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 2017






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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. HUI Leung Wah *(Chairman)*
Mr. POON Sui Hong
Mr. HUI Chun Yuen
Ms. WONG Chi Yan (appointed on 17 February 2017)
Mr. CHAN Wai Kit (appointed on 31 May 2017)

Independent Non-Executive Directors

Mr. WAN Kin Man, Tony (appointed on 17 February 2017)
Mr. CHAN Wei (appointed on 26 April 2017)
Mr. CHAN Ming Kei (appointed on 26 April 2017)
Mr. PANG Sung Yuen (resigned on 26 April 2017)
Mr. KWONG Ping Man (resigned on 26 April 2017)
Mr. POON Kwok Fai, Ronald (resigned on 17 February 2017)

AUDIT, REMUNERATION AND NOMINATION COMMITTEES

Mr. WAN Kin Man, Tony (*Chairman)*
(appointed as the Chairman of Nomination Committee on 17 February 2017 and as the Chairmen of Audit and Remuneration Committees on 26 April 2017)
Mr. CHAN Wei (appointed on 26 April 2017)
Mr. CHAN Ming Kei (appointed on 26 April 2017)
Mr. KWONG Ping Man (resigned on 26 April 2017)
Mr. PANG Sung Yuen (resigned on 26 April 2017)
Mr. POON Kwok Fai, Ronald (resigned on 17 February 2017)

PRINCIPAL BANKERS

Hang Seng Bank Limited
Chong Hing Bank Limited

AUDITORS

Ernst & Young

COMPANY SECRETARY

Ms. Wong Chi Yan

HONG KONG SHARE REGISTRAR

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

PRINCIPAL SHARE REGISTRAR

Conyers Corporate Services (Bermuda) Limited
(formerly known as "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

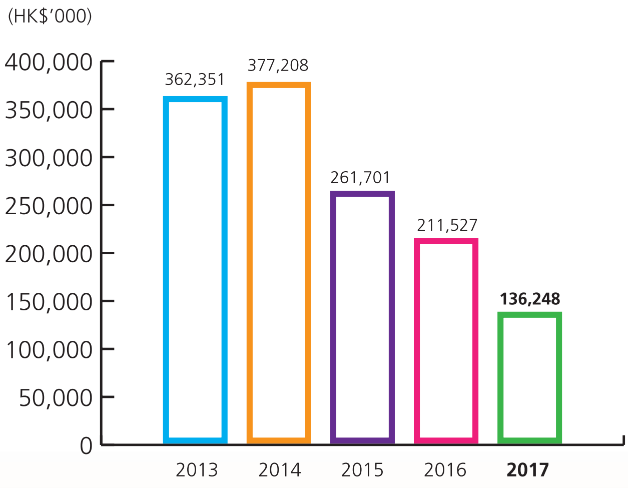
www.elegance-group.com

STOCK CODE

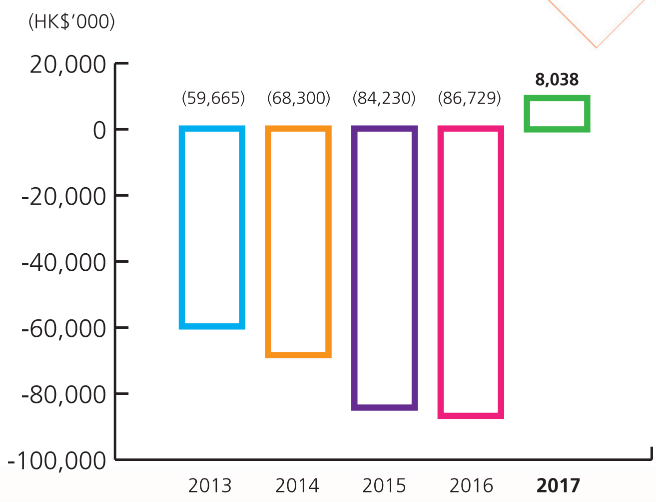
907

Financial Highlights

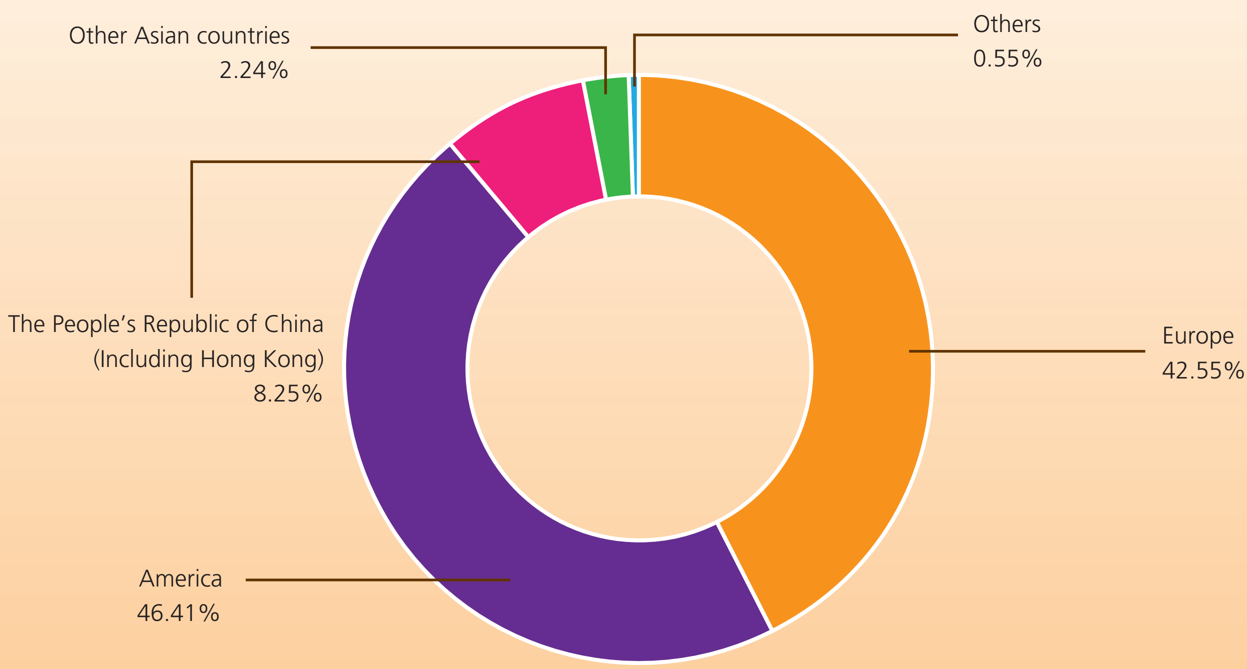
REVENUE
(Restated)



PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY



BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA FOR THE YEAR ENDED 31 MARCH 2017



Chairman's Statement

DIVIDEND

The board of directors (the "Board") of Elegance Optical International Holdings Limited (the "Company") does not recommend any dividend (2016: Nil) for the year ended 31 March 2017 at the forthcoming annual general meeting of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed 4 business days prior to the date of the annual general meeting of the Company ("Annual General Meeting"), for the purpose of ascertaining shareholder's entitlement to attend and vote at the Annual General Meeting, during which the registration of transfers of shares will be suspended. In order to attend and vote at the Annual General Meeting, 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 no later than 4:30 pm, 5 business dates prior to the date of the Annual General Meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the financial year ended 31 March 2017, the Company recorded a financial gain before taxation of approximately HK$20.8 million, including gains made from the disposal of two subsidiaries amounting to approximately HK$101.1 million and an operating loss of approximately HK$80.3 million. The profit attributable to the owners of the Company for the year ended 31 March 2017 was approximately HK$8.0 million (2016: a loss of approximately HK$86.7 million).

Total revenue for the reporting period was approximately HK$136.2 million. Compared to approximately HK$211.5 million recorded for the year ended 31 March 2016, it represents a decrease of approximately 35.6%. Total revenue was comprised of 3 segments, the manufacturing and trading of optical frames and sunglasses; property investment and debts and securities investment. The lion's share of total revenue came from the sales of optical frames and sunglasses. This was reduced by approximately HK$77.0 million to approximately HK$129.6 million (2016: HK$206.6 million) or approximately 37.3%. For property investment, rental income increased from approximately HK$4.9 million in 2016 to approximately HK$5.6 million in 2017, however, it remains relatively unimportant to the Group (the "Group" referred to the Company together with its subsidiaries). Moreover, a new segment was set up for investments in listed securities and an unrealized gain of approximately HK$1.0 million (2016: HK$0.01 million) was recorded in the year under review.

Eyewear sales noticeably declined due to weak market conditions and a downsizing in production; eyewear sales saw a noticeable reduction. European customers, probably affected by the weaker Euro and the consistently poor Eurozone economies, bought approximately 45.1% less from the Group, comparing the year under review with the previous year. Sales figures for American customers were also examined and saw a reduction of approximately 20.8%. European sales accounted for 42.6% seconded by American sales at 46.4%.

Chairman's Statement

During the financial year, the Company has focused on cutting costs and raising production efficiency through work reorganization. Gross loss situation improved though we still need to give it a greater push. As the Company had to rationalize the labour force set up, spending on the one-off redundancy payment in the year was high, attributable to the enlarged general and administrative expenses in the reporting year comparing to spending in the previous year.

In order to make better use of the funds locked up in past investments, on 14 October 2016, the Company agreed to sell to a company, wholly-owned by Mr. Hui Leung Wah (the Chairman of the Board, an executive director of the Company) the entire issued share capital in Million Wave Limited ("MW", an indirect wholly-owned subsidiary of the Company) for a total cash consideration of HK$187.0 million. This consideration comprises of a loan due by MW to Elegance Optical Investments Limited ("EOIL") a wholly owned subsidiary of the Company for an amount of HK$45.6 million as well as the entire share capital of MW amounting to HK$141.4 million, in which it possessed several industrial properties in the PRC. The said transaction completed on 17 January 2017. Moreover, a leaseback agreement in relation to leasing for certain disposed properties was entered into after the disposal. For details of the aforesaid disposal and leaseback arrangement, please refer to the announcements of the Company dated 14 October 2016, 12 December 2016 and 17 January 2017, as well as the circular of the Company dated 24 November 2016.

