition

The Board comprises a total of eight Directors. Three are Executive Directors, namely, Mr. Hui Leung Wah (also the chairman of the Board), Mr. Poon Sui Hong and Mr. Leung Shu Sum, two are Non-Executive Directors, namely, Ms. Barbara Lissi and Mr. Maurizio De Gasperis, and three are INEDs, namely Mr. Poon Kwok Fai, Ronald, Mr. Pang Sung Yuen and Mr. Kwong Ping Man. An INED has appropriate professional qualifications or accounting or related financial management expertise as prescribed by Rule 3.10 of the Listing Rules.

Each of the INEDs has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all INEDs meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The composition of the Board will be reviewed regularly to ensure that it has a balance of skills and experience appropriate for the requirements of the business of the Group. The Directors' biographical details and the relationship among members of the Board are set out on pages 8 to 9 of the annual report.

BOARD OF DIRECTORS (continued)

Appointment and re-election

According to the bye-laws of the Company, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation. In addition, every Director shall retire from office no later than the third annual general meeting after he was last elected or re-elected or ceased to be a Director and been re-elected by a general meeting at or since either such annual general meeting.

All the Non-Executive Directors were re-elected for a specific term of not more than three years in previous annual general meetings.

In accordance with the bye-laws of the Company, Mr. Leung Shu Sum will retire from office by rotation at the forthcoming Annual General Meeting. Mr. Pang Sung Yuen and Mr. Kwong Ping Man, Independent Non-Executive Directors appointed by the Board on 29 August 2013 and 16 May 2014 respectively, will also retire from their office at the Annual General Meeting in accordance with the bye-laws of the Company. All of them, being eligible, will offer themselves for re-election at the Annual General Meeting.

The Company has published the procedures for shareholders to propose a person for election as a director on its website.

Duties of the Board

The Board formulates the overall policies and strategies, monitors the financial performance, oversees the management, and implements good corporate governance practices of the Group. The Board is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs.

The Directors meet regularly to review the financial and operational performance of the Group and to discuss and formulate the development plans of the Group. Daily operations and administration are delegated to the Executive Directors and the management of the Group. The members of the Board are mostly professionally qualified and widely experienced personnel who bring in valuable contribution, provide different professional advice and consultancy for the development of the Group. They provide strong support towards the effective discharge of the duties and responsibilities of the Board.

The Chairman of the Board is primarily responsible for leading the Board and ensuring that the Board works effectively to discharge its responsibilities and that all key and appropriate issues are discussed and approved by the Board before execution.

During the year, the Chairman held one meeting with the Non-Executive Directors including the Independent Non-Executive Directors without the presence of the Executive Directors.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (continued)

Functions of the Board

During the financial year ended 31 March 2014, five regular Board meetings were held. The attendance records of each Director at the meetings of the Board, Audit Committee, Nomination Committee, Remuneration Committee and general meeting of the Company during the year ended 31 March 2014 are set out as follows:

	Number of meetings attended/held				
Name of directors	Board	Audit Committee	Nomination Committee	Remuneration Committee	General Meeting
Executive Directors					
Mr. Hui Leung Wah	5/5				1/1
Mr. Poon Sui Hong	5/5				1/1
Mr. Leung Shu Sum	5/5				1/1
Non-Executive Directors					
Ms. Barbara Lissi	5/5				1/1
Mr. Maurizio De Gasperis* *(appointed on 2 May 2013)*	4/4				1/1
Independent Non-Executive Directors					
Mr. Poon Kwok Fai, Ronald	5/5	2/3	2/2	2/2	1/1
Mr. Pang Sung Yuen# *(appointed on 29 August 2013)*	2/2	2/2	–/–	1/1	–/–
Dr. Tam Hok Lam, Tommy *(deceased on 17 February 2014)*	4/5	2/3	2/2	2/2	1/1
Mr. Wong Chung Mat, Ben** *(retired on 29 August 2013)*	2/3	1/1	2/2	1/1	1/1

* Four Board meetings were held during the period from the date of appointment of Mr. Maurizio De Gasperis up to 31 March 2014.

Two Board meetings, two Audit Committee meetings, one Remuneration Committee meeting and no Nomination Committee and general meeting were held during the period from the date of appointment of Mr. Pang Sung Yuen up to 31 March 2014.

** Three Board meetings, one Audit Committee and Remuneration Committee meeting were held during the period from 1 April 2013 up to the date of retirement of Mr. Wong Chung Mat, Ben.

All the Board meetings are scheduled in advance, and notice of at least 14 days is given to all Directors to give them an opportunity to attend. Agendas and accompanying Board papers are sent to all Directors at least three days in advance of every Board meeting to enable the Directors to make informed decisions on matters placed at the Board meetings. The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary. All Directors have been consulted about any matters proposed for inclusion in the agenda. With the support of the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings, so that Directors receive adequate, complete and reliable information in a timely manner.

Detailed minutes of Board meetings are kept by the Company Secretary and are open for inspection by any Director. All Directors have access to independent professional advice whenever deemed necessary by the Directors.

BOARD OF DIRECTORS (continued)

Directors' continuous professional development

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills for discharging their duties and responsibilities as directors of the Company. During the year ended 31 March 2014, the Company arranged in-house training conducted by The Hong Kong Institute of Directors regarding the disclosure of inside information and new Companies Ordinance.

In addition, each newly appointed Director would be provided with an induction package covering the duties and responsibilities of directors under the Listing Rules, the Companies Ordinance and other related regulatory requirements.

The Company implemented a continuous alert program to provide updates and reading materials to keep them informed on a timely basis about the latest major developments of the Listing Rules and other applicable regulatory requirements affecting the Group or their duties and responsibilities as the Directors as well as the macro economics and general business environment in which the Group's major operations are operated. The Company, through such continuous alert program, enhances Directors' awareness and keeps them abreast of the essences and key areas of such updates and information. Such continuous alert program is an efficient and effective way which offers flexibility to the Directors by allowing them to access the information at a time suitable to them. All Directors are required to provide the Company with their training records on an annual basis. They are summarised below:

Name of directors	Type of trainings activities
Executive Directors	
Mr. Hui Leung Wah	A,B
Mr. Poon Sui Hong	A,B
Mr. Leung Shu Sum	A,B
Non-Executive Directors	
Ms. Barbara Lissi	A,B
Mr. Maurizio De Gasperis *(appointed on 2 May 2013)*	A,B
Independent Non-Executive Directors	
Mr. Poon Kwok Fai, Ronald	A,B
Mr. Pang Sung Yuen *(appointed on 29 August 2013)*	A,B
Dr. Tam Hok Lam, Tommy *(deceased on 17 February 2014)*	B
Mr. Wong Chung Mat, Ben *(retired on 29 August 2013)*	B

A: In-house training and/or seminars.

B: Continuous alert program to give updates and alerts on the macro economics and general business environment, Listing Rules and director's duties and responsibilities.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITY OF DIRECTORS AND AUDITORS FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group. The Board is responsible for presenting a balanced, clear and understandable assessment in annual and interim reports and other financial disclosures required by the Listing Rules and other regulatory requirements. Members of the Board are provided with monthly updates, including monthly management accounts and related analysis, which give the Directors a balanced and understandable assessment of the Group's performance, position and prospects. With the assistance of the Finance Department, the Directors prepare the financial statements in accordance with statutory requirements and prevailing accounting standards. The Directors are responsible for timely publication of the financial statements of the Group. The Directors confirm that, to the best of their knowledge, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in Independent Auditors' Report on page 25 of the annual report.

REMUNERATION COMMITTEE

The members of the Remuneration Committee comprise Mr. Poon Kwok Fai, Ronald, Mr. Pang Sung Yuen and Mr. Kwong Ping Man. All members are the INEDs of the Company and Mr. Pang Sung Yuen is the chairman. The Remuneration Committee held two meetings during the year and the attendance of each member is set out in the section headed "Functions of the Board" of this annual report.

The major roles and functions of the Remuneration Committee are summarised as follows:

1. to make recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

3. to make recommendations to the Board on the remuneration packages of individual executive directors and senior management;

4. to make recommendations to the Board on the remuneration of non-executive directors;

5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

6. to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

7. to review and approve compensation arrangement relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

8. to ensure that no director or any of his associates is involved in deciding his own remuneration.

REMUNERATION COMMITTEE (continued)

During the year, the Remuneration Committee has, among others things, reviewed the remuneration packages of all Executive Directors and senior management with reference to market terms, their duties and responsibilities and performance, and has made recommendation to the Board accordingly. The Board reviewed and approved the Directors' and senior management's remuneration at the Board meeting held on 27 June 2014.

Pursuant to B.1.5 of the Code, details of the annual remuneration of the members of senior management by band for the year ended 31 March 2014 is as follows:

	Number of employees
Nil to HK$1,000,000	4
HK$1,000,001 to HK$1,500,000	1
	5

Details of the emoluments of Directors are set out in Note 8 to the financial statements.

The terms of reference of the Remuneration Committee have been posted on the websites of the SEHK and the Company.

NOMINATION COMMITTEE

The Nomination Committee currently comprises three INEDs. Mr. Kwong Ping Man is the chairman of the Nomination Committee. Other members of the Committee are Mr. Poon Kwok Fai, Ronald and Mr. Pang Sung Yuen. The Nomination Committee assists the Board in discharging the following duties:

1. review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. assess the independence of Independent Non-Executive Directors;

4. make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman of the Board and the chief executive of the Company; and

5. review the board diversity policy of the Board.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE (continued)

A board diversity policy had been formulated and adopted by the Board in 2014. The Company recognises the importance and values the benefits of having a diverse Board to enhance the quality of its performance. Appointments to the Board will largely be based on meritocracy with due regard for the benefits of diversity on the Board. Selection of candidates will generally be based on factors considered applicable and adopted by the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The terms of reference of the Nomination Committee have been posted on the websites of the SEHK and the Company. The Nomination Committee held two meetings during the year and the attendance of each member is set out in the section headed "Functions of the Board" of this annual report.

