ELEGANCE OPTICAL INTERNATIONAL HOLDINGS LIMITED
高雅光學國際集團有限公司

(Incorporated in Bermuda with limited liability)

(website: http://www.elegance-group.com)

(Stock Code: 907)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2014

The board of directors (the "Board") of Elegance Optical International Holdings Limited (the "Company") is pleased to announce the consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2014 together with the comparative figures for 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
REVENUE	*4*	**376,318**	361,458
Cost of sales		**(374,632)**	(360,650)
Gross profit		**1,686**	808
Other income	*4*	**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	*6*	**(3)**	(5)
Share of profits and losses of:			
Joint ventures		**60**	(43)
An associate		**(793)**	(740)
LOSS BEFORE TAX	*5*	**(70,989)**	(61,866)
Income tax	*7*	**11**	(1,297)
LOSS FOR THE YEAR		**(70,978)**	(63,163)
Attributable to:			
Owners of the Company		**(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	*9*		
Basic and diluted		**HK(21.10) cents**	HK(18.44) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2014

	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	**(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		**201,998**	212,820
Investment properties		**19,600**	7,500
Prepaid land lease payments		**14,327**	14,757
Investments in joint ventures		**4,094**	4,035
Investment in an associate		**–**	804
Available-for-sale financial asset		**400**	520
Deposits paid for items of property, plant and equipment		**130**	396
Total non-current assets		**240,549**	240,832
CURRENT ASSETS			
Inventories		**68,230**	92,089
Loan to a joint venture		**668**	338
Trade receivables	*10*	**75,872**	75,514
Prepayments, deposits and other receivables		**4,615**	5,440
Equity investments at fair value through profit or loss		**68**	63
Tax recoverable		**56**	1,169
Cash and cash equivalents		**42,342**	93,031
Total current assets		**191,851**	267,644
CURRENT LIABILITIES			
Trade payables	*11*	**27,627**	42,810
Other payables and accruals		**27,162**	29,214
Derivative financial instrument		**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		**1,495**	–
Deferred tax liabilities		**980**	937
Total non-current liabilities		**2,475**	937
Net assets		**371,378**	432,526
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**32,365**	32,365
Reserves		**330,207**	388,692
		362,572	421,057
Non-controlling interests		**8,806**	11,469
Total equity		**371,378**	432,526

Notes:

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, 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.

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.

(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.

(c) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. 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.

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective.

3. 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	2013
	HK$'000	*HK$'000*
Europe	**225,292**	221,579
North America	**111,032**	95,891
The People's Republic of China (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 of the Company (the "Directors") believe that the agents in Hong Kong export most of the Group's products to Europe, North America and South America.

(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.

4. 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	2013
	HK$'000	*HK$'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

5. LOSS BEFORE TAX

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

	2014 *HK$'000*	2013 *HK$'000*
Cost of inventories sold*	**373,197**	357,257
Depreciation	**25,998**	28,644
Amortisation of prepaid land lease payments	**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):		
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	**–**	(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	**(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).

6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

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

7. 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	2013
	HK$'000	*HK$'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	**43**	1,228
Total tax expense/(credit) for the year	**(11)**	1,297

8. DIVIDEND

The Board does not recommend payment of any dividend for the year ended 31 March 2014 (2013: Nil).

9. 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.

10. TRADE RECEIVABLES

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.

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:

	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
Total	**75,872**	75,514

11. 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:

	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.

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.

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.

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.

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.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and complied with the applicable code provisions 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 Stock Exchange of Hong Kong Limited 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, a balancing mechanism is in place and operating so that the interests of the shareholders are adequately and fairly represented.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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.

AUDIT COMMITTEE

The accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2014 have been reviewed by the audit committee, which comprises Mr. Poon Kwok Fai, Ronald, Mr. Pang Sung Yuen and Mr. Kwong Ping Man, the independent non-executive directors of the Company.

DIVIDEND

The Board 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will close 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 of the Company.

PUBLICATION OF ANNUAL REPORT

The 2014 annual report of the Company and the notice of the annual general meeting will be despatched to the shareholders of the Company and published on the website of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk and the website of the Company at http://www.elegance-group.com in due course.

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.

On behalf of the Board
Elegance Optical International Holdings Limited
Hui Leung Wah
Chairman

Hong Kong, 27 June 2014

As at the date of this announcement, the executive directors of the Company are Mr. Hui Leung Wah, Mr. Poon Sui Hong, and Mr. Leung Shu Sum, the non-executive directors are Ms. Barbara Lissi and Mr. Maurizio De Gasperis and the independent non-executive directors are Mr. Poon Kwok Fai, Ronald, Mr. Pang Sung Yuen and Mr. Kwong Ping Man.