PROSPECT

Being part of the fashion accessories market, the market demand for optical frames and sunglasses products are highly affected by the strength of the global economy. European and Chinese economies being in recession, Brexit, the possible upward movement of the U.S. interest rate, the economic consequences of Mr. Trump's presidency and competition within the industry are all contributing towards uncertainty in the market.

On a positive note when the redundancy plan took place within our organization, the manufacturing sectors of the Company became leaner and healthier. The strong United States dollar (USD) and the weakened Renminbi (RMB) give a greater breathing space to a set up like "Elegance" which earns only USD but pay most of its manufacturing costs in RMB.

Streamlining the production facilities further is one of the current priorities of the Group, on top of our efforts to boost sales. It will help in regaining our competitiveness as well as cutting some of our costs. The market is looking for responsive suppliers and with a leaner organization; the Company is efficient enough to be able to meet market demands.

After the completion of the disposal of MW and the leaseback arrangement, the Company will continue to utilize the remaining proceeds arising from these disposals for investments and as the Company's general working capital. Out of the total cash consideration of HK$187.0 million from the disposal of MW, HK$91.9 million was used to acquire listed securities, HK$45.2 million was used to settle the bank terms loans and HK$20.0 million was used for a money-lending business. Of the reminding balance of HK$29.9 million, which is being maintained as the Company's bank balance as at the end of the reporting period, HK$17.4 million has been allocated specifically for the Company's working capital and HK$12.5 million to be used at the Company discretion.

Moreover, the Company will look for appropriate business and investment opportunities with the aim of diversifying the Company's business and income streams. With China's one belt, one road initiative, it is expected that the interconnectivity between the People's Republic of China ("Mainland China") and the world will be further strengthened with expanded choices for investors. Also, in the prevailing low interest rate environment, opportunities arise for yield enhancement from investments in debt securities and periodic provision of finance. The Company would like to seize these opportunities to create income streams through these new opportunities.

In the immediate future, the Company will remain continue the manufacturing and trading of optical frames and sunglasses as well as the retailing and online sales of products bearing our own brand which are designed and produced by the Group. The Group is also actively identifying and exploring other investment and business opportunities to broaden its assets and revenue base. Potential acquisitions or mergers will be assessed by the Board for expansion of the business segments of the Group. The Board believes diversified investments could be beneficial to the interests of the Group and the shareholders as a whole.

Preliminary results of our effort spent on strengthening our operation within last year have been reflected. The management will continue with the objective of regaining profitability and is committed to working further to achieve the desirable financial results for the good of the Company as well as its shareholders.

EVENTS AFTER THE REPORTING PERIOD

Acquisition of a limited company with a money lender license announced on 26 April 2017

On 25 April 2017, the Group acquired a wholly-owned subsidiary, Capital Real Estate Development Limited with a money lender license for the money lending business.

Memorandum of Understanding in respect of possible acquisition announced on 16 June 2017

On 16 June 2017, the Company entered into a non-legally binding memorandum of understanding (the "MOU") with an independent third party (the "Investor"), pursuant to which the Company intends to acquire the entire issued share capital of Gold & Silver Holdings Limited, ("Gold & Silver"), for a total consideration of HK$35.0 million. Gold & Silver is principally engaged in property investment and owns a residential property situated in Hong Kong, with a total gross floor area of approximately 4,200 square feet. As at the date of this report, there is no formal agreement that has been signed and finalized.

Placing of New Shares under General Mandate announced on 20 June 2017

On 20 June 2017, the Company entered into a placing agreement with Kingston Securities Limited to procure on a best effort basis for 64,720,000 placing shares to not less than six independent placees at the placing price of HK$1.50 per share. Assuming all shares are fully placed, the gross proceeds from the placing will be approximately HK$97.1 million. The net proceeds, after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements in association with the placing amounted to approximately HK$2.7 million), are estimated to be approximately HK$94.4 million. The Company intends to apply the net proceeds from the placing: (i) as to approximately HK$35.0 million to finance the potential acquisition of a property as announced by the Company on 16 June 2017; (ii) as to approximately HK$40.0 million to finance the operations of the money lending business and the securities investment business and (iii) as to approximately HK$19.4 million as general working capital of the Group. As at the date of this report, the placing was not yet completed.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position with cash and cash equivalents of approximately HK$162.0 million (2016: HK$45.0 million), short-term bank borrowings of approximately HK$46.6 million (2016: HK$45.3 million) and the debt to equity ratio (expressed as a percentage of non-current liabilities over equity attributable to owners of the Company) is approximately 1.0% as at 31 March 2017 (2016: 3.0%). The non-current liabilities of the Company comprised of deferred tax liabilities and deposit received amounting to approximately HK$2.6 million and HK$0.1 million respectively (2016: HK$6.4 million and HK$1.4 million) which came up a total amount of approximately HK$2.7 million as at 31 March 2017 (2016: HK$7.8 million). The Group's equity attributable to owners of the Company as at 31 March 2017 amounted to approximately HK$265.7 million (2016: HK$262.6 million).

CHARGES ON GROUP'S ASSETS

At 31 March 2017, one of the Group's land and building with carrying amount and market value of approximately HK$17.6 million and approximately HK$79.0 million respectively (2016: HK$18.2 million and HK$75.1 million), was pledged to a bank for a general banking facilities to an extent of HK$60.0 million (2016: HK$60.0 million). The Company had provided corporate guarantees up to a maximum amount of HK$60.0 million (2016: HK$60.0 million) to secure the general banking facilities granted to its subsidiaries and an amount of approximately HK$46.6 million had been utilized by its subsidiaries as at 31 March 2017 (2016: HK$45.2 million).

SIGNIFICANT DISPOSALS

Disposal of Jet Kingdom Machinery Technology Company Limited, a wholly-owned subsidiary in the PRC

Pursuant to the Company's announcement dated 18 January 2016, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in Jet Kingdom Machinery Technology Company Limited, a wholly-owned subsidiary of the Company. The disposal has been completed upon approval from PRC government in May 2016.

Disposal of Million Wave Limited, a wholly-owned subsidiary in Hong Kong, a connected transaction under the Listing Rules

At the special general meeting held on 12 December 2016, an ordinary resolution was passed by the independent shareholders which approved a connected transaction under the Listing Rules, in which the entire share capital (the "disposal shares") of MW, including its own properties in the PRC (See Note) were sold to Tycoon New Investments Limited, a BVI company which is wholly owned by Mr. Hui Leung Wah, the executive director of the Company for a total consideration of HK$187.0 million. The consideration comprises of the sum of HK$141.4 million for the disposal shares and the sum of HK$45.6 million for the inter-companies loan due by MW to Elegance Optical Investments Limited (EOIL), a wholly-owned subsidiary of the Company. This transaction was completed on 17 January 2017.

Note: the properties are located at Zone A Factory, Zone A Dormitory, Zone B Factory, Zone B Dormitory, Zone C Factory and Zone C Dormitory, No. 1 Road Three, Jin Quan Ind. District, Liuyue Village, Heng Gang Town, Long Gang District, Shenzhen, PRC (中國深圳市龍崗區橫崗鎮六約社區金泉三路1號A區廠房, A區宿舍, B區廠房, B區宿舍, C區廠房及C區宿舍)

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 March 2017, the Company had no capital commitments, which were contracted but not provided for, in respect of acquisition of property, plant and equipment (2016: HK$93,000). As at 31 March 2017, the Company had a contingent liabilities amounting to approximately HK$57,220,000 (2016: HK$53,354,000) in respect of corporate guarantees given to banks for the general banking facilities granted to its subsidiary.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2017, the Company employed 1,073 (2016: 1,557) 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.

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 is also actively identifying and exploring other investment and business opportunities to broaden its assets and revenue base. Potential acquisitions or mergers will be assessed by the Board for expansion of the business segments of the Group. The Board believes diversified Investments could be beneficial to the interests of the Group and the shareholders as a whole.

PRINCIPAL RISKS AND UNCERTAINTIES

The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Companies Ordinance (Chapter 622 of the laws of Hong Kong) and are in addition to the matters referred to in the Chairman's Statement and Management Discussion and Analysis.

In the normal course of business, the Group's operations, business performance, financial position and prospects may be exposed to the following risks and uncertainties:

1. Economic Conditions and Market Risk

The impact of economic conditions on consumer confidence and buying habits would affect the sales, revenue and results of the Group. The economic growth or decline in respective geographical markets that affected consumer spending on our products would also affect the Group's business. The Group continues to implement its strategies to develop and strengthen penetration of different geographical markets thereby reducing its dependency on specific markets.

2. Credit Risk and Liquidity Risk

The Group's major financial instruments include trade and other receivables, equity investments, amount due from a joint venture, bank balances and cash, trade and other payables, deposits received and interest-bearing bank borrowings. The management will closely monitor the risks attributable to those assets should there be any significant exposure arise in the future. Details of the Group's credit and liquidity risks are set out in note 37 to the consolidated financial statements.

3. Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing financial assets and liabilities, mainly interest-bearing bank borrowings and bank balances at prevailing market interest rates. The Group's interest rate risk relates primarily to its floating rate bank loans subject to negotiations at each renewal date. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate risk should the need arise.

4. Commodities Risk

The Group is exposed to fluctuations in the prices of commodities used as raw materials in the manufacturing process, primarily cellulose acetate and potassium gold cyanide. While the Group may be able to partially offset these fluctuations with a flexible pricing policy, the Group bears the risks of fluctuation in the costs of these materials. Accordingly, rising prices for commodities has affected and is expected to continue to affect the Group's cost of goods sold in the form of higher raw materials prices. On the other hand, decreases in prices for commodities may affect the value of the Group's inventories. The Group currently does not use any derivative contracts to hedge its exposure to commodities risk. However, the management will consider hedging significant commodities risk should the need arise.