In May 2014, the Nomination Committee recommended the appointment of Mr. Kwong Ping Man as an INED to the Board for approval.

AUDIT COMMITTEE

The Audit Committee was established in 1999 to, among other things, consider the appointment and reappointment of the external auditors and audit fee, to discuss with the external auditors the nature and scope of audit, to review the Group's financial reporting and internal control. Its current members comprise Mr. Poon Kwok Fai, Ronald, Mr. Pang Sung Yuen and Mr. Kwong Ping Man. Mr. Poon Kwok Fai, Ronald is the chairman of the Audit Committee. All members of the Audit Committee are the INEDs. An INED has appropriate professional qualifications or accounting or related financial management expertise as prescribed by the Listing Rules. None of them is employed by or otherwise affiliated with former or existing auditors of the Company. The main duties of the Audit Committee include the review of the relationship with external auditors of the Company, review of financial information of the Group and oversight of the Group's financial reporting system and internal control procedures.

The Audit Committee held three meetings during the year under review. Minutes of the Audit Committee are kept by the duly appointed secretary of the Audit Committee and the copies of the minutes are sent to all members of the committee. The outcomes of the Audit Committee meetings were submitted to the Board for consideration and action where appropriate. The attendance of each member is set out in the section headed "Functions of the Board" of this annual report.

During the meetings held in the year, the Audit Committee had performed the following work:

1. reviewed with external auditors and management the accounting policies and the financial statements for the year ended 31 March 2013 and for the six months ended 30 September 2013 respectively;

2. reviewed the external auditors' independence and objectivity and the effectiveness of the audit process;

3. reviewed the effectiveness of internal control system including the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting function;

4. reviewed and recommended for the Board's approval the remuneration and terms of engagement of the external auditors; and

5. reviewed and considered the connected transactions entered into by the Group during the year.

The terms of reference of the Audit Committee have been posted on the websites of the SEHK and the Company.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTION

The performance of the following corporate governance functions are delegated by the Board to the Audit Committee:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

All committees established under the Board are required to report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

AUDITORS' REMUNERATION

For the year ended 31 March 2014, the remuneration paid or payable to the Company's auditors, Messrs Ernst & Young, is set out as follows:

Services rendered	Fees paid/ payable HK$'000
Audit services	810
Non-audit services — interim review	110
Non-audit services — taxation	66
Total	986

COMPANY SECRETARY

Ms. Tsui Choi Yee, Connie is an employee and the Company Secretary of the Company. During the year, she undertook over 15 hours of relevant professional training to update her skills and knowledge. All Directors are entitled to have access to the advice and services of the Company Secretary, who is responsible for providing Board papers and related materials to Directors and to ensure that Board procedures and all applicable law, rules and regulations are followed.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

(1) Procedures for shareholders to convene a special general meeting

The Board shall, on the requisition in writing by the shareholder(s) made in compliance with the applicable law to the Board or the Secretary of the Company holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, forthwith proceed to convene a special general meeting in accordance with the bye-laws of the Company.

If within twenty-one days of such deposit the Board fails to proceed to convene the special general meeting as requisitioned, the requisitionist(s), or any of them representing more than one half of the total voting rights of all of them, may themselves do so but any meeting so convened shall not be held after the expiration of three months from the said date.

(2) Procedures for putting forward proposals at general meeting

Shareholders can submit a written requisition to move a resolution at general meeting. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the general meeting, or shall not be less than one hundred shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the general meeting. It must also be signed by all of the shareholders concerned and be deposited at the principal place of business of the Company in Hong Kong at B2 & B4, 8th Floor, Block B, Mai Hing Industrial Building, 16–18 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong for the attention of the Company Secretary not less than six weeks before the general meeting in case of a requisition requiring notice of a resolution and not less than one week before the general meeting in case of any other requisition.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in giving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

(3) Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Shareholders and the investment community may during office hours make a request for the Company's information to the extent that such information is publically available. Shareholders may also send their enquiries and concerns to the Board by addressing to the Company Secretary at the above principal place of business of the Company or email to investors@elegance-group.com.

The above procedures reflect the current underlying legal basis. Shareholders should be mindful of subsequent legislative changes, if any, take effect after the despatch of this document that might result in material changes to the above procedures.

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2014, there was no significant change in the Company's constitutional documents.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with all shareholders. The Company establishes different communication channels with shareholders and investors: (i) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board, (ii) updated key information of the Group are available on the websites of the SEHK and the Company, and (iii) the Company's website offers communication channel between the Company and its shareholders and investors.

The annual general meeting is a channel for the Chairman of the Board and the sub-committees of the Board to address concern of shareholders. Shareholders are encouraged to attend the annual general meeting. Notice of the annual general meeting and related papers are sent to shareholders at least 20 clear business days before the meeting and the said notice is also published on the websites of the SEHK and the Company.

The Company has established dedicated personnel for liaison with investors and shareholders and answering their enquiries.

INTERNAL CONTROL

The Board acknowledges its responsibility to maintain effective and sound internal control system for the Group to safeguard shareholders' investments and assets of the Company at all times.

The system of internal control aims to enable the Group to achieve its business objectives, safeguard its assets and maintain proper accounting records for the provision of reliable financial information. The design of system is to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage rather than eliminate risks of failure when business objectives are being sought.

The internal audit section is responsible for internal audit function of the Group. It monitors the internal control system and the internal control procedures, its findings and recommendations are reported to the Board regularly. During the year ended 31 March 2014, the Audit Committee and the Board, with the assistance of the internal audit section, evaluated the effectiveness of the existing internal control system, which covered all material control, including financial, operational and compliance control and risk management functions. The adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting function have also been reviewed in the Board meetings.

The Board has also kept the system of internal control under review to ensure its effectiveness and management meetings were convened regularly to discuss financial, operational and risk management control.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2014.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the annual general meeting of the Company held on 29 August 2013, the name of the Company was changed from Elegance International Holdings Limited to ELEGANCE OPTICAL INTERNATIONAL HOLDINGS LIMITED and the Chinese name "高雅光學國際集團有限公司" was adopted as the secondary name of the Company.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and trading of optical frames and sunglasses. There was no significant change in the nature of the principal activities of the Group during the year.

RESULTS

The Group's loss for the year ended 31 March 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 26 to 94.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out below. This summary does not form part of the audited financial statements.

Results

	Year ended 31 March				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
REVENUE	**376,318**	361,458	431,174	505,402	429,143
PROFIT/(LOSS) FOR THE YEAR	**(70,978)**	(63,163)	(13,916)	2,818	9,268
Attributable to:					
Owners of the Company	**(68,300)**	(59,665)	(11,334)	2,653	11,758
Non-controlling interests	**(2,678)**	(3,498)	(2,582)	165	(2,490)
	(70,978)	(63,163)	(13,916)	2,818	9,268

Assets, liabilities and non-controlling interests

	As at 31 March				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
TOTAL ASSETS	**432,400**	508,476	587,562	619,171	625,410
TOTAL LIABILITIES	**(61,022)**	(75,950)	(79,488)	(89,396)	(90,736)
NON-CONTROLLING INTERESTS	**(8,806)**	(11,469)	(14,882)	(17,444)	(16,808)
	362,572	421,057	493,192	512,331	517,866

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 12 and 13 to the financial statements, respectively.

REPORT OF THE DIRECTORS

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. Details of the Company's share capital and share option scheme are set out in notes 28 and 29 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30(b) to the financial statements and in the consolidated statement of changes in equity set out on page 30 of this annual report, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2014, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK$145,544,000. In addition, the Company's share premium account, in the amount of HK$56,831,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$1,000.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

Mr. Hui Leung Wah	*(Chairman and Managing Director)*
Mr. Poon Sui Hong	
Mr. Leung Shu Sum	

Non-executive directors

Ms. Barbara Lissi	
Mr. Maurizio De Gasperis	*(appointed on 2 May 2013)*
Ms. Paola Marchisio	*(resigned on 30 April 2013)*

Independent non-executive directors

Mr. Poon Kwok Fai, Ronald	
Mr. Pang Sung Yuen	*(appointed on 29 August 2013)*
Mr. Kwong Ping Man	*(appointed on 16 May 2014)*
Dr. Tam Hok Lam, Tommy, PhD, JP	*(deceased on 17 February 2014)*
Mr. Wong Chung Mat, Ben, JP	*(retired on 29 August 2013)*

In accordance with the bye-laws of the Company, Mr. Leung Shu Sum will retire by rotation at the forthcoming Annual General Meeting. Mr. Pang Sung Yuen and Mr. Kwong Ping Man, appointed by the Board on 29 August 2013 and 16 May 2014, respectively, will also retire from their office at the Annual General Meeting in accordance with the bye-law of the Company. Mr. Leung Shu Sum, Mr. Pang Sung Yuen and Mr. Kwong Ping Man, being eligible, will offer themselves for re-election at the Annual General Meeting.

The Company has received annual confirmations of independence from Mr. Poon Kwok Fai, Ronald, Mr. Pang Sung Yuen and Mr. Kwong Ping Man, and as at the date of this report still considers them to be independent.