5. Foreign Currency Risk

The Group conducts its business transactions mainly in Hong Kong dollar, Renminbi ("RMB") and United Stated dollar ("USD"). As the Hong Kong dollar is pegged to the USD, the Group does not foresee any material exchange risk in this respect. The management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

SIGNIFICANT INVESTMENTS HELD

During the year, the Group commenced the securities investment business and invested in held-for-trading investment in securities in Hong Kong (the "Securities Investments") amounting to approximately HK$37.1 million. As at 31 March 2017, the Group had Securities Investments with a market value of HK$38.1 million, representing an investment portfolio of five listed equities in Hong Kong. The Group recorded an unrealized fair value gains of approximately HK$1.0 million (2016: HK$5,000) in respect of the Securities Investments at the end of reporting period. The details of the Securities Investments as at 31 March 2017 are as follows:

Company name	Stock code	Number of shares held	% of shareholdings	Unrealized gain/(loss) on fair value change for the year HK$'000	Cost of acquisition/ fair value as at 31 March 2016 HK$'000	Cost of acquisition/ fair value brought forward from 31 March 2016 HK$'000	% of net asset of the Group as at 31 March 2017	Principal activities
金利豐金融 集團有限公司 Kingston Financial Group Ltd	1031	5,000,000	0.04%	(183)	12,833	12,650	4.7%	Provision of securities brokerage, underwriting & placements, margin & IPO financing, corporate finance advisory services, futures brokerage & asset management services; provides gambling & hospitality services in Macau.
樂遊科技控股有限公司 Leyou Technologies Holdings Ltd	1089	13,000,000	0.45%	1,217	18,933	20,150	7.6%	Investment holding and video game developer
日成控股有限公司 Yat Shing Holdings Ltd	3708	900,000	0.08%	17	5,284	5,301	2.0%	Provide building maintenance and renovation service in Hong Kong.
電訊盈科有限公司 PCCW Limited	8	16,000	0.00%	(7)	80	73	0.0%	Provision of telecommunication services, internet and multimedia services, sales and rental of equipment and technical services. Investment in and development of infrastructure, properties and technology related business.
香港電訊信託與香港電訊有限公司 HKT Trust and HKT Limited	6823	694	0.00%	(1)	8	7	0.0%	Provision of telecommunications and related services which include local telephone, local data and broadband, international telecommunications, mobile, customers premises equipment sales, outsourcing, consulting and contract centers.
				1,043	37,138	38,181		

During the financial year under review, dividend of HK$4,000 were received from two of the listed securities.

Environmental, Social and Governance Report

SCOPE AND REPORTING PERIOD

This is the first ESG report by the Group, highlighting its Environmental, Social, and Governance (the "ESG") performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and guidance set out by The Stock Exchange of Hong Kong Limited.

This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of the business operations in the People's Republic of China (the "PRC") and Hong Kong including the headquarter office, 2 factories in the PRC, retail shops in the PRC and Hong Kong.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report on for this ESG report, key stakeholders including investors, shareholders and employees have been involved in regular engagement sessions to discuss and to review areas of attention which will help the business meets its potential growth and be prepared for future challenges.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our environmental, social and governance approach and performance. Please give your suggestions or share your views with us via email at info@elegance-group.com.

SUSTAINABILITY VISION

Our vision and aspiration are:

1. To be a pioneer and a leader in the industry with a portfolio of transformative and innovative products for our customers;

2. To ensure that our business is sustainable and profitable providing healthy and long-term returns to our shareholders; and

3. To build a high-performance team with good business culture and robust engagement of internal and external stakeholders.

Our commitments are:

1. To do business in environmentally-friendly way to conserve resources;

2. To create a positive impact and contribute to our communities; and

3. To be an effective organization that enhances integrity and high operational standards.

A. ENVIRONMENTAL

Type of emissions the Group has involved in the reporting period was mainly electricity, gasoline, water, paper and waste. The business does not involve in production related air and land pollutions which are regulated under the laws in Hong Kong and in the PRC.

Total floor area coverage for the Group was 395,653 sq. ft. (2016: 507,977 sq. ft.) and the Group accounts for 100% of emissions from its operations in the PRC and Hong Kong.

Greenhouse Gas Emission

Scope of Greenhouse Gas Emissions	Emission Sources	Emission (in tonnes of CO_2e) 31 March 2017	31 March 2016	Change in Emission (in percentage) 2016 vs. 2017
Scope 1				
Direct Emission	Unleaded Petroleum consumed by Company Owned Fleet	**121.4**	202.4	(40%)
Scope 2				
Indirect Emission	Purchased Electricity	**7,310.6**	9,548.8	(23.4%)
	Water consumption	**139.5**	191.6	(27.2%)
Scope 3				
Other Indirect Emission	Paper Consumption	**36.3**	44.1	(17.7%)
Total		**7,607.8**	9,986.9	

Removal of Greenhouse Gas Emissions

	Unit	2017	2016
Total Greenhouse Gas Emitted (a)	tCO_2e	**7,607.8**	9,986.9
Total Floor Area Coverage (b)	m^2	**395,653**	509,977
Annual emission Intensity (c) = (a)/(b)	tCO_2e/m^2	**0.02**	0.02

There was 7,607.80 tonnes of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation in the reporting period. The annual emission intensity was 0.02 tCO_2e/m^2 (same as 2016).

Gasoline

A total of 72,313 liters of gasoline (2016: 120,550 liters) was used for motor vehicles and production equipment in the reporting period, contributing to 121.4 tonnes of carbon dioxide equivalent (2016: 202.4 tonnes).

Electricity

The electricity consumption by the Group was 10,411,280 kWh (2016: 13,598,732 kWh), with an energy intensity of 26.3 kWh/m^2 slightly dropped from last year (2016: 26.7 kWh/m^2) despite positive business growth. The Group continues its commitment in installing and switching to energy-saving lighting fixtures and sourcing energy efficient equipment to ensure functioning in optimal conditions and efficiency.

Water

Water consumption by the Group was 237,184 m^3 (2016: 325,731 m^3), with water intensity of 0.60 m^3/m^2 (2016: 0.64 m^3/m^2). In the reporting year, the rental area with total floor area coverage of 65,916 sf (2016: 91,205 sf) was not been included in this section after the streaming policy enforced to downsize the unutilized production facilities. Additionally, the Group actively promotes water efficient practices so as to reduce water wastage caused by human error and unintentional switching mistake.

Non – Hazardous Wastes

Wastes from the Group's operation includes cellulose acetate sheets, packaging materials, scrap metal, scrap equipment and scrap papers for production and office use for sales and marketing purposes.

All of the aforesaid wastes have been collected by licensed recycling companies. Packaging materials such as paper boxes and carton containers used for packaging were also collected by licensed recycling companies and a total amount of 5.3 tonnes was recorded in the financial year (2016: 4.8 tonnes).

Paper

The Group continues to practice paper saving initiatives, such as default double-sided printing, reminder for staff to have environmentally friendly photocopying habit, and separated collection of waste paper for effective recycling. A total of 8.2 tonnes of paper (2016: 10 tonnes) has been used for daily office operations and advertising materials such as leaflet, catalogue, sales kit.

B. SOCIAL

Employment and Labour Practices

Employment

The Group had a total number of 1,073 employees as of 31 March 2017 (2016: 1,557), in which 99% was working as full time staff and 1% was part time, the ratio remains the same as the last reporting period.

Employee's Age Distribution

	18–25	26–35	36–45	46–55	56 and above
2017	15%	26%	39%	18%	2%
2016	17%	32%	34%	14%	3%

The Group offers competitive remuneration, promotional opportunity, compensation and benefit packages to attract and retains talents. Salaries are reviewed and adjusted on a yearly basis based on performance appraisals and the market trend. Employees are entitled to year-end bonus, mandatory provident fund, medical insurance, various types of paid leave in addition to annual leave and sick leave.

The Group regularly reviews employee handbook which outlines the Group's key messages, policies, procedures, promotion channel, compensation and benefits, occupational health and safety, complaint and whistleblowing channels.

Annual Turnover Rate

	18-25	26-35	36-45	46-55	56 and above
2017	36%	34%	23%	7%	—
2016	46%	39%	12%	3%	—

As a result of the steamling production in our factory at Shenzhen, around 430 workers had been laid off and compensation amounted to approximately RMB11.4 million was paid during the financial year under review. The proper procedures were done in compliance with the relevant laws and regulations in the PRC and no unfair dismissals were found.

Employee Health and Safety

The Group commits to ensure safe and healthy working environment for employees and to inspire and strengthens workforce regardless of their age, gender and ethnical backgrounds. With the aging population being a long-term demographic trend in Hong Kong, the Group has a sustainable workforce in this perspective.

The Group regularly reviews the employees' health and safety procedure to safeguard employees' well-being. Briefing, training, news and tips are provided to employee to raise their awareness on safety production process.

Occupational Health and Safety Data

	2017	2016
Work related fatality	**0**	0
Work injury cases >3 days	**9**	17
Work injury cases <3 days	**3**	13
The total days lost due to work injury	**135**	411

The total days lost due to work injury have decreased significantly from 411 to 135 lost days in this reporting period. The management will continue their effort in strengthening the Group's occupational health and safety performance.

Development and Training

Comprehensive professional training is provided to employees to deliver top services to our customers. All newly hired employees are required by policy to attend Employee Orientation to familiarize with the Group's purpose, vision and aspiration, mission, core values, business goals and overview and how employee plays a vital role in the business.

Employment Communication

The Group actively engages and motivates employees through various communication channels. The regular update on website keeps employee updated on corporate news and activities. The Group also organized annual dinner, festival-related celebration, sport and volunteer works, etc. to nourish a greater sense of belonging and to provide enhanced communication channels between senior management and general staff. The Group believes having better transparent governance and investing efforts and hours on our best asset, employees, is the key to success of a sustainable business.

Labour Standard

Neither child nor forced labour was in the Group's operations in the reporting period. It is in compliance with the Employment Ordinances, both in Hong Kong and the PRC in terms of employment management.

The recruitment process is strictly abided by the guidelines of the Group's Human Resource Department. Every job applicant is required to fill in their information in a recruitment questionnaire, which is checked by Human Resource Department to ensure information's accuracy. This also allows the Group to hire suitable candidate in accordance with the job requirements and candidates' expectations.

Equal Opportunity

Equal opportunities are given to employees in respect of recruitment, training and development, job advancement, and compensation and benefits. The employees are not discriminated against or deprived of such opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable law. The Group also appreciates the importance of cultural diversity in the development of Elegance, and employs employees in a wide range of ages, genders, and ethnicities.

Operating Practices

Supply Chain Management

A strict tendering process is also in place to provide a fair and transparent platform for securing the best supplier for procurement of all equipment, products and services.

Product

To provide top quality services to customers, the Group carefully sourced its raw materials and equipment with standardized procurement procedure and policies. The Group's procurement policy and its comprehensive procurement management systems help screening out undesirable products in the aspects of raw materials and ingredients selection, product formulation, product packaging, quality management system in factories, transportation, etc.

Supplier

Suppliers for products, semi-products, spare parts, raw, treatment and packaging materials range from France, United Kingdom, Germany, Italy, Japan, Taiwan, the PRC and Hong Kong. They are selected based upon rational and clear criteria, such as production process, quality management system, regulatory requirement compliance, operating capacity, sample availability for testing, packaging, management's commitment, training policy and procedure, price, delivery assurance, and product recall policy, so as to procure superior goods and services from the most competitive sources. Additional information such as observation results after suppliers' production plant visits is used to evaluate the suppliers in order to have the best selected providers. The Group also monitors the overall performance of selected suppliers by conducting vendor audits with documented reports to substantiate the selection and on-going cooperation.

Product Responsibility: Product recall policy

The Group maintains a good record of zero product recall this year, nevertheless the Group continues its commitment to consumer safety and protection by having product recall procedures and policy in place.

Consumer Data Protection and Privacy Policy

The Group's Information Technology Department has devised a comprehensive data protection policy to provide adequate protection and confidentiality of all corporate data and proprietary information. To comply with the Personal Data (Privacy) Ordinance, Chapter 486 of the Laws of Hong Kong and to protect the rights of employees, customers, and business partners, access control protocol is clearly defined to limiting the access to a system or to physical or virtual resources. The Group employs a comprehensive enterprise resources planning system for its finance-related operations to ensure privacy and maintain information confidentiality. The Group strictly abides with the regulation in the collection, usage, handling, and storage of data to ensure data integrity and safety. Besides, the data protection policy clearly states the responsibility of different employees in their job duties for data protection to minimize risks.

Anti-corruption

The Group commits to manage all business without undue influence and has regarded honesty, integrity, and fairness as its core values. All directors and employees are required to strictly follow the Code of Conduct and Group's policy to prevent potential bribery, extortion, fraud and money laundering. The Group's Code of Conduct states clearly that:

– All directors and employees should avoid conflicts of personal interest and their professional duties.

– A situation in which employees exercise authority, influence decisions and actions or gain access to company assets and information through their employment in the Group to achieve private and personal gain is strictly prohibited.

– Employees are required to declare any conflict of interest by completing the required form as instructed by the Group's Human Resource Department.

– Neither directors nor employees shall obtain or provide benefits to customers, contractors, suppliers, or people with business relationship with the Group.

– Accepting voluntary gifts must be declared and have undergone the approval process as administered by the Group's Human Resource Department.

FUTURE DIRECTIONS FROM THE GROUP

The Group will continue actively sourcing energy-saving appliances, equipment and materials with careful selection and review of suppliers and their origins. Opportunities to work with other charity partners and more training and development in terms of raising staff's awareness on environmental and social impacts from the business will also be considered. The Group also recognizes the trend and possibilities with applying digital technologies in daily office operations and marketing strategy, therefore resource use and promotional tools in the coming year will be adapted to make the businesses more transformative, sustainable, as well as having greater capability to attractive future talents.

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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 2017

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

HUI Leung Wah, aged 64, is the Chairman and Managing Director of the Company. He is the founder of the Group and has 51 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 Mr. Hui Chun Yuen, Ms. Hui Sze Man, Doris and Ms. Hui Wing Ka, Candy, being the executive director of the Company and the senior managers 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 senior manager of the Group.

HUI Chun Yuen, aged 28, is an Executive Director of the Company. He was the personal assistant to the Company's Chairman, Mr. Hui Leung Wah, before he was appointed to the Board. He has been in charge of the Design and Product Development Department. He joined the Group in 2012 after graduating from York University in Toronto, Canada, where he obtained a Bachelor of Arts in Sociology. He is the son of the Chairman and the youngest brother of Hui Sze Man, Doris and Hui Wing Ka, Candy, both being senior managers of the Group. Moreover, he is the nephews of Mr. Poon Sui Hong and Mr. Cheng Wai Keung, Edmond, the executive director of the Company and the senior manager of the Group respectively.

POON Sui Hong, aged 58, is an Executive Director of the Company and a General Manager of the Group. He joined the Group in 1984 and has over 29 years of experience in the marketing and production of optical frames. He is presently the supervisor of the Group's marketing department and is responsible for its strategic planning 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. Moreover, he is the uncle of Mr. Hui Chun Yuen, Ms. Hui Sze Man, Doris and Ms. Hui Wing Ka, Candy, being the Company's executive director and the senior managers of the Group.

WONG Chi Yan, aged 35, appointed as an Executive Director of the Company and the Company secretary on 17 February, 2017 and 28 March 2017 respectively. She holds a Bachelor of Business Administration degree in Accounting from Hong Kong Baptist University and a Master of Laws in International Corporate and Financial Law from The University of Wolverhampton, UK. She is an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

In addition to the above, she is currently an executive director and authorized representative of Aurum Pacific (China) Group Limited (stock code: 8148) whose shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Ms. Wong is also the company secretary of Flyke International Holdings Ltd. (stock code: 1998) and an independent non-executive director of Tech Pro Technology Development Limited (stock code: 3823), whose shares are listed on the Main board of the Stock Exchange.

She was also an executive director, company secretary and authorized representative of PPS International (Holdings) Limited (stock code: 8201) whose shares are listed on the GEM of the Stock Exchange from June 2015 to July 2016. She was also the executive director of China Taifeng Beddings Holdings Limited (stock code: 873), a company listed on the Main Board of the Stock Exchange from July 2016 to August 2016. She was an independent non-executive director of Prosten Health Holdings Limited (stock code: 8026) whose shares are listed on GEM of The Stock Exchange from June 2015 to October 2015 and was also an independent non-executive director of Co-Prosperity Holdings Limited (stock code: 707) whose shares are listed on the Main board of the Stock Exchange from October 2015 to January 2016. She was the company secretary and authorized representative of U-RIGHT International Holdings Limited (stock code: 627) whose shares are listed on the Main board of the Stock Exchange from September 2013 to April 2016. She has extensive experiences in auditing, accounting and financing as well as merger and acquisition.

Profiles of Directors and Senior Management

Chan Wai Kit, aged 34, was appointed as a business development manager on 22 February 2017 and was appointed more recently as an executive director on 31 May 2017. He holds a Bachelor Degree in Information System and a Master Degree of Accounting from Curtin University of Technology, Australia. He has been appointed as a committee member of the 9th Committee of Maoming City of The Chinese People's Political Consultative Conference since December 2016. He has extensive experience in information technology, accounting, finance, corporate governance, strategic planning, as well as merger and acquisition.

He is an executive director, authorized representative and compliance officer of Aurum Pacific (China) Group Limited (stock code: 8148), a company listed on the GEM of the Stock Exchange since 13 October 2014 and a deputy chairman with effect from 16 October 2015. He is currently an executive director of Green Energy Group Limited (stock code: 979), a company listed on the Main Board of the Stock Exchange. He is currently a non-executive director of Evershine Group Holdings Limited (stock code: 8022), a company listed on the GEM of the Stock Exchange. He was the chairman, executive director, authorized representative and compliance officer of PPS International (Holdings) Limited (stock code: 8201), a company listed on the GEM of the Stock Exchange from June 2015 to July 2016. He was also an executive director of China Taifeng Beddings Holdings Limited (stock code: 873), a company listed on the Main Board of the Stock Exchange from July 2016 to August 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

WAN Kin Man, Tony, aged 36, and joined the Company on 17 February 2017 as an Independent Non-Executive Director. He is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales, a fellow of the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. He is also a practicing certified public accountant, certified tax adviser (Hong Kong) and has extensive experience in auditing, financial management and taxation over 15 years.

CHAN Wei, aged 38, joined the Company on 26 April 2017 as an Independent Non-Executive Director. He is currently the chief financial officer and company secretary of Tesson Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code 1201). From April 2011 to September 2015, he acted as financial controller of Unisplendour Technology (Holdings) Limited (formerly known as "Sun East Technology (Holdings) Limited") (stock code: 365). He has over 14 years of experience in auditing, accounting and financial advisory. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. He received a Bachelor of Science in applied accounting degree from the Oxford Brookes University, United Kingdom.

CHAN Ming Kei, aged 34, joined the Company on 26 April 2017 as an Independent Non-Executive Director. He is a member of the Hong Kong Institute of Certified Public Accountants and has extensive experiences in accounting, financial management and company secretarial works. He holds a Bachelor of Business Administration (Hons) majoring in Accounting from The Hong Kong University of Science and Technology. Currently, He is an executive director, company secretary, compliance officer and authorized representative of Evershine Group Holdings Limited, (stock code: 8022), a company listed on the GEM of the Stock Exchange. From June 2012 to September 2015, he acted as company secretary and financial controller of KuangChi Science Limited (stock code: 439), a company listed on the Main Board of the Stock Exchange.

POON Kwok Fai, Ronald, aged 67, served as an Independent Non-Executive Director of the Group since 1996 until his resignation on 17 February 2017. He is a solicitor and notary public practicing in Hong Kong and has over 35 years of experience in the legal profession.

PANG Sung Yuen, aged 66, served as an Independent Non-Executive Director of the Group since 2013 until his resignation on 26 April 2017. He 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. He 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. He retired from the civil service in July 2006. Since retirement, He 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.

KWONG Ping Man, aged 52, served as an Independent Non-Executive Director of the Company since 2014 until his resignation on 26 April 2017. He obtained a Bachelor's degree in Commerce Accounting from Curtin University of Technology in Australia, a Postgraduate diploma in Corporate Administration and an Master's degree in Professional Accounting from The Hong Kong Polytechnic University in 1996 and 2003 respectively. He is a Certified Practising Accountant of CPA Australia, a fellow member 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.