Detailed terms of the appointment of the non-executive directors are disclosed in the corporate governance report.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 to 9 of the annual report.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

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

At 31 March 2014, the interests and short positions of the directors and chief executive of the Company 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 (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 Company and the SEHK pursuant to the Model Code contained in the Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest			Percentage of the issued share capital
	Beneficial owner	Other interests	Total	of the Company
Hui Leung Wah (Note)	8,308,000	141,316,000	149,624,000	46.23
Poon Sui Hong	7,000,000	–	7,000,000	2.16
Leung Shu Sum	6,000,000	–	6,000,000	1.85
	21,308,000	141,316,000	162,624,000	50.24

Note: The 141,316,000 shares held as other interests by Mr. Hui comprised 141,116,000 shares held by Best Quality Limited and 200,000 shares held by Deluxe Concept Limited. The entire issued share capital of both Best Quality Limited and Deluxe Concept Limited is held by Wahyee (PTC) Limited as trustee for a unit trust, which, in turn, is beneficially owned by Docater Trust, a discretionary trust with LGT Trustees Limited as trustee, the beneficiaries of which include the spouse and children of Mr. Hui Leung Wah (Mr. Hui himself is not a beneficiary of the discretionary trust).

Long positions in ordinary shares of the subsidiaries:

Mr. Hui Leung Wah is beneficially interested in 200,000 non-voting deferred shares in the capital of Elegance Optical Investments Limited. The rights and restrictions of these non-voting deferred shares are set out in note 15 to the financial statements.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries of the Group held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31 March 2014, none of the directors or chief executive of the Company had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures set out in note 29 to the financial statements, at no time during the year 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 CONTRACTS

None of the directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

REPORT OF THE DIRECTORS

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

At 31 March 2014, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Number of issued ordinary shares held	Capacity and nature of interest	Percentage of issued share capital of the Company
Poon Yuk Yee (Note 1)	149,624,000	Beneficiary of a trust	46.23
LGT Trustees Limited (Note 2)	141,316,000	Trustee	43.66
Wahyee (PTC) Limited (Note 2)	141,316,000	Trustee	43.66
Safilo Far East Limited ("SFEL") (Note 3)	74,599,123	Beneficial owner	23.05
Safilo Group S.p.A. (Note 3)	74,599,123	Controlled corporation	23.05

Notes:

1. Ms. Poon Yuk Yee is the spouse of Mr. Hui Leung Wah, she is deemed to be interested in the shares held by and shares taken to be interested by Mr. Hui Leung Wah for the purpose of Divisions 2 and 3 of Part XV of the SFO.

2. Details are stated in the above section headed "Directors' and chief executive's interests and short positions in shares and underlying shares".

3. SFEL is a wholly-owned subsidiary of Safilo Group S.p.A.

Save as disclosed above, as at 31 March 2014, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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 year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest customer and the Group's five largest customers accounted for 24.97% and 58.59% of the Group's total sales, respectively. The Group's largest customer, the group of Safilo Group S.p.A., owned 23.05% of the Company's issued share capital at the end of the reporting period. Details of the sales to the group of Safilo Group S.p.A. are included in note 34 to the financial statements.

During the year, the Group's largest supplier and the Group's five largest suppliers accounted for 13.41% and 38.10% of the Group's total purchases, respectively.

Save as disclosed above, none of the directors of the Company or any of their associates or any shareholders, which to the best knowledge of the directors, own more than 5% of the Company's issued share capital had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

At the special general meeting held on 22 March 2013, an ordinary resolution (the "Resolution") was passed by the independent shareholders which approved the sales of optical frames, sunglasses and related products (the "Sales") by the Company and its subsidiaries to the group of Safilo Group S.p.A. for the three years ending 31 March 2016 subject to certain conditions. According to the Resolution, the aggregate values of the Sales shall not exceed HK$152 million, HK$184 million and HK$218 million for each of the three years ended/ending 31 March 2014, 2015 and 2016, respectively.

A supplemental agreement to renew the supply agreement which expired on 31 March 2013 for such transactions for the three financial years ended/ending 31 March 2014, 2015 and 2016 was entered into by the Company and Safilo S.p.A. Further details were set out in the circular to the Company's shareholders dated 6 March 2013.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

The Directors, including the Independent Non-Executive Directors, confirm that the Sales to the group of Safilo Group S.p.A. were approved by the board of directors and:

(a) were entered into in the ordinary and usual course of business of the Group;

(b) were conducted on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than the terms available to or from independent third parties as appropriate;

(c) were entered into in accordance with the relevant terms and conditions governing such transactions, which are fair and reasonable so far as the shareholders of the Company were concerned and in the interests of the Group as a whole; and

(d) did not exceed HK$152 million for the year.

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and in note 34 to the financial statements, and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the SEHK.

Further details of the Sales to the group of Safilo Group S.p.A. are set out in note 34 to the financial statements.

In addition to the transactions with the group of Safilo Group S.p.A. set out above, a non-wholly-owned subsidiary of the Group also owed certain of the Group's wholly-owned subsidiaries amounts arising from their ordinary and usual course of business. The amount due is unsecured, bears interest at the same rate charged to the Group by its banks and are repayable in accordance with normal trading terms. The balance with the non-wholly-owned subsidiary is eliminated in the Group's consolidated financial statements. Details of the amount outstanding at the end of the reporting period are set out below:

	31 March 2014 HK$'000	31 March 2013 HK$'000
Gold Strong Industrial Limited	**52,984**	45,350

During the year, a director's quarter was rented by the Group from Mr. Hui Leung Wah, the chairman and managing director of the Company, for the use by Mr. Poon Sui Hong as a director's quarter. The annual rental amounting to HK$444,000 for the year (2013: HK$444,000) was mutually agreed by both parties based on market value and has been included in directors' remuneration set out in note 8 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD

Hui Leung Wah
Chairman

Hong Kong
27 June 2014

INDEPENDENT AUDITORS' REPORT

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To the shareholders of Elegance Optical International Holdings Limited
(Formerly known as Elegance International Holdings Limited)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Elegance Optical International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 26 to 94, which comprise the consolidated and company statements of financial position as at 31 March 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
27 June 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	5	**376,318**	361,458
Cost of sales		**(374,632)**	(360,650)
Gross profit		**1,686**	808
Other income	5	**2,226**	6,816
Selling and distribution expenses		**(9,701)**	(7,564)
Administrative expenses		**(62,003)**	(60,914)
Other operating expenses, net		**(2,461)**	(224)
Finance costs	7	**(3)**	(5)
Share of profits and losses of:			
Joint ventures		**60**	(43)
An associate		**(793)**	(740)
LOSS BEFORE TAX	6	**(70,989)**	(61,866)
Income tax	9	**11**	(1,297)
LOSS FOR THE YEAR		**(70,978)**	(63,163)
Attributable to:			
Owners of the Company	10	**(68,300)**	(59,665)
Non-controlling interests		**(2,678)**	(3,498)
		(70,978)	(63,163)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
Basic and diluted		**HK(21.10) cents**	HK(18.44) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
LOSS FOR THE YEAR		**(70,978)**	(63,163)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Change in fair value of an available-for-sale financial asset		**(120)**	–
Share of exchange differences on translation of joint ventures		**(1)**	(134)
Share of exchange differences on translation of an associate		**(11)**	18
Exchange differences on translation of foreign operations		**52**	677
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**(80)**	561
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation		**9,910**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**9,830**	561
TOTAL COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(61,148)**	(62,602)
Attributable to:			
Owners of the Company	10	**(58,485)**	(59,189)
Non-controlling interests		**(2,663)**	(3,413)
		(61,148)	(62,602)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2014

	Notes	**2014 HK$'000**	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**201,998**	212,820
Investment properties	13	**19,600**	7,500
Prepaid land lease payments	14	**14,327**	14,757
Investments in joint ventures	16	**4,094**	4,035
Investment in an associate	17	**–**	804
Available-for-sale financial asset	18	**400**	520
Deposits paid for items of property, plant and equipment		**130**	396
Total non-current assets		**240,549**	240,832
CURRENT ASSETS			
Inventories	19	**68,230**	92,089
Loan to a joint venture	16	**668**	338
Trade receivables	20	**75,872**	75,514
Prepayments, deposits and other receivables	21	**4,615**	5,440
Equity investments at fair value through profit or loss	22	**68**	63
Tax recoverable		**56**	1,169
Cash and cash equivalents	23	**42,342**	93,031
Total current assets		**191,851**	267,644
CURRENT LIABILITIES			
Trade payables	24	**27,627**	42,810
Other payables and accruals	25	**27,162**	29,214
Derivative financial instrument	26	**1,044**	–
Tax payable		**2,714**	2,989
Total current liabilities		**58,547**	75,013
NET CURRENT ASSETS		**133,304**	192,631
TOTAL ASSETS LESS CURRENT LIABILITIES		**373,853**	433,463
NON-CURRENT LIABILITIES			
Derivative financial instrument	26	**1,495**	–
Deferred tax liabilities	27	**980**	937
Total non-current liabilities		**2,475**	937
Net assets		**371,378**	432,526

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	28	**32,365**	32,365
Reserves	30(a)	**330,207**	388,692
		362,572	421,057
Non-controlling interests		**8,806**	11,469
Total equity		**371,378**	432,526

Hui Leung Wah
Director

Poon Sui Hong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2014

	Attributable to owners of the Company											
	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000	Asset revaluation reserve# HK$'000	Available-for-sale financial asset revaluation reserve HK$'000	Goodwill eliminated against reserves HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed special dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2012	32,365	56,831	41,925	–	(130)	(152)	7,629	341,778	12,946	493,192	14,882	508,074
Loss for the year	–	–	–	–	–	–	–	(59,665)	–	(59,665)	(3,498)	(63,163)
Other comprehensive income/(loss) for the year:												
Share of exchange differences on translation of joint ventures	–	–	–	–	–	–	(134)	–	–	(134)	–	(134)
Share of exchange differences on translation of an associate	–	–	–	–	–	–	18	–	–	18	–	18
Exchange differences on translation of foreign operations	–	–	–	–	–	–	592	–	–	592	85	677
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	476	(59,665)	–	(59,189)	(3,413)	(62,602)
Special 2012 dividend declared	–	–	–	–	–	–	–	–	(12,946)	(12,946)	–	(12,946)
At 31 March 2013 and 1 April 2013	32,365	56,831	41,925	–	(130)	(152)	8,105	282,113	–	421,057	11,469	432,526
Loss for the year	–	–	–	–	–	–	–	(68,300)	–	(68,300)	(2,678)	(70,978)
Other comprehensive income/(loss) for the year:												
Change in fair value of an available-for-sale financial asset	–	–	–	–	(120)	–	–	–	–	(120)	–	(120)
Share of exchange differences on translation of joint ventures	–	–	–	–	–	–	(1)	–	–	(1)	–	(1)
Share of exchange differences on translation of an associate	–	–	–	–	–	–	(11)	–	–	(11)	–	(11)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	37	–	–	37	15	52
Gain on property revaluation (note 12)	–	–	–	9,910	–	–	–	–	–	9,910	–	9,910
Total comprehensive income/(loss) for the year	–	–	–	9,910	(120)	–	25	(68,300)	–	(58,485)	(2,663)	(61,148)
At 31 March 2014	**32,365**	**56,831***	**41,925***	**9,910***	**(250)***	**(152)***	**8,130***	**213,813***	**–**	**362,572**	**8,806**	**371,378**

* These reserve accounts comprise the consolidated reserves of HK$330,207,000 (2013: HK$388,692,000) in the consolidated statement of financial position.