He is currently an independent non-executive directors of Century Sunshine Group Holdings Limited (stock code: 509), Group Sense (International) Limited (stock code: 601), Tang Palace (China) Holdings Limited (stock code: 1181) and Royal Deluxe Holdings Limited (stock code: 3789) the shares of which are listed on the Stock Exchange. Mr. Kwong is a director of O'Park Corporate Services Limited.

He was also an independent non-executive director of Hao Tian International Construction Investment Group Limited (formerly known as "Clear Lift Holdings Limited") (stock code: 1341) from December 2015 to March 2017 and Yat Sing Holdings Limited (stock code: 3708) from December 2014 to March 2016, whose shares are listed on the Main Board of the Stock Exchange. He was also an independent non-executive director of China Candy Holdings Limited (stock code: 8182) whose shares are listed on the GEM of the Stock Exchange from October 2015 to February 2016. He has over 15 years of experience in accounting, finance and administration. He previously worked as accountant, company secretary and chief financial officer in numerous private and listed companies on the Stock Exchange.

SENIOR MANAGEMENT

TSANG Tak Hung, Donald, aged 58, is one of the General Managers of Elegance Optical Manufactory Ltd, the wholly owned subsidiary of the Company. He 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 Stock Exchange.

CHENG Wai Keung, Edmond, aged 57, 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. Moreover, he is the uncle of Mr. Hui Chun Yuen, Mrs. Hui Sze Man, Doris and Mrs. Hui Wing Ka, Candy, the Company's executive director and the senior managers of the company respectively.

Profiles of Directors and Senior Management

HUI Sze Man, Doris, aged 36, joined the Group in 2005 as an Assistant to the Chairman. She is in charge of the Research and Development Department and the production department of the Group. She holds a Bachelor's degree in Arts from York University in Canada. She has also been a member of Young Industrialists Council Youth Chapter since 2003. She was a director of Yan Chai Hospital from the years of 2007 to 2009. She is a daughter of Mr. Hui Leung Wah and the elder sister of Ms. Hui Wing Ka, Candy and Mr. Hui Chun Yuen.

HUI Wing Ka, Candy, aged 33, is an Assistant General Manager of the Group. She is also a director of one of the Group's subsidiaries. Ms. Hui joined the Group in 2008 is 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. She is currently the vice-chairman of Young Industrialists Council Youth Chapter and she is also a member of The Youth Committee of Chinese Manufacturers' Association of Hong Kong. She is the daughter of Mr. Hui Leung Wah and the youngest sister of Ms. Hui Sze Man, Doris and the elder sister of Mr. Hui Chun Yuen.

MAK Suk Fan, Sophie, aged 45, joined the Group in August 2014 as the Financial Controller. She holds a degree in Accountancy in Australia, a Postgraduate Diploma in Investment Management at The University of Hong Kong and an MBA in Accounting & Finance at Mcgraw University. She is a member of The Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia. She has over 10 years of experience in company management, auditing, financial accounting, taxation as well as corporate finance.

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 maximize their benefits from good corporate governance. The Company has always recognized 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 2017, except for the following deviations:

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 the Chairman and the managing director of the Company as well as 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 Leung Wah currently holds both positions. The Board believes that the assumption of the roles of the Chairman and the managing director of the Company 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.

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Each of the existing non-executive directors of the Company does not have a specific term of appointment but is subject to retirement by rotation and re-election at the annual general meetings pursuant to the Bye-laws of the Company. The Bye-laws require that every director will retire from office no later than the third annual general meeting of the Company after he was last elected or re-elected. Further, any person appointed by the Board to fill a casual vacancy or as an additional director (including non-executive director) will hold office only until the next general meeting and will then be eligible for re-election. As such, the Board considers that such requirements are sufficient to meet the underlying objectives of the relevant code provision and therefore does not intend to take any remedial steps in this regard.

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. The Company has received annual confirmations of independence from Mr. Wan Kin Man, Tony as at the date of this report and Mr. Poon Kwok Fai, Ronald, Mr. Pang Sung Yuen and Mr. Kwong Ping Man as at the date of their respective resignations pursuant to Rule 3.13 of the Listing Rules.

BOARD OF DIRECTORS

Board Composition

The Board currently comprises a total of eight Directors, including five Executive Directors, namely, Mr. Hui Leung Wah (also the chairman of the Board), Mr. Poon Sui Hong, Mr. Hui Chun Yuen, Ms. Wong Chi Yan and Mr. Chan Wai Kit and three INEDs, namely Mr. Wan Kin Man, Tony, Mr. Chan Wei and Mr. Chan Ming Kei. All of the INEDs have appropriate professional qualifications or accounting or related financial management expertise as prescribed by Rule 3.10 of the Listing Rules.

The Company has received annual confirmations of independence from Mr. Wan Kin Man, Tony as at the date of this report and Mr. Poon Kwok Fai, Ronald, Mr. Pang Sung Yuen and Mr. Kwong Ping Man as at the date of their respective resignations pursuant to Rule 3.13 of the Listing Rules.

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 in the section "Profiles of Director's and Senior Management" of the annual report.

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.

In accordance with the bye-laws of the Company, Mr. Hui Leung Wah, will retire from office by rotation at the forthcoming Annual General Meeting. Mr. Wong Chi Yan, Mr. Chan Wai Kit, Mr. Wan Kin Man, Tony, Mr. Chan Wei and Mr. Chan Ming Kei were appointed by the Board as directors on 17 February 2017; 31 May 2017; 17 February 2017; 26 April 2017 and 26 April 2017; respectively. All of them will also retire from office at the Annual General Meeting in accordance with the Bye-Laws of the Company and being eligible, 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 by discussing and formulating the Group's development plans. Daily operations and administration are delegated to the Executive Directors and the Group's management. The members of the Board are mostly professionally qualified and widely experienced personnel who bring in valuable contribution provide different professional advice and consultation 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 reporting year, the Chairman held three meetings with the Independent Non-Executive Directors without the presence of the Executive Directors.

Functions of the Board

During the financial year ended 31 March 2017, eleven 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 2017 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	11/11				1/1
Mr. Poon Sui Hong	11/11				1/1
Mr. Hui Chun Yuen	11/11				1/1
Ms. Wong Chi Yan* *(appointed on 17 February 2017)*	2/2				–/–
Independent Non-Executive Directors					
Mr. Wan Kin Man, Tony* *(appointed on 17 February 2017)*	2/2		1/1	1/1	–/–
Mr. Poon Kwok Fai, Ronald** *(resigned on 17 February 2017)*	1/8				–/1
Mr. Pang Sung Yuen *(resigned on 26 April 2017)*	11/11	7/7	3/3	4/4	1/1
Mr. Kwong Ping Man *(resigned on 26 April 2017)*	11/11	7/7	3/3	4/4	1/1

* Two Board meetings but no general meetings were held during the reporting period since the date of appointments of Ms. Wong Chi Yan and Mr. Wan Kin Man, Tony.

** Eight Board meetings and one general meeting were held during the reporting period up to the date of resignation of Mr. Poon Kwok Fai, Ronald.

All the Board meetings are scheduled in advance, and at least 14 days' notice is given to all Directors to give them an opportunity to attend. Agendas and accompanying Board papers are normally 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.

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.

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. A summary of their training records during the year ended 31 March 2017 is as follow:

Name of directors	Type of trainings activities
Executive Directors	
Mr. Hui Leung Wah	A, B
Mr. Poon Sui Hong	A, B
Mr. Hui Chun Yuen	A, B
Ms. Wong Chi Yan *(appointed on 17 February 2017)*	A, B
Independent Non-Executive Directors	
Mr. Wan Kin Man, Tony *(appointed on 17 February 2017)*	A, B
Mr. Poon Kwok Fai, Ronald *(resigned on 17 February 2017)*	A, B
Mr. Pang Sung Yuen *(resigned on 26 April 2017)*	A, B
Mr. Kwong Ping Man *(resigned on 26 April 2017)*	A, B

A: In-house training and/or seminars.

B: Reading newspapers and journals relating to directors' duties and responsibilities as well as updates on the Listing Rules and other applicable regulatory requirements.

Notes:

(1) Mr. Chan Wei and Mr. Chan Ming Kei were appointed as Independent Non-Executive Directors on 26 April 2017. Accordingly, their training records have not been included above.

(2) Mr. Chan Wai Kit was appointed as an Executive Director on 31 May 2017. Accordingly, his training record has not been included above.

RESPONSIBILITY OF DIRECTORS AND AUDITORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated 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 Finance Department, the Directors prepare the consolidated financial statements in accordance with statutory requirements and prevailing accounting standards. The Directors are responsible for timely publication of the consolidated 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 consolidated financial statements of the Group is set out in Independent Auditor's Report on pages 40 to 44 of the annual report.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established in June 2005 and the terms of reference were amended on 29 March 2012. The Remuneration Committee is currently comprised of three INEDs: Mr. Wan Kin Man, Tony became the chairman of the Remuneration Committee with effect from 26 April 2017; and Mr. Chan Wei and Mr. Chan Ming Kei became the Remuneration Committee's members since 26 April 2017 following the resignations of Mr. Pang Sung Yuen and Mr. Kwong Ping Man on the same day.

The Remuneration Committee held four meetings during the reporting 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 summarized 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 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.

During the reporting year, the Remuneration Committee has, among others things, reviewed the remuneration packages of all directors and senior management with reference to market terms, their duties and responsibilities and performance as assessed by the Remuneration Committee, 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 2017.

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 2017 are as follows:

	Number of employees
Nil to HK$1,000,000	2
HK$1,000,001 to HK$1,500,000	2
Over HK$1,500,000	1
Total	5

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

The Company had adopted a specific terms of reference of the Remuneration Committee as of 29 March 2012 in accordance with Rules 3.25 to 3.27 of the Listing Rules and has been posted on the websites of the SEHK and the Company.

NOMINATION COMMITTEE

The nomination committee (the "Nomination Committee") was established in June 2005 and the terms of reference were amended on 6 September 2013. The Nomination Committee currently comprised of three INEDs. Mr. Wan Kin Man, Tony became the chairman of the Nomination Committee since his appointment following the resignation of Mr. Poon Kwok Fai, Ronald on 17 February 2017. Mr. Chan Wei and Mr. Chan Ming Kei, became the Nomination Committee's members since 26 April 2017 following the resignations of Mr. Pang Sung Yuen and Kwong Ping Man on the same date. The Nomination Committee held three meetings during the reporting year and the attendance of each member is set out in the section headed "Function of the Board" of the annual report:

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;

5. review the board diversity policy of the Board or this Nomination Committee, as appropriate, considering factors including but not limited to gender, age, cultural and educational background and professional experience of Board members, and review the measurable objectives that the Board has set for implementing the board diversity policy, and the progress on achieving the objectives; and

6. conform to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation, where appropriate.

A board diversity policy had been formulated and adopted by the Board in 2013. The Company recognizes 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 Company had adopted a revised specific terms of reference of the Nomination Committee as of 6 September 2013 in compliance with the Code Provision A.5 and it has been posted on the websites of the SEHK and the Company.

AUDIT COMMITTEE

The audit committee (the "Audit Committee") was established in 1999 and is currently comprised of three INEDs: Mr. Wan Kin Man, Tony, became the member of the Audit Committee since 17 February 2017, and further appointed as the Chairman on 26 April 2017 following the resignation of Mr. Kwong Ping Man. Mr. Chan Wei and Mr. Chan Ming Kei, were appointed as Audit Committee's members since 26 April 2017 following the resignations of Mr. Pang Sung Yuen and Mr. Kwong Ping Man. All members have 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 overseeing the Group's financial reporting system, risk management and internal control systems on an ongoing basis. Additionally, to consider the appointment and reappointment of external auditors and audit fees, to discuss with external auditors the nature and scope of audits, to review the Group's financial reporting, risk management and internal control system.

The Audit Committee held seven meetings during the reporting year. 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 Audit Committee. The outcomes of the Audit Committee meetings were submitted to the Board for consideration and action where appropriate.

The accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2017 have been reviewed by the Audit Committee.

During the meetings held in the year and up to the date of this report, the Audit Committee had performed the following work:

1. reviewed the Group's consolidated financial statements for the year ended 31 March 2016 and 2017 (with an unqualified opinion issued by Company's auditors in 2017) and the related annual results announcement with a recommendation to the Board for approval.

2. reviewed the relevant disclosures made in the Directors' Report of the Annual Report.

3. reviewed the Corporate Governance Report, which was included in the Annual Report.

4. met with the external auditors and discussed the audit findings reported by external auditors.

5. assessed broadly any special risks faced by the Group and reviewed the effectiveness of the internal control system of the Group through an engagement with an independent advisor. Based on the assessment and findings from the review conducted by the independent advisor as at the date of this report, it was concluded that the Group operated at a manageable risk level and kept on improving the management system.

6. reviewed the Group's consolidated financial statements for the six months ended 30 September 2016 and the interim results announcement with a recommendation to the Board for approval.

7. reviewed the Group's policies and practices on corporate governance and made recommendations to the Board.

8. reviewed the training and continuous professional development of directors.

9. reviewed the Group's compliance with the Code.

10. reviewed the annual internal audit plan submitted by the Group's Internal Audit Department.

11. reviewed the findings and recommendations submitted by the Group's Internal Audit Department.

12. reviewed the reports including the 2017 audit planning report and the management letters submitted by the external auditor.

13. considered the 2017 audit fees with a recommendation to the Board for approval.

14. accepted the Board's delegation of the responsibility of overseeing the risk management system of the Group.

15. considered those topics, which were requested by the Board and reviewed those relevant documents.

The terms of reference of the Audit Committee were amended and took effect by the Board on 23 February 2016 and 1 March 2016 respectively. Such amendments in compliance with the Corporate Governance Code under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited have been posted on the websites of the SEHK and the Company.

During the Audit Committee meeting on 27 June 2017, the Audit Committee reviewed the Group's consolidated financial statements for the year ended 31 March 2017, the disclosure in this corporate governance report and the annual results announcement with a recommendation to the Board for approval.

The Audit Committee recommended the re-appointment of Messrs. Ernst & Young as the external auditor of the Group for 2017/2018 and that the relevant resolution shall be put forth for consideration by the shareholders of the Company and their approval at the 2017 annual general meeting of the Company.

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 in compliance with legal and regulatory requirements;

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

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

(f) to oversee the Company's risk management and internal control systems on an ongoing basis; and

(g) to review the internal audit function and disclose any significant areas of concern 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 2017, 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	1,040
Non-audit services	182
Total	1,222

COMPANY SECRETARY

Ms. Wong Chi Yan is the Company Secretary of the Company. During the reporting 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 in order to ensure that Board procedures and all applicable law, rules and regulations are followed.

SHAREHOLDERS' RIGHTS

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

The Board shall, on a requisition in writing by any shareholder 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

Pursuant to the Company's Bye-Laws, 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 a notice of the resolution, the requisition must serve to the Board not less than one week before the general meeting.

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, and 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 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.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2017, there was no significant change in the Company's constitutional documents.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes 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.

RISK MANAGEMENT AND INTERNAL CONTROL

Internal Control

The Board, recognizing its overall responsibility in ensuring the system of internal controls of the Company and in reviewing its effectiveness, is committed to implementing an effective and sound internal control system to safeguard the interests of shareholders and the assets of the Group. Procedures have been designed to safeguard assets against unauthorized used or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with applicable law, rules and regulations. The procedures provide a reasonable, but not absolute, assurance that material untrue statements or losses are prevented, potential interruption of the Group's management system is detected, and risks existing in the course of arriving at the Group's objectives are properly managed.

During the year and up to the date of this report, the Board, through the Audit Committee, has been assessing and improving the effectiveness of the Group's internal control system continuously, in order to cope with the changing business environment.

Report of the Directors

The directors present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to the "Group") for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

During the year, the Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and trading of optical frames and sunglasses, property investment, and investing in debts and securities.

Further discussion and analysis of the activities as required by schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing by the Group and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on pages 4 to 5 of this annual report. The discussion forms part of this Directors' report.

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 March 2017 and its financial position and the Group at that date are set out in the consolidated financial statements on pages 45 to 113.

The Directors do not recommend the payment of any dividend in respect to the year ended 31 March 2017.

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 consolidated financial statements and restated as appropriate, is set out below. This summary does not form part of the audited consolidated financial statements.

Results

	Year ended 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
REVENUE	**136,248**	211,527	261,701	377,208	362,351
PROFIT/(LOSS) FOR THE YEAR	**5,646**	(90,129)	(87,686)	(70,978)	(63,163)
Attributable to:					
Owners of the Company	**8,038**	(86,729)	(84,230)	(68,300)	(59,665)
Non-controlling interests	**(2,392)**	(3,400)	(3,456)	(2,678)	(3,498)
	5,646	(90,129)	(87,686)	(70,978)	(63,163)

Assets, liabilities and non-controlling interests

	As at 31 March				
	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
TOTAL ASSETS	**381,003**	379,966	449,518	432,400	508,476
TOTAL LIABILITIES	**(114,304)**	(112,825)	(87,722)	(61,022)	(75,950)
NON-CONTROLLING INTERESTS	**(984)**	(4,509)	(9,004)	(8,806)	(11,469)
	265,715	262,632	352,792	362,572	421,057

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the reporting year are set out in notes 11 and 12 to the consolidated financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorized or issued share capital during the year. Details of the Company's share capital are set out in note 28 to the consolidated financial statements, respectively. In the reporting period, no new share option schemes have been adopted.

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 reporting year are set out in note 29 to the consolidated financial statements and in the consolidated statement of changes in equity set out on page 49 of this annual report, respectively.

DISTRIBUTABLE RESERVES

Under the Companies Act 1981 of Bermuda, the reserve of the Company amounting to approximately HK$138,500,000 (2016: HK$132,288,000) is available for distribution or paying dividends to the Company's shareholders subject to the provisions of its Bye-Laws and provided that immediately following the distribution or dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

CHARITABLE CONTRIBUTIONS

During the reporting year, the Group made no charitable contributions (2016: Nil).

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. Hui Chun Yuen	
Ms. Wong Chi Yan	*(appointed on 17 February 2017)*
Mr. Chan Wai Kit	*(appointed on 31 May 2017)*

Independent non-executive directors

Mr. Wan Kin Man, Tony	*(appointed on 17 February 2017)*
Mr. Chan Wei	*(appointed on 26 April 2017)*
Mr. Chan Ming Kei	*(appointed on 26 April 2017)*
Mr. Poon Kwok Fai, Ronald	*(resigned on 17 February 2017)*
Mr. Pang Sung Yuen	*(resigned on 26 April 2017)*
Mr. Kwong Ping Man	*(resigned on 26 April 2017)*

In accordance with the bye-laws of the Company, Mr. Hui Leung Wah will retire by rotation at the forthcoming Annual General Meeting. Ms. Wong Chi Yan and Mr. Wan Kin Man, Tony, who were appointed by the Board on 17 February 2017. Mr. Chan Wei and Mr. Chan Ming Kei, who were appointed by the Board on 26 April 2017 and Mr. Chan Wai Kit, who was appointed by the Board on 31 May 2017, will also retire from their office at the forthcoming Annual General Meeting in accordance with the bye-laws of the Company. All of the abovementioned directors, being eligible, will offer themselves for re-election at the Annual General Meeting.

The Company has received annual confirmations of independence from Mr. Wan Kin Man, Tony as at the date of this report and Mr. Poon Kwok Fai, Ronald, Mr. Pang Sung Yuen and Mr. Kwong Ping Man as at the date of their respective resignations. The Board 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 17 to 20 of the annual report.

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

As at 31 March 2017, 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:

	Number of shares held, capacity and nature of interest			Percentage of the issued share capital of the Company
Name of director	Beneficial owner	Other interests	Total	
Hui Leung Wah (Note)	12,308,000	33,400,000	45,708,000	14.12
Hui Chun Yuen (Note)	–	33,400,000	33,400,000	10.32
	12,308,000	33,400,000	45,708,000	14.12

Note: The 33,400,000 shares held as other interests by Mr. Hui Leung Wah, comprised 33,200,000 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 a discretionary trust with First Advisory Trust (BVI) Limited as trustee, the beneficiaries of which include the family members of Mr. Hui Leung Wah (Mr. Hui Leung Wah himself is not a beneficiary of the discretionary trust). Mr. Hui Chun Yuen, the Executive Director of the Group is one of the beneficiaries of the 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 1 to the consolidated 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 then minimum company membership requirements.