\# The asset revaluation reserve arose from a change in use from an owner-occupied property to an investment property carried at fair value on 31 March 2014.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(70,989)**	(61,866)
Adjustments for:			
Finance costs	7	**3**	5
Share of profits and losses of joint ventures and an associate		**733**	783
Bank interest income	5	**(299)**	(1,207)
Dividend income from equity investments at fair value through profit or loss	5	**(3)**	(5)
Loss on disposal of items of property, plant and equipment	6	**127**	2,597
Changes in fair value of an investment property	6	**(200)**	(2,040)
Fair value gains/(losses), net:			
Equity investments at fair value through profit or loss — held for trading	6	**(5)**	(14)
Derivative financial instrument	6	**2,539**	–
Depreciation	6	**25,998**	28,644
Amortisation of prepaid land lease payments	6	**421**	417
Write-back of impairment of trade receivables	6	**–**	(319)
Provision for inventory obsolescence	6	**1,435**	3,393
		(40,240)	(29,612)
Decrease/(increase) in inventories		**22,424**	(22,211)
Decrease/(increase) in trade receivables		**(358)**	16,603
Decrease/(increase) in prepayments, deposits and other receivables		**825**	(183)
Increase/(decrease) in trade payables		**(15,183)**	5,518
Decrease in other payables and accruals		**(2,052)**	(9,246)
Exchange adjustments		**510**	(460)
Cash used in operations		**(34,074)**	(39,591)
Interest paid	7	**(3)**	(5)
Hong Kong profits tax refunded/(paid)		**1,059**	(66)
Overseas taxes paid		**(164)**	(23)
Net cash flows used in operating activities		**(33,182)**	(39,685)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**299**	1,207
Dividend received from equity investments at fair value through profit or loss		**3**	5
Dividend received from a joint venture		**–**	1,600
Purchases of items of property, plant and equipment		**(17,390)**	(19,106)
Return of capital from a joint venture		**–**	426
Investment in a joint venture		**–**	(309)
Deposits paid for items of property, plant and equipment		**(130)**	(396)
Proceeds from disposal of items of property, plant and equipment		**70**	65
Advance of loan to a joint venture		**(330)**	(380)
Net cash flows used in investing activities		**(17,478)**	(16,888)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2014

	Note	**2014 HK$'000**	2013 HK$'000
CASH FLOW FROM A FINANCING ACTIVITY			
Dividend paid and cash flow used in a financing activity		**–**	(12,946)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(50,660)**	(69,519)
Cash and cash equivalents at beginning of year		**93,031**	162,271
Effect of foreign exchange rate changes, net		**(29)**	279
CASH AND CASH EQUIVALENTS AT END OF YEAR		**42,342**	93,031
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**32,487**	68,054
Non-pledged time deposits with original maturity of less than three months when acquired	23	**9,855**	24,977
Cash and cash equivalents as stated in the consolidated statement of financial position		**42,342**	93,031

STATEMENT OF FINANCIAL POSITION

31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	15	**507,024**	506,824
CURRENT ASSETS			
Prepayments	21	**170**	170
Tax recoverable		**–**	139
Cash and bank balances	23	**56**	117
Total current assets		**226**	426
CURRENT LIABILITIES			
Other payables and accruals	25	**186**	244
NET CURRENT ASSETS		**40**	182
TOTAL ASSETS LESS CURRENT LIABILITIES		**507,064**	507,006
NON-CURRENT LIABILITY			
Loan from a subsidiary	15	**272,324**	271,371
Net assets		**234,740**	235,635
EQUITY			
Issued capital	28	**32,365**	32,365
Reserves	30(b)	**202,375**	203,270
Total equity		**234,740**	235,635

Hui Leung Wah
Director

Poon Sui Hong
Director

NOTES TO FINANCIAL STATEMENTS

31 March 2014

1. CORPORATE INFORMATION

Elegance Optical International Holdings Limited (formerly known as Elegance International Holdings Limited) 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.

Pursuant to a special resolution passed at the annual general meeting of the Company held on 29 August 2013, the name of the Company was changed from Elegance International Holdings Limited to ELEGANCE OPTICAL INTERNATIONAL HOLDINGS LIMITED and the Chinese name "高雅光學國際集團有限公司" was adopted as the secondary name of the Company.

During the year, the Company was engaged in investment holding and the Group was engaged in the manufacture and trading of optical frames and sunglasses.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, a derivative financial instrument and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *– Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 12, HKFRS 13, amendments to HKAS 1 and certain amendment included in *Annual Improvements 2009–2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries, joint ventures and an associate are included in notes 15, 16 and 17 to the financial statements.

(b) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and financial instruments are included in notes 13 and 36 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The principal effects of adopting these new and revised HKFRSs are as follows: (continued)

(c) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial asset) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(d) *Annual Improvements 2009–2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendment most applicable to the Group are as follows:

HKAS 1 *Presentation of Financial Statements:* Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKFRS 11 Amendments	Amendments to HKFRS 11 *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*[3]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 and HKAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortisation*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010–2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvements 2011–2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows: (continued)

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 April 2014.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows: (continued)

The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group expects to adopt the amendments from 1 April 2014.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Investments in an associate and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in an associate and joint ventures (continued)

The Group's investments in an associate and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of an associate and joint ventures are included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint ventures are eliminated to the extent of the Group's investments in the associate or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of an associate or joint ventures is included as part of the Group's investments in an associate or joint ventures.

The results of an associate and joint ventures are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in an associate and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, available-for-sale financial asset, equity investments and derivative financial instrument at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land under finance leases	Over the lease terms
Buildings	Shorter of the lease terms and 2%
Leasehold improvements	Shorter of the lease terms and the rates of 5% to 10%
Plant and machinery	10% to 20%
Furniture, fixtures and office equipment	10% to 20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents leasehold improvements under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial asset, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement **(continued)**

The subsequent measurement of financial assets depends on their classification as follows: (continued)

Financial assets at fair value through profit or loss (continued)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial asset revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the asset is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale financial asset revaluation reserve to the statement of profit or loss in other operating expenses. Interest and dividends earned whilst holding the available-for-sale financial assets are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

***Subsequent measurement* (continued)**

The subsequent measurement of financial assets depends on their classification as follows: (continued)

Available-for-sale financial assets (continued)

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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31 March 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals and a derivative financial instrument.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

***Subsequent measurement* (continued)**

The subsequent measurement of financial liabilities depends on their classification as follows: (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instrument

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instrument (continued)

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

(c) rental income, on a time proportion basis over the lease terms; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments.

No share options have been granted under the share option scheme since its adoption.

Other employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on an annual basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following financial year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

NOTES TO FINANCIAL STATEMENTS

31 March 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

***Pension schemes* (continued)**

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures and an associate are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows.

Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Impairment of property, plant and equipment

Items of property, plant and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value. As at 31 March 2014, the carrying amount of property, plant and equipment was HK$201,998,000 (2013: HK$212,820,000).

Provision for obsolete inventories

Management of the Group reviews the usage of the inventories at the end of each reporting period, and makes provision for obsolete items where events or changes in circumstances show that the balances of inventories may not be realised or certain items are no longer suitable for production use. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether provision is needed to be made in respect of any obsolete inventories identified. The directors of the Company are satisfied that sufficient provision for obsolete inventories has been made in the consolidated financial statements. As at 31 March 2014, the carrying amount of inventories was HK$68,230,000 net of provision for obsolete inventories of HK$37,616,000 (2013: HK$92,089,000 net of provision for obsolete inventories of HK$36,235,000).

Impairment of trade receivables

The policy for impairment of trade receivables of the Group is based on the evaluation of collectibility and aging analysis of accounts and on management's judgement at the end of each reporting period whether there is any objective evidence that the trade receivables are impaired. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As at 31 March 2014, the carrying value of trade receivables was HK$75,872,000 net of impairment of trade receivables of HK$2,764,000 (2013: HK$75,514,000 net of impairment of trade receivables of HK$2,764,000).

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses at 31 March 2014 was approximately HK$74,626,000 (2013: HK$51,566,000). Further details are contained in note 27 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of available-for-sale financial asset

The Group classifies an asset as available for sale and recognises movements of its fair value in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. Losses arising from the impairment of such investment should be recognised in the statement of profit or loss as "Impairment losses on available-for-sale financial asset". During the year, no impairment has been recognised for available-for-sale financial asset (2013: Nil). The carrying amount of available-for-sale financial asset was HK$400,000 (2013: HK$520,000). Further details are contained in note 18 to the financial statements.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimates. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

4. SEGMENT INFORMATION

The Group is engaged in the manufacture and trading of optical frames and sunglasses. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the manufacture and sale of eyewear products.