Save as disclosed above, as at 31 March 2017, 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 for securities transactions by Directors of the Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the Related Party Transactions disclosures set out in note 34 to the consolidated financial statements, none of the directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the reporting year.

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

As at 31 March 2017, 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
Superb Smart Limited ("Superb Smart") (Note 1)	74,199,123	Beneficial owner	22.93
Zheng Juhua ("Ms. Zheng") (Note 1)	74,199,123	Interest of the controlled corporation	22.93
Poon Yuk Yee (Note 2)	45,708,000	Beneficiary of a trust and interest of spouse	14.12
Hui Sze Man, Doris (Note 3)	33,400,000	Beneficiary of a trust	10.32
Hui Wing Ka, Candy (Note 3)	33,400,000	Beneficiary of a trust	10.32
First Advisory Trust (BVI) Limited (Note 3)	33,400,000	Trustee	10.32
Wahyee (PTC) Limited (Note 3)	33,400,000	Trustee	10.32

Notes:

1. Superb Smart was controlled by Ms. Zheng. Ms. Zheng was deemed to be interested in the 74,199,123 shares of the Company held by Superb Smart by virtue of the SFO.

2. 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.

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

Save as disclosed above, as at 31 March 2017, 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 THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year ended 31 March 2017.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting year, the Group's largest customer and the Group's five largest customers accounted for 19.2% and 60.4% of the Group's total sales, respectively.

During the reporting year, the Group's largest supplier and the Group's five largest suppliers accounted for 11.5% and 39.0% 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 reporting year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the reporting 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 12 December 2016, an ordinary resolution (the "Resolution") was passed by the independent shareholders which approved a connected transaction, in which the entire shares capital of Million Wave Limited ("MW") were sold to Tycoon New Investment Limited, a BVI company which is wholly owned by Mr., Hui Leung Wah, the executive director of the Company in a consideration of HK$187,000,000. The consideration comprises of a loan due by MW to Elegance Optical Investments Limited (the "EOIL") a wholly owned subsidiary of the Company for an amount of HKK$45,584,000 as well as the entire share capital of MW amounting to HK$141,416,000, in which it possessed several disposed properties in the PRC (note). The said transaction completed on 17 January 2017.

Moreover, a tenancy agreement which was entered between MW and Elegance Optical Manufactory Limited (高雅眼鏡製造廠有限公司), a continuing connected transaction pursuant to Chapter 14A of the Listing Rules (the "Listing Rules"), in relation to lease back certain aforesaid disposal properties at a monthly rent of HK$372,000 for the three years ending 31 March 2019; in accordance with the Resolution, the aggregate rental values shall not exceed HK$0.93 million, HK$4.46 million and HK$3.53 million for each of the three years ended 31 March 2017, 2018 and 2019, respectively. This transaction is only subject to reporting, annual review and announcement requirement but is exempt from the approval by the independent shareholders pursuant to the Listing Rules.

The duration of the tenancy agreement is for two years commencing from 17 January 2017 to 16 January 2019 with a monthly rental of HK$372,000, inclusive of government land-use tax, which is equivalent to HK$4,464,000 per annum.

The Directors, including the Independent Non-Executive Directors of the Company have reviewed the continuing connected transaction set out above and in note 34 to the consolidated financial statements, and have confirmed that the tenancy agreement was approved by the board of directors and:

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

(b) was conducted on normal commercial terms;

(c) was entered into in accordance with the agreements governing such transactions, on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole; and

(d) did not exceed HK$930,000 for the reporting year.

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 (Revised) *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.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the SEHK.

Note : the properties located at Zone A Factory, Zone A Dormitory, Zone B Factory, Zone B Dormitory, Zone C Factory and Zone C Dormitory, No. 1 Road Three, Jin Quan Ind. District, Liuyue Village, Heng Gang Town, Long Gang District, Shenzhen, PRC (中國深圳市龍崗區橫崗鎮六約社區金泉三路1號A區廠房, A區宿舍, B區廠房, B區宿舍, C區廠房及C區宿舍)

Gold Strong Industrial Limited, a non-wholly-owned subsidiary of the Group, in their usual and ordinary course of business, had amounts due (to)/from the Company's several wholly-owned subsidiaries. The amounts due are unsecured and interest- bearing at the same interest rate charged by the Company's bank which is the same as the rate applied to the Company's wholly-owned subsidiaries, They are repayable on demand and the outstanding amounts are details below at the end of the balance sheet date:

	31 March 2017 HK$'000	31 March 2016 HK$'000
Gold Strong Industrial Limited	**(42,486)**	(45,403)
— amount due to Gold Strong by the Company's wholly-owned subsidiaries	**132**	142
— amount due by Gold strong to the Company's wholly-owned subsidiaries	**(42,618)**	(45,545)

During the reporting year, a director's quarter was rented by the Group from Mr. Hui Leung Wah, the Chairman and the 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 (2016: 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 consolidated financial statements.

PERMITTED INDEMNITY PROVISION

Pursuant to Bye-law 189 of the Company, directors of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he may incur or sustain by or about the execution of their duty in their offices or in relation thereto.

The Company has arranged appropriate directors' liability insurance coverage for the directors and the officers of the Company throughout the year.

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 2017

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Elegance Optical International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 45 to 113, which comprise the consolidated statement of financial position as at 31 March 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables	
As at 31 March 2017, the Group recorded gross trade receivables of HK$18,546,000 before impairment provision of HK$308,000. Management performs an impairment assessment for trade receivables on a regular basis, with the impairment provision estimated by management through the application of significant judgement and assumptions. Relevant disclosures are included in notes 3 and 18 to the consolidated financial statements.	We reviewed the Group's processes relating to the monitoring of trade receivables and the granting of credit terms, and evaluated the inputs and assumptions used by management in their impairment assessment. We tested the trade receivables ageing analysis on a sampling basis and also assessed the impairment provision as of the end of the reporting period, taking into account factors such as the payment history of debtors, subsequent settlement of the receivables and other relevant information.
Provision for obsolete inventories	
As at 31 March 2017, the Group recorded gross inventories of HK$71,779,000 before provision for impairment of HK$57,209,000. The write down of inventories to net realisable value is estimated by management through the application of significant judgement and assumptions such as management's expectations for future sales and product promotion plans in identifying the obsolete and slow-moving inventory items, and estimating the allowance for inventories. Relevant disclosures are included in notes 3 and 17 to the consolidated financial statements.	We assessed the management's controls over identifying and valuing obsolete, damaged, slow-moving, excess and other inventory items for which their costs may not be fully recoverable, evaluated the Group's inventory provision policy with reference to historical sales transactions and market data. We tested the inventories ageing analysis as at 31 March 2017 on a sampling basis. We also assessed the inventory provision by taking into account the subsequent usage of raw materials and work-in-progress and subsequent sales transactions of the inventories.
Impairment of property, plant and equipment and prepaid land lease payments	
During the year ended 31 March 2017, the Group recorded a consolidated net gross loss of HK$2,300,000. Management determined that indicators of impairment on the Group's property, plant and equipment and prepaid land lease payments existed and performed an impairment assessment. The management assessment process involved significant judgements and assumptions, such as estimated market price per square metre of comparable properties nearby in determining the recoverable amounts of the relevant assets. To support management's determination of the fair value, the Group has engaged independent professionally qualified valuers to perform valuation on certain property, plant and equipment and prepaid land lease payments. The recoverable amounts of the Group's property, plant and equipment and prepaid land lease payment were estimated based on their respective fair value less costs of disposal. Relevant disclosures are included in notes 3, 11 and 13 to the consolidated financial statements.	We assessed the recoverable amounts and evaluated the inputs and assumptions included in management's impairment assessment by evaluating the data used as input for valuation, which included reference to the market price of comparable properties nearby. We also assessed the objectivity, independence and expertise of the valuers and involved our internal valuation specialists to assist us in evaluating the assumptions and methodologies.

Other Information Included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ki Wing Yee, Winnie.

Ernst & Young
Certified Public Accountants
Hong Kong

27 June 2017

Consolidated Statement of Profit or Loss

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
REVENUE	5	**136,248**	211,527
Cost of sales and services		**(138,548)**	(221,299)
Gross loss		**(2,300)**	(9,772)
Other income	5	**3,767**	3,870
Selling and distribution expenses		**(5,508)**	(6,945)
Administrative expenses		**(70,314)**	(63,271)
Gain on disposal of subsidiaries	31	**101,073**	–
Other operating expenses, net	6	**(4,506)**	(15,161)
Finance costs	7	**(1,199)**	(1,125)
Share of losses of a joint venture	14	**(215)**	(21)
PROFIT/(LOSS) BEFORE TAX	6	**20,798**	(92,425)
Income tax credit/(expense)	9	**(15,152)**	2,296
PROFIT/(LOSS) FOR THE YEAR		**5,646**	(90,129)
Attributable to:			
Owners of the parent		**8,038**	(86,729)
Non-controlling interests		**(2,392)**	(3,400)
		5,646	(90,129)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	10	**HK2.48 cents**	HK(26.80) cents

Consolidated Statement of Comprehensive Income

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
PROFIT/(LOSS) FOR THE YEAR		**5,646**	(90,129)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale financial asset:			
Change in fair value	16	**–**	40
Share of other comprehensive loss of a joint venture	14	**(37)**	(33)
Exchange differences:			
Release of exchange fluctuation reserve upon deregistration of an associate	15	**–**	(616)
Release of exchange fluctuation reserve upon disposal of a subsidiary	31(a)	**(3,048)**	–
Exchange differences on translation of foreign operations		**(3,003)**	(3,917)
		(6,051)	(4,533)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(6,088)**	(4,526)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(442)**	(94,655)
Attributable to:			
Owners of the parent		**3,083**	(90,160)
Non-controlling interests		**(3,525)**	(4,495)
		(442)	(94,655)