No operating segments have been aggregated to form the above reportable operating segment.

Geographical information

(a) Revenue from external customers

	2014 HK$'000	2013 HK$'000
Europe	**225,292**	221,579
North America	**111,032**	95,891
The PRC (including Hong Kong)	**23,618**	35,935
Other Asian countries	**14,492**	6,141
Others	**1,884**	1,912
	376,318	361,458

The revenue information above is based on the location of the customers. The PRC (including Hong Kong) segment mainly represents the sales of eyewear products to agents located in Hong Kong, but also includes sales made to local retailers. The Directors believe that the agents in Hong Kong export most of the Group's products to Europe, North America and South America.

NOTES TO FINANCIAL STATEMENTS

31 March 2014

4. SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) ***Non-current assets***

All significant operating assets of the Group are located in the PRC. Accordingly, no geographical information of segment assets is presented.

Information about a major customer

Revenue of approximately HK$93,955,000 (2013: HK$121,429,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

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

	2014 HK$'000	2013 HK$'000
Revenue		
Sale of goods	**376,318**	361,458
Other income		
Sale of scrap materials	**620**	104
Bank interest income	**299**	1,207
Gross rental income	**882**	874
Dividend income from equity investments at fair value through profit or loss	**3**	5
Others	**422**	4,626
	2,226	6,816

NOTES TO FINANCIAL STATEMENTS

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6. LOSS BEFORE TAX

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

	Notes	2014 HK$'000	2013 HK$'000
Cost of inventories sold*		**373,197**	357,257
Depreciation	12	**25,998**	28,644
Amortisation of prepaid land lease payments	14	**421**	417
Auditors' remuneration		**920**	900
Minimum lease payments under operating leases in respect of land and buildings		**1,823**	2,037
Employee benefit expense (excluding directors' and chief executive's remuneration, as set out in note 8):			
Wages and salaries		**172,749**	184,665
Pension scheme contributions**		**1,341**	861
		174,090	185,526
Gross and net rental income		**(882)**	(874)
Provision for inventory obsolescence*		**1,435**	3,393
Foreign exchange differences, net		**5,081**	34
Other operating expenses, net:			
Write-back of impairment of trade receivables	20	**–**	(319)
Loss on disposal of items of property, plant and equipment		**127**	2,597
Fair value losses/(gains), net:			
Equity investments at fair value through profit or loss — held for trading		**(5)**	(14)
Derivative financial instrument		**2,539**	–
Changes in fair value of an investment property	13	**(200)**	(2,040)
		2,461	224

* Included in "cost of sales" on the face of the 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 (2013: Nil).

NOTES TO FINANCIAL STATEMENTS

31 March 2014

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Interest on bank overdrafts wholly repayable on demand	**3**	5

8. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

Directors' and chief executive's remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Fees	**300**	300
Other emoluments:		
Basic salaries and bonuses	**2,547**	2,511
Housing benefit	**1,506**	1,506
Pension scheme contributions	**54**	54
	4,107	4,071
	4,407	4,371

Three (2013: three) directors occupied certain of the Group's properties rent free during the year. The estimated value of the accommodation provided for them was HK$1,506,000 (2013: HK$1,506,000) for the year ended 31 March 2014, which has been included in the amounts detailed above.

8. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (continued)

Directors' and chief executive's remuneration (continued)

(a) *Independent non-executive directors*

The fees paid to independent non-executive directors during the year were as follows:

	2014 **HK$'000**	2013 HK$'000
Poon Kwok Fai, Ronald	**100**	100
Pang Sung Yuen	**59**	–
Tam Hok Lam, Tommy	**100**	100
Wong Chung Mat, Ben	**41**	100
	300	300

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

(b) *Executive directors, non-executive directors and the chief executive*

	Basic salaries and bonuses HK$'000	Housing benefit HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2014				
Executive directors:				
Hui Leung Wah	**1,200**	**900**	**–**	**2,100**
Poon Sui Hong	**823**	**444**	**31**	**1,298**
Leung Shu Sum	**524**	**162**	**23**	**709**
	2,547	**1,506**	**54**	**4,107**
2013				
Executive directors:				
Hui Leung Wah	1,200	900	–	2,100
Poon Sui Hong	777	444	31	1,252
Leung Shu Sum	534	162	23	719
	2,511	1,506	54	4,071

There were no fees and other emoluments payable to the non-executive directors and chief executive during the year (2013: Nil).

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

NOTES TO FINANCIAL STATEMENTS

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8. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (continued)

Highest paid employees' emoluments

The five highest paid individuals during the year included two (2013: two) directors, details of whose remuneration are disclosed above. Details of the remuneration of the three (2013: three) non-director, highest paid individuals for the year are set out below:

	Group	
	2014	2013
	HK$'000	HK$'000
Basic salaries and bonuses	**2,518**	2,489
Housing benefit	**252**	252
Pension scheme contributions	**82**	82
	2,852	2,823

The number of non-director, highest paid individuals whose remuneration fell within the following bands is as follows:

	Number of non-director, highest paid individuals	
	2014	2013
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1
	3	3

One of the non-director, highest paid individuals occupied one of the Group's properties rent free during the year. The estimated value of the accommodation provided to him was HK$252,000 (2013: HK$252,000) for the year ended 31 March 2014, which has been included in the amounts detailed above.

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2014 HK$'000	2013 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**19**	18
Underprovision in prior years	**32**	29
Current – Elsewhere		
Charge for the year	**274**	10
Underprovision/(overprovision) in prior years	**(379)**	12
Deferred (note 27)	**43**	1,228
Total tax expense/(credit) for the year	**(11)**	1,297

A reconciliation of the tax credit applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rates is as follows:

Group – 2014

	Hong Kong HK$'000	**Mainland China HK$'000**	**Total HK$'000**
Loss before tax	**(18,800)**	**(52,189)**	**(70,989)**
Tax at the statutory tax rate	**(3,102)**	**(13,047)**	**(16,149)**
Adjustments in respect of current tax of previous periods	**32**	**(379)**	**(347)**
Profits and losses attributable to joint ventures and an associate	**131**	**(15)**	**116**
Income not subject to tax	**(44)**	**–**	**(44)**
Expenses not deductible for tax	**372**	**13,145**	**13,517**
Estimated tax losses not recognised	**2,252**	**–**	**2,252**
Others	**453**	**191**	**644**
Tax expense/(credit) at the Group's effective rate	**94**	**(105)**	**(11)**

9. INCOME TAX (continued)

A reconciliation of the tax credit applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rates is as follows: (continued)

Group – 2013

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Loss before tax	(44,302)	(17,564)	(61,866)
Tax at the statutory tax rate	(7,310)	(4,391)	(11,701)
Adjustments in respect of current tax of previous periods	29	12	41
Profits and losses attributable to joint ventures and an associate	122	11	133
Results from offshore manufacturing operations not subject to tax	1,324	–	1,324
Income not subject to tax	(1,254)	(196)	(1,450)
Expenses not deductible for tax	2,620	4,607	7,227
Estimated tax losses not recognised	2,641	–	2,641
Others	3,103	(21)	3,082
Tax expense at the Group's effective rate	1,275	22	1,297

10. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 March 2014 includes a loss of HK$895,000 (2013: HK$1,331,000) which has been dealt with in the financial statements of the Company (note 30(b)).

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

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity holders of the Company for the year of HK$68,300,000 (2013: HK$59,665,000) and 323,649,123 (2013: 323,649,123) shares in issue.

No adjustment has been made to the basic loss per share attributable to ordinary equity holders of the Company presented for the years ended 31 March 2014 and 2013 in respect of a dilution as there were no potentially dilutive shares in issue during those years.

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12. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2014							
At 31 March 2013 and at 1 April 2013:							
Cost	187,434	56,231	127,355	20,440	11,888	3,013	406,361
Accumulated depreciation and impairment	(40,412)	(36,407)	(91,086)	(15,871)	(9,765)	–	(193,541)
Net carrying amount	147,022	19,824	36,269	4,569	2,123	3,013	212,820
At 1 April 2013, net of accumulated depreciation and impairment	147,022	19,824	36,269	4,569	2,123	3,013	212,820
Additions	–	1,561	13,275	1,722	1,228	–	17,786
Disposals	–	(118)	(67)	(12)	–	–	(197)
Depreciation provided during the year	(4,422)	(4,383)	(15,109)	(1,090)	(994)	–	(25,998)
Gain on revaluation	9,910	–	–	–	–	–	9,910
Transfer to investment properties (note 13)	(11,900)	–	–	–	–	–	(11,900)
Transfers	–	3,036	–	–	–	(3,036)	–
Exchange realignment	(42)	(40)	(323)	(31)	(10)	23	(423)
At 31 March 2014, net of accumulated depreciation and impairment	140,568	19,880	34,045	5,158	2,347	–	201,998
At 31 March 2014:							
Cost	184,165	60,621	139,545	22,093	13,084	–	419,508
Accumulated depreciation and impairment	(43,597)	(40,741)	(105,500)	(16,935)	(10,737)	–	(217,510)
Net carrying amount	140,568	19,880	34,045	5,158	2,347	–	201,998

NOTES TO FINANCIAL STATEMENTS

31 March 2014

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2013							
At 1 April 2012:							
Cost	186,798	74,479	267,445	40,486	13,554	–	582,762
Accumulated depreciation and impairment	(35,924)	(50,507)	(229,825)	(33,762)	(10,695)	–	(360,713)
Net carrying amount	150,874	23,972	37,620	6,724	2,859	–	222,049
At 1 April 2012, net of accumulated depreciation and impairment	150,874	23,972	37,620	6,724	2,859	–	222,049
Additions	–	1,171	15,393	712	640	2,976	20,892
Disposals	–	(1,023)	(203)	(1,436)	–	–	(2,662)
Depreciation provided during the year	(4,401)	(4,380)	(17,002)	(1,467)	(1,394)	–	(28,644)
Exchange realignment	549	84	461	36	18	37	1,185
At 31 March 2013, net of accumulated depreciation and impairment	147,022	19,824	36,269	4,569	2,123	3,013	212,820
At 31 March 2013:							
Cost	187,434	56,231	127,355	20,440	11,888	3,013	406,361
Accumulated depreciation and impairment	(40,412)	(36,407)	(91,086)	(15,871)	(9,765)	–	(193,541)
Net carrying amount	147,022	19,824	36,269	4,569	2,123	3,013	212,820

The Group's land included in property, plant and equipment with a net carrying amount of HK$25,920,000 (2013: HK$27,580,000) is held under medium term leases and is situated in Hong Kong.

On 31 March 2014, certain of the Group's land and buildings were transferred to investment properties. Upon the transfer, their net carrying amount of HK$1,990,000 was revalued by Roma Appraisals Limited, an independent professionally qualified valuer, at HK$11,900,000 on an open market and existing use basis. A revaluation gain of HK$9,910,000 resulting from the above valuation has been credited to other comprehensive income.

13. INVESTMENT PROPERTIES

		Group	
		2014	2013
	Notes	**HK$'000**	HK$'000
Carrying amount at beginning of the year		**7,500**	5,460
Net gain from a fair value adjustment	6	**200**	2,040
Transfer from an owner-occupied property	12	**11,900**	–
Carrying amount at 31 March		**19,600**	7,500

The Group's investment properties are held under medium term leases and are situated in Hong Kong.

The Group's investment properties consist of two (2013: one) industrial properties in Hong Kong. The Group's investment properties were revalued on 31 March 2014 based on valuations performed by Roma Appraisals Limited (2013: Roma Appraisals Limited), an independent professionally qualified valuer, at HK$19,600,000 (2013: HK$7,500,000). Each year, the Group's financial controller decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's financial controller has discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

The investment properties are either available for leasing or leased to a third party under an operating lease, further summary details of which are included in note 32(a) to the financial statements.

Fair value hierarchy

All investment properties were classified under Level 3 in the fair value hierarchy.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Industrial properties HK$'000
Carrying amount at 1 April 2013	7,500
Net gain from a fair value adjustment recognised in other operating expenses, net in profit or loss	200
Transfer from an owner-occupied property	11,900
Carrying amount at 31 March 2014	19,600

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13. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

The fair value of investment properties located in Hong Kong is determined using market comparison approach by reference to recent sales prices of comparable properties on a price per square foot basis. Below is a summary of the significant inputs to the valuation of investment properties:

	Group	
	Range	Weighted average
Price per square foot	HK$4,100 to HK$4,400	HK$4,175

A significant increase/decrease in price per square foot would result in a significant increase/decrease in the fair value of the investment properties.

14. PREPAID LAND LEASE PAYMENTS

		Group	
	Note	**2014 HK$'000**	2013 HK$'000
Carrying amount at beginning of the year		**15,176**	15,477
Recognised during the year	6	**(421)**	(417)
Exchange realignment		**(9)**	116
Carrying amount at 31 March		**14,746**	15,176
Current portion included in prepayments, deposits and other receivables		**(419)**	(419)
Non-current portion		**14,327**	14,757

The leasehold land is held under medium term leases and is situated in Mainland China.

15. INVESTMENTS IN SUBSIDIARIES

	Company 2014 HK$'000	2013 HK$'000
Unlisted shares, at cost	**147,173**	147,173
Loans to subsidiaries	**359,851**	359,651
	507,024	506,824

The loans to subsidiaries above are unsecured, interest-free and not repayable within one year from the end of the reporting period. In the opinion of the Directors, these loans are considered as quasi-equity loans to the subsidiaries.

The loan from a subsidiary included in the Company's non-current liability totalling HK$272,324,000 (2013: HK$271,371,000) is unsecured, interest-free and not repayable within one year from the end of the reporting period.

Particulars of the principal subsidiaries are as follows:

Name	Place of registration and business	Place of operations	Nominal value of issued share capital/ paid-in capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Diamond Bright Industries Limited	Hong Kong	Hong Kong	Ordinary HK$400	–	100	Investment holding (2013: Investment holding and subletting of property)
Dongguan Yick Yue Optical Limited**	PRC***	Mainland China	HK$17,424,000	–	55	Property holding
Elegance Group Limited	British Virgin Islands	Hong Kong	Ordinary US$80	100	–	Investment holding
Elegance Optical Investments Limited	Hong Kong	Hong Kong	Ordinary HK$200 Non-voting deferred HK$20,000,000*	–	100	Investment and property holding
Elegance Optical Manufactory Limited	Hong Kong	Hong Kong	Ordinary HK$2	–	100	Investment holding and trading of optical frames (2013: Investment holding and trading and manufacture of optical frames)

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15. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of registration and business	Place of operations	Nominal value of issued share capital/ paid-in capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Elegance Optical Production Limited	British Virgin Islands	Hong Kong	Ordinary US$1	–	100	Investment holding
Fortune Optical Limited**	PRC***	Mainland China	HK$43,700,000	–	55	Trading and manufacture of optical frames
Glory (Hui's) Trading Limited	Hong Kong	Hong Kong	Ordinary HK$200	–	100	Trading of optical frames in Hong Kong and Southeast Asia
Gold Strong Industrial Limited	Hong Kong	Hong Kong	Ordinary HK$100	–	55	Investment holding and trading of optical frames
Grand River Investment Limited	Hong Kong	Hong Kong	Ordinary HK$2	–	100	Property holding
Great Champ Asia Limited	Hong Kong	Hong Kong	Ordinary HK$2	–	100	Investment holding
Leader Up Limited	Hong Kong	Hong Kong	Ordinary HK$10,000	–	100	Dormant
Million Wave Limited	Hong Kong	Hong Kong	Ordinary HK$10,000	–	100	Property holding
Promisewell Company Limited	British Virgin Islands	Hong Kong	Ordinary US$1	–	100	Dormant
Sandwalk (Far East) Limited	Hong Kong	Hong Kong	Ordinary HK$1	–	100	Trading of optical frames and leather products
Standard Sun International Limited	Hong Kong	Hong Kong	Ordinary HK$10,000	–	100	Dormant
United Wish Company Limited	Hong Kong	Hong Kong	Ordinary HK$100	–	100	Dormant

15. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of registration and business	Place of operations	Nominal value of issued share capital/ paid-in capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Winston Technology Limited	Hong Kong	Hong Kong	Ordinary HK$1	–	100	Investment holding
Yieldly (International) Investment Limited	Hong Kong	Hong Kong	Ordinary HK$400	–	100	Investment holding
高雅光學(深圳)有限公司**	PRC***	Mainland China	RMB33,000,000	–	100	Trading and manufacture of optical frames
東莞精奇機械科技有限公司**	PRC***	Mainland China	HK$17,538,000	–	100	Trading and manufacture of machinery
東莞豐誠貿易有限公司**	PRC***	Mainland China	HK$3,000,000	–	100	Investment holding
廣州雅進貿易有限公司**	PRC***	Mainland China	RMB500,000	–	100	Retailing and trading of optical frames and leather products

* The first HK$1,000,000,000,000 of the profits which the subsidiary may determine to distribute in any financial year must be distributed among the holders of ordinary shares where one half of the balance of the said profits is distributed among the holders of the non-voting deferred shares and the other half of such balance among the holders of ordinary shares. Moreover, the holders of the non-voting deferred shares have no other rights to dividends. The holders of the non-voting deferred shares have no right to attend or vote at general meetings, except for general meetings convened for the purpose of reducing the capital of the Company or altering their class rights. The non-voting deferred shares carry the right to receive one half of the balance of any surplus in a return of capital in a winding-up after the holders of the ordinary shares have received a total return of HK$5,000,000,000.

** Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

*** Dongguan Yick Yue Optical Limited, Fortune Optical Limited, 高雅光學(深圳)有限公司, 東莞精奇機械科技有限公司, 東莞豐誠貿易有限公司 and 廣州雅進貿易有限公司 are registered as wholly-foreign-owned enterprises under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

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15. INVESTMENTS IN SUBSIDIARIES (continued)

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2014	2013
Percentage of equity interest held by non-controlling interests:		
Gold Strong Industrial Limited and its subsidiaries	**45%**	45%

	2014 HK$'000	2013 HK$'000
Loss for the year allocated to non-controlling interests:		
Gold Strong Industrial Limited and its subsidiaries	**(2,678)**	(3,498)
Accumulated balance of non-controlling interests at the reporting dates:		
Gold Strong Industrial Limited and its subsidiaries	**8,810**	11,473

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Gold Strong Industrial Limited and its subsidiaries	
	2014 HK$'000	2013 HK$'000
Revenue	**73,676**	58,164
Total expenses	**(79,626)**	(65,937)
Loss for the year	**(5,950)**	(7,773)
Total comprehensive loss for the year	**(5,914)**	(7,585)
Current assets	**28,762**	24,263
Non-current assets	**62,786**	64,233
Current liabilities	**(71,969)**	(63,003)
Net cash flows from operating activities	**12,637**	4,807
Net cash flows used in investing activities	**(4,584)**	(4,584)
Net increase in cash and cash equivalents	**8,053**	223

16. INVESTMENTS IN JOINT VENTURES

	Group 2014 HK$'000	2013 HK$'000
Share of net assets	**554**	495
Loan to a joint venture	**3,540**	3,540
	4,094	4,035

The loan to a joint venture of HK$3,540,000 (2013: HK$3,540,000) included in the Group's non-current assets are unsecured, interest-free and not repayable within one year from the end of the reporting period. In the opinion of the Directors, the loan of HK$3,540,000 (2013: HK$3,540,000) included in the Group's non-current assets is considered as quasi-equity investments in the joint venture.

The loan to a joint venture of HK$668,000 (2013: HK$338,000) included in the Group's current assets is unsecured, bears interest at 9% per annum and is repayable within one year (2013: within 90 days).

The Group's trade receivable balances due from a joint venture are disclosed in note 20 to the financial statements.

Particulars of the Group's joint ventures are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
廣州市佳視光學眼鏡有限公司 ("佳視光學")	Registered capital of RMB1,000,000	PRC	– (2013: 41	– 41	– 41)	Dormant
廣州佳視美光學眼鏡有限公司 ("佳視美")	Registered capital of RMB1,000,000	PRC	25	25	25	Trading of optical frames

The financial statements of the above joint ventures were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network and the above joint ventures have a financial year end date of 31 December.

The above joint ventures have been accounted for using the equity method in these financial statements.

The above joint ventures are registered as sino-foreign joint ventures under the PRC law and are held through a wholly-owned subsidiary of the Company.

During the year, the Group sold goods to joint ventures amounting to HK$246,000 (2013: HK$579,000). These sales were carried out at prices mutually agreed between the parties.

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16. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2014 HK$'000	2013 HK$'000
Share of the joint ventures' profit/(loss) for the year	**60**	(43)
Share of the joint ventures' other comprehensive loss	**(1)**	(134)
Share of the joint ventures' total comprehensive income/(loss)	**59**	(177)
Aggregate carrying amount of the Group's investments in the joint ventures	**4,094**	4,035

On 26 June 2012, the Group entered into a shareholders' agreement (the "Shareholders' Agreement") to form 佳視美 with one independent third party and three other existing shareholders of 佳視光學. On 6 July 2012, 佳視美 was incorporated with registered capital of RMB1,000,000. The Group has 25% equity interest in 佳視美 and under the Shareholders' Agreement, the Group's total commitment was RMB3,115,000 (equivalent to HK$3,849,000) which was fulfilled in the prior year. Pursuant to the Shareholders' Agreement, all assets and liabilities of 佳視光學 were transferred to 佳視美 at their carrying amounts. After such transfer, 佳視光學 ceased operations and started its de-registration process, which was completed on 21 March 2014.

17. INVESTMENT IN AN ASSOCIATE

	Group 2014 HK$'000	 2013 HK$'000
Share of net assets	**–**	804

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Optics 2000 & Optics Café Pte., Ltd.	Ordinary shares of SG$1 each	Singapore	43.75	Retailing of eyewear products

The financial statements of the above associate are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above associate has been accounted for using the equity method in these financial statements.

The Group's shareholding in the associate is held through a wholly-owned subsidiary of the Company.

17. INVESTMENT IN AN ASSOCIATE (continued)

The above associate has a financial year end date of 30 September. The consolidated financial statements are adjusted for the material transactions of the above associate between 1 October and 31 March. The above associate uses 30 September as its financial year end date to conform with that of its holding company.

The Group has discontinued the recognition of its share of losses of the associate because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this associate for the current year and cumulatively were HK$59,000 (2013: Nil).

The following table illustrates the financial information of the Group's associate that is not material:

	2014 HK$'000	2013 HK$'000
Share of the associate's loss for the year	**(793)**	(740)
Share of the associate's other comprehensive income/(loss)	**(11)**	18
Share of the associate's total comprehensive loss	**(804)**	(722)
Aggregate carrying amount of the Group's investment in the associate	**–**	804

18. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group	
	2014 HK$'000	2013 HK$'000
Club debenture, at fair value	**400**	520

During the year, the gross fair value loss in respect of the Group's available-for-sale financial asset recognised in other comprehensive income amounted to HK$120,000 (2013: Nil).

19. INVENTORIES

	Group	
	2014 HK$'000	2013 HK$'000
Raw materials	**24,885**	32,787
Work in progress	**28,722**	39,226
Finished goods	**14,623**	20,076
	68,230	92,089

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20. TRADE RECEIVABLES

	Group	
	2014	2013
	HK$'000	HK$'000
Trade receivables	**78,636**	78,278
Impairment	**(2,764)**	(2,764)
	75,872	75,514

Credit is offered to customers following a financial assessment by the Group with regard to their established payment records. The Group usually allows average credit periods ranging from 45 to 120 days (2013: 45 to 120 days) to its customers and seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management and collections are followed up by accounting personnel. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at 31 March 2014 and 2013, based on the payment due date and net of impairment of trade receivables, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Current to 90 days	**74,618**	74,098
91 to 180 days	**160**	793
181 to 360 days	**940**	432
Over 360 days	**154**	191
	75,872	75,514

The movements in the provision for impairment of trade receivables are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
At beginning of the year	**2,764**	3,088
Amount written off as uncollectible	**–**	(5)
Impairment losses reversed (note 6)	**–**	(319)
At 31 March	**2,764**	2,764

20. TRADE RECEIVABLES (continued)

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$2,764,000 (2013: HK$2,764,000) with a carrying amount before provision of HK$2,831,000 (2013: HK2,764,000). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

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

	Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**63,894**	67,292
Less than one month past due	**7,369**	4,083
One to three months past due	**3,355**	2,723
Over three months past due	**1,187**	1,416
	75,805	75,514

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in the Group's trade receivables is an amount due from the Group's joint venture of HK$145,000 (2013: HK$45,000), which is repayable on similar credit terms to those offered to the major customers of the Group.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**1,616**	1,691	**170**	170
Deposits and other receivables	**2,999**	3,749	**–**	–
	4,615	5,440	**170**	170

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

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22. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2014	2013
	HK$'000	HK$'000
Listed equity investments in Hong Kong, at market value	**68**	63

The above equity investments at 31 March 2014 and 2013 were classified as held for trading.

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**32,487**	68,054	**56**	117
Time deposits	**9,855**	24,977	**–**	–
Cash and cash equivalents	**42,342**	93,031	**56**	117

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to HK$24,137,000 (2013: HK$23,971,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

24. TRADE PAYABLES

An aged analysis of the trade payables as at 31 March 2014 and 2013, based on the payment due date, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Current to 90 days	**26,244**	39,301
91 to 180 days	**637**	2,417
181 to 360 days	**326**	625
Over 360 days	**420**	467
Total	**27,627**	42,810

Trade payables are non-interest-bearing and are normally settled on 90-day (2013: 90-day) terms.

25. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**8,775**	8,378	**89**	89
Accruals	**18,387**	20,836	**97**	155
	27,162	29,214	**186**	244

Other payables are non-interest-bearing and repayable on demand.

26. DERIVATIVE FINANCIAL INSTRUMENT

	Group	
	2014	2013
	HK$'000	HK$'000
Forward currency contract	**2,539**	–
Portion classified as non-current forward currency contract	**(1,495)**	–
Current portion	**1,044**	–

The Group has entered into a forward currency contract to manage its exchange rate exposures. This forward currency contract is not designated for hedge purposes and is measured at fair value through profit or loss. Change in the fair value of a non-hedging currency derivative amounting to HK$2,539,000 was charged to profit or loss during the year (2013: Nil).

The total notional principal amount of the outstanding forward currency contract as at 31 March 2014 was HK$89,200,000 (2013: Nil).

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27. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation HK$'000	Others HK$'000	Total HK$'000
At 1 April 2012	–	786	786
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 9)	937	(786)	151
Net deferred tax liabilities at 31 March 2013 and 1 April 2013	937	–	937
Deferred tax charged to the statement of profit or loss during the year (note 9)	43	–	43
Net deferred tax liabilities at 31 March 2014	980	–	980

Deferred tax assets

Group

	Depreciation allowance in excess of related depreciation HK$'000	Losses available for offsetting against future taxable profits HK'000	Others HK$'000	Total HK$'000
At 1 April 2012	(1,730)	2,719	88	1,077
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 9)	1,730	(2,719)	(88)	(1,077)
Net deferred tax assets at 31 March 2013, 1 April 2013 and 31 March 2014	–	–	–	–

27. DEFERRED TAX (continued)

The movements in deferred tax liabilities and assets during the year are as follows: (continued)

Deferred tax assets (continued)

Company

	Losses available for offsetting against future taxable profits HK$'000
Gross deferred tax asset at 1 April 2012	290
Deferred tax charged to the statement of profit or loss during the year	(290)
Gross deferred tax asset at 31 March 2013, 1 April 2013 and 31 March 2014	–

At the end of the reporting period, the Group had estimated tax losses arising in Hong Kong of HK$74,626,000 (2013: HK$51,566,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries and joint ventures established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 March 2014, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and joint venture established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries and joint venture will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$142,000 at 31 March 2014 (2013: HK$141,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

28. SHARE CAPITAL

	2014 HK$'000	2013 HK$'000
Authorised:		
1,000,000,000 shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
323,649,123 shares of HK$0.10 each	**32,365**	32,365

29. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders and any non-controlling shareholder in the Company's subsidiaries.

The Scheme of the Company was approved by the shareholders at a special general meeting of the Company held on 16 May 2003 to comply with Chapter 17 of the Listing Rules on the SEHK. The Scheme became effective on 16 May 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of one to three years and ends on a date which is not later than 10 years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the SEHK closing price of the Company's shares on the date of offer of the share options; and (ii) the average SEHK closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No options have been granted since the adoption of the Scheme. The Scheme expired on 15 May 2013, the Company has not adopted any new share option scheme thereafter.

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 30 of this annual report.

The capital reserve of the Group represents (i) the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation on 8 February 1996, over the nominal value of the Company's shares issued in exchange therefor; and (ii) the premium arising on the subscription of shares of Elegance Group Limited ("EGL"), the then holding company of the Group's subsidiaries existing at that time, at an aggregate premium of HK$22,000,000 which was credited to the capital reserve. The Group reorganisation has resulted in EGL becoming a wholly-owned subsidiary of the Company.

Certain amounts of goodwill arising on the acquisition of subsidiaries in prior years remain eliminated against consolidated reserves.

30. RESERVES (continued)

(b) Company

	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits/ (accumulated losses) HK$'000	Proposed special dividend HK$'000	Total HK$'000
At 1 April 2012	56,831	146,973	797	12,946	217,547
Loss for the year and total comprehensive loss for the year	–	–	(1,331)	–	(1,331)
Special 2012 dividend declared	–	–	–	(12,946)	(12,946)
At 31 March and 1 April 2013	56,831	146,973	(534)	–	203,270
Loss for the year and total comprehensive loss for the year	–	–	(895)	–	(895)
At 31 March 2014	56,831*	146,973*	(1,429)*	–	202,375

The Company's contributed surplus represents the difference between the consolidated net asset value of EGL on 8 February 1996, the day on which its entire issued share capital was acquired by the Company pursuant to the Group reorganisation referred to in note 30(a), and the nominal amount of the Company's shares issued in consideration for such acquisition. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is distributable to shareholders under certain circumstances.

* These reserve accounts comprise the Company's reserves of HK$202,375,000 (2013: HK$203,270,000) at the end of the reporting period.

31. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2014	2013
	HK$'000	HK$'000
Guarantees given for banking facilities granted to a subsidiary of the Company	**74,808**	72,000
Amount utilised	**–**	–

In the opinion of the Directors, the fair values of the above financial guarantees for banking facilities granted to a subsidiary of the Company approximated to zero as at the end of the reporting period.

The Group had no contingent liabilities at the end of the reporting period.

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32. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its office premises under operating lease arrangements, with the lease negotiated for a term of two years. The terms of the lease also require the tenant to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**611**	875
In the second to fifth years, inclusive	**–**	656
	611	1,531

(b) As lessee

The Group leases certain of its office premises under operating lease arrangements. Leases for office premises are negotiated for terms ranging from one to fifty years.

At 31 March 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**1,834**	1,081
In the second to fifth years, inclusive	**5,458**	3,982
After five years	**49,990**	51,130
	57,282	56,193

The Company did not have any future minimum lease receivables or payments under non-cancellable operating leases at the end of the reporting period (2013: Nil).

33. COMMITMENTS

In addition to the operating lease commitments detailed in note 32(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2014	2013
	HK$'000	HK$'000
Contracted, but not provided for:		
Leasehold improvements	**–**	344
Equipment and machinery	**5**	282
	5	626

The Company had no significant commitments at the end of the reporting period (2013: Nil).

34. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group entered into the following material related party transactions during the year:

(a) Transactions with the group of Safilo Group S.p.A. ("Safilo")

Safilo S.p.A., a subsidiary of Safilo Group S.p.A. incorporated in Italy and beneficially owning a 23.05% equity interest in the Company, had entered into the following commercial agreement with the Company since 1997:

Supply Agreement

The Group had committed to supply and Safilo had committed to purchase, for an initial period of three years, minimum quantities (subject to adjustment) of optical frames, sunglasses and related products. Subsequent to the initial three-year period, the Supply Agreement would continue subject to termination by either party by a notice period of six months.

The terms of sales offered to Safilo are similar to the terms that the Group offers to other major customers.

During the year, the Group sold goods to Safilo with an aggregate sales value amounting to HK$93,955,000 (2013: HK$121,429,000).

The aggregate trade receivable balance due from Safilo at 31 March 2014 in respect of these sales amounted to HK$30,764,000 (2013: HK$34,144,000).

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34. RELATED PARTY TRANSACTIONS (continued)

In addition to the transactions detailed elsewhere in these financial statements, the Group entered into the following material related party transactions during the year: (continued)

(b) Transaction with a director of the Company

During the year, a director's quarter was rented by the Group from Mr. Hui Leung Wah, the chairman and managing director of the Company, for the use by Mr. Poon Sui Hong as a director's quarter. The annual rental amounting to HK$444,000 for the year (2013: HK$444,000) was mutually agreed by both parties based on market value and has been included in directors' remuneration in note 8 to the financial statements.

(c) Transactions with a joint venture

Details of the sales to a joint venture during the year are included in note 16 to the financial statements.

(d) Outstanding balances with a joint venture

(i) Details of the loan to a joint venture granted by the Group as at the end of the reporting period are included in note 16 to the financial statements.

(ii) Details of the Group's trade receivables with its joint venture as at the end of the reporting period are disclosed in note 20 to the financial statements.

(e) Compensation of key management personnel of the Group

	2014 **HK$'000**	2013 HK$'000
Short term employee benefits	**6,137**	6,062
Post-employment benefits	**113**	113
Total compensation paid to key management personnel	**6,250**	6,175

Further details of directors' emoluments are included in note 8 to the financial statements.

The related party transactions as set out in (a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2014 **Group**

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Loan to a joint venture	–	4,208	–	4,208
Available-for-sale financial asset	–	–	400	400
Trade receivables	–	75,872	–	75,872
Financial assets included in prepayments, deposits and other receivables	–	2,999	–	2,999
Equity investments at fair value through profit or loss	68	–	–	68
Cash and cash equivalents	–	42,342	–	42,342
	68	125,421	400	125,889

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade payables	–	27,627	27,627
Financial liabilities included in other payables and accruals	–	20,403	20,403
Derivative financial instrument	2,539	–	2,539
	2,539	48,030	50,569

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35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2013 Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Loan to a joint venture	–	3,878	–	3,878
Available-for-sale financial asset	–	–	520	520
Trade receivables	–	75,514	–	75,514
Financial assets included in prepayments, deposits and other receivables	–	3,749	–	3,749
Equity investments at fair value through profit or loss	63	–	–	63
Cash and cash equivalents	–	93,031	–	93,031
	63	176,172	520	176,755

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	42,810
Financial liabilities included in other payables and accruals	22,217
	65,027

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Financial assets

	Company Loans and receivables	
	2014	2013
	HK$'000	HK$'000
Loans to subsidiaries (note 15)	**359,851**	359,651
Cash and bank balances	**56**	117
	359,907	359,768

Financial liabilities

	Company Financial liabilities at amortised cost	
	2014	2013
	HK$'000	HK$'000
Loan from a subsidiary (note 15)	**272,324**	271,371
Financial liabilities included in other payables and accruals	**186**	244
	272,510	271,615

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, loans to/from subsidiaries/a joint venture, trade receivables, financial assets included in deposits and other receivables, trade payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance team headed by the financial controller 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 is reviewed and approved by the finance controller. 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 fair values of listed equity investments and an unlisted available-for-sale financial asset are based on quoted market prices.

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36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group enters into a derivative financial instrument with a financial institution. Derivative financial instrument, including forward currency contract is measured using valuation techniques similar to forward pricing models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties and foreign exchange spot and forward rates. The carrying amount of the forward currency contract is the same as its fair value.

Fair value hierarchy

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

Assets measured at fair value:

Group

As at 31 March 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Available-for-sale financial asset:				
Club debenture	**400**	**–**	**–**	**400**
Equity investments at fair value through profit or loss	**68**	**–**	**–**	**68**
	468	**–**	**–**	**468**

As at 31 March 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Available-for-sale financial asset:				
Club debenture	520	–	–	520
Equity investments at fair value through profit or loss	63	–	–	63
	583	–	–	583

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

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

Liabilities measured at fair value:

Group

As at 31 March 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative financial instrument	–	**2,539**	–	**2,539**

The Group did not have any financial liabilities measured at fair value as at 31 March 2013.

The Company did not have any financial assets and financial liabilities measured at fair value as at 31 March 2014 and 2013.

During the year, 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 (2013: Nil).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Most of the Group's sales were denominated in United States dollars while expenditures incurred in the operations of manufacturing plants and capital expenditures were denominated in RMB. The Group currently does not have a foreign currency hedging policy. The Group has entered into a forward currency contract to manage its exchange rate exposures. Management closely monitors foreign exchange exposure and will further consider hedging significant foreign currency exposure should the need arise.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax and the Group's equity (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in loss before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2014			
If Hong Kong dollar weakens against RMB	5	(73)	(936)
If Hong Kong dollar strengthens against RMB	(5)	73	936
2013			
If Hong Kong dollar weakens against RMB	5	(481)	(778)
If Hong Kong dollar strengthens against RMB	(5)	481	778

* Excluding retained profits

Credit risk

The Group trades only with recognised and creditworthy third parties and related parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial asset, loan to a joint venture and deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 31 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties and related parties, there is no requirement for collateral. At the end of the reporting period, the Group had certain concentrations of credit risk as 41% (2013: 45%) and 71% (2013: 66%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively, within the Europe, North America and the PRC (including Hong Kong) regions.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's policy is to minimise borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2014			2013		
	On demand or less than 12 months HK$'000	**Over 1 year HK$'000**	**Total HK$'000**	On demand or less than 12 months HK$'000	Over 1 year HK$'000	Total HK$'000
Trade payables	**27,627**	**–**	**27,627**	42,810	–	42,810
Financial liabilities included in other payables and accruals	**20,403**	**–**	**20,403**	22,217	–	22,217
Derivative financial instrument	**1,044**	**1,495**	**2,539**	–	–	–
	49,074	**1,495**	**50,569**	65,027	–	65,027

Company

	2014			2013		
	On demand HK$'000	**Over 1 year HK$'000**	**Total HK$'000**	On demand HK$'000	Over 1 year HK$'000	Total HK$'000
Loan from a subsidiary	**–**	**272,324**	**272,324**	–	271,371	271,371
Financial liabilities included in other payables and accruals	**186**	**–**	**186**	244	–	244
	186	**272,324**	**272,510**	244	271,371	271,615

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is subject to certain externally imposed capital requirements on its net cash external gearing ratio and net assets which the Group had complied with during the years ended 31 March 2014 and 2013. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2014 and 2013.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 June 2014.