Consolidated Statement of Financial Position

31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**81,890**	144,666
Investment properties	12	**29,862**	96,763
Prepaid land lease payments	13	**4,143**	8,327
Investment in a joint venture	14	**–**	4,181
Investment in an associate	15	**–**	–
Available-for-sale financial asset	16	**360**	360
Prepayment and deposits	19	**663**	511
Total non-current assets		**116,918**	254,808
CURRENT ASSETS			
Inventories	17	**14,570**	27,987
Due from a joint venture	14	**–**	97
Trade receivables	18	**18,238**	36,942
Prepayments, deposits and other receivables	19	**31,123**	4,694
Equity investments at fair value through profit or loss	20	**38,181**	88
Cash and cash equivalents	21	**161,973**	44,965
		264,085	114,773
Non-current assets classified as held for sale	22	**–**	10,385
Total current assets		**264,085**	125,158
CURRENT LIABILITIES			
Trade payables	23	**8,821**	13,159
Other payables, accruals and deposits received	24	**41,257**	45,374
Derivative financial instrument	25	**–**	–
Interest-bearing bank borrowings, secured	26	**46,584**	45,265
Tax payable		**14,959**	1,232
Total current liabilities		**111,621**	105,030
NET CURRENT ASSETS		**152,464**	20,128
TOTAL ASSETS LESS CURRENT LIABILITIES		**269,382**	274,936
NON-CURRENT LIABILITIES			
Deposits received	24	**92**	1,372
Deferred tax liabilities	27	**2,591**	6,423
Total non-current liabilities		**2,683**	7,795
Net assets		**266,699**	267,141

Consolidated Statement of Financial Position

31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	28	**32,365**	32,365
Reserves	29	**233,350**	230,267
		265,715	262,632
Non-controlling interests		**984**	4,509
Total equity		**266,699**	267,141

Hui Leung Wah
Director

Poon Sui Hong
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2017

		Attributable to owners of the parent										
	Note	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	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2015		32,365	56,831	41,925	84,074	–	(152)	8,166	129,583	352,792	9,004	361,796
Loss for the year		–	–	–	–	–	–	–	(86,729)	(86,729)	(3,400)	(90,129)
Other comprehensive income/(loss) for the year:												
Change in fair value of an available-for-sale financial asset		–	–	–	–	40	–	–	–	40	–	40
Share of other comprehensive loss of a joint venture		–	–	–	–	–	–	(33)	–	(33)	–	(33)
Release of exchange fluctuation reserve upon deregistration of an associate		–	–	–	–	–	–	(616)	–	(616)	–	(616)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(2,822)	–	(2,822)	(1,095)	(3,917)
Total comprehensive income/(loss) for the year		–	–	–	–	40	–	(3,471)	(86,729)	(90,160)	(4,495)	(94,655)
At 31 March 2016 and 1 April 2016		32,365	56,831*	41,925*	84,074*	40*	(152)*	4,695*	42,854*	262,632	4,509	267,141
Profit for the year		–	–	–	–	–	–	–	8,038	8,038	(2,392)	5,646
Other comprehensive income/(loss) for the year:												
Share of other comprehensive loss of a joint venture		–	–	–	–	–	–	(37)	–	(37)	–	(37)
Release of exchange fluctuation reserve upon disposal of a subsidiary	31(a)	–	–	–	–	–	–	(3,048)	–	(3,048)	–	(3,048)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(1,870)	–	(1,870)	(1,133)	(3,003)
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	(4,955)	8,038	3,083	(3,525)	(442)
Release of asset revaluation reserve upon disposal of a subsidiary		-	–	–	(69,701)	–	–	–	69,701	–	–	–
At 31 March 2017		32,365	56,831*	41,925*	14,373*	40*	(152)*	(260)*	120,593*	265,715	984	266,699

* These reserve accounts comprise the consolidated reserves of HK$233,350,000 (2016: HK$230,267,000) in the consolidated statement of financial position.

\# The asset revaluation reserve arose from a change in use from owner-occupied properties to investment properties carried at fair value.

Consolidated Statement of Cash Flows

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**20,798**	(92,425)
Adjustments for:			
Finance costs	7	**1,199**	1,125
Share of losses of a joint venture	14	**215**	21
Bank interest income	5	**(478)**	(291)
Dividend income from equity investments at fair value through profit or loss	5	**(4)**	(4)
Write-back of other payables	5	**(1,242)**	(2,467)
Loss/(gain) on disposal of items of property, plant and equipment	6	**654**	(9,272)
Changes in fair values of investment properties	6	**(181)**	23,915
Fair value losses/(gains), net:			
Equity investments at fair value through profit or loss — held for trading	5	**(1,043)**	(5)
Derivative financial instrument	6	**–**	455
Depreciation	6	**15,832**	19,575
Amortisation of prepaid land lease payments	6	**243**	378
Impairment of trade receivables	6	**17**	679
Provision for inventory obsolescence	6	**2,625**	15,296
Impairment loss on investment in and loan to a joint venture	6	**3,929**	–
Gain on disposal of subsidiaries	31	**(101,073)**	–
Gain on deregistration of an associate	6	**–**	(616)
		(58,509)	(43,636)
Decrease in inventories		**8,846**	5,793
Decrease in trade receivables		**18,687**	5,140
Decrease/(increase) in prepayments, deposits and other receivables		**3,688**	(139)
Increase in equity investments at fair value through profit or loss		**(37,050)**	–
Decrease in trade payables		**(4,338)**	(5,387)
Decrease in other payables, accruals and deposits received		**(1,992)**	(2,734)
Decrease in a derivative financial instrument		**–**	(2,321)
Cash used in operations		**(70,668)**	(43,284)
Interest paid		**(1,199)**	(1,059)
Hong Kong profits tax paid		**(188)**	(30)
Overseas taxes paid		**(35)**	(112)
Dividend received from equity investments at fair value through profit or loss		**4**	4
Net cash flows used in operating activities		**(72,086)**	(44,481)

Consolidated Statement of Cash Flows

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**478**	291
Dividend received from a joint venture		**97**	–
Purchases of items of property, plant and equipment		**(462)**	(3,699)
Acquisition of additional interests in a joint venture	14	**–**	(24)
Proceeds from disposal of items of property, plant and equipment		**60**	12,725
Disposal of subsidiaries	31	**187,000**	–
Advance of loan to a joint venture		**–**	(170)
Repayment of loan received from a joint venture		**–**	219
Deposit received for disposal of a subsidiary		**–**	30,624
Deposit paid for acquisition of items of property, plant and equipment		**–**	(430)
Net cash flows from investing activities		**187,173**	39,536
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**17,096**	22,226
Repayment of bank loans		**(15,777)**	(12,841)
Net cash flows from financing activities		**1,319**	9,385
NET INCREASE IN CASH AND CASH EQUIVALENTS		**116,406**	4,440
Cash and cash equivalents at beginning of year		**44,965**	40,985
Effect of foreign exchange rate changes, net		**602**	(460)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**161,973**	44,965
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**161,973**	20,947
Non-pledged time deposits with original maturity of less than three months when acquired	21	**–**	24,018
Cash and cash equivalents as stated in the statement of financial position		**161,973**	44,965

1. CORPORATE AND GROUP INFORMATION

Elegance Optical 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.

During the year, the Group was engaged in the manufacture and trading of optical frames and sunglasses, property investment and investment in debts and securities.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered paid-in capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Elegance Optical Investments Limited	Hong Kong	Ordinary HK$200 Non-voting deferred HK$20,000,000*	–	100	Investment holding and property investment
Elegance Optical Manufactory Limited	Hong Kong	Ordinary HK$2	–	100	Investment holding and trading of optical frames
東莞創富眼鏡有限公司 ("東莞創富")**	The People's Republic of China ("PRC")/ Mainland China	HK$43,700,000	–	55	Trading and manufacture of optical frames
Gold Strong Industrial Limited	Hong Kong	Ordinary HK$100	–	55	Investment holding and trading of optical frames
Grand River Investment Limited	Hong Kong	Ordinary HK$2	–	100	Property investment
People by People Group Limited	Hong Kong	Ordinary HK$200	–	100	Trading of optical frames and bags in Hong Kong and Southeast Asia

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered paid-in capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
高雅光學(深圳)有限公司 ("高雅深圳")**	The PRC/ Mainland China	RMB33,000,000	–	100	Trading and manufacture of optical frames
Brilliant Plan Global Limited**	British Virgin Islands ("BVI")	US$1	100	–	Securities investment

* 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.

*** 東莞創富 and 高雅深圳 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.

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 ("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, an available-for-sale financial asset and equity investments at fair value through profit or loss, which have been measured at fair value and non-current assets held for sale, which have been stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars 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 Group for the year ended 31 March 2017. 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 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. 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.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs

Other than as explained below regarding the impact of Amendments to HKAS 1, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

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.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to HKAS 40	*Transfer of Investment Property*[2]
HK (IFRIC) – Int 22	*Foreign Currency Transactions and Advance Consideration*[2]
Annual Improvement 2014—2016 Cycle	Amendments to a number of HKFRS[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

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

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 April 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 April 2018. The Group is currently assessing the impact of the standard.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

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

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implement issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 April 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 April 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 April 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 April 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in an associate and a joint venture

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.

The Group's investments in an associate and a joint venture 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 a joint venture 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 venture are eliminated to the extent of the Group's investments in the associate or joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of an associate or a joint venture is included as part of the Group's investments in an associate or a joint venture.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Fair value measurement

The Group measures its investment properties, a derivative financial instrument, an available-for-sale financial asset and equity investments 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 non-current assets classified as held for sale), 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 profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired 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 profit or loss in the period in which it arises.

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);

(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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets held for sale". 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 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.

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:

Land and 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 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.

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 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 profit or loss in the year of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

For a transfer to investment properties from owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. 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. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserve.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and prepaid land lease payments classified as held for sale are not depreciated or amortised.

Leases

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 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.

Sale and leaseback transaction

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term. If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognised immediately. If the sale price is below fair value, any profit or loss is recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 assets, 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.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as revenue 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.

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 other operating expenses for loans and 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial assets (continued)

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.

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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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 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 profit or loss.

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 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 profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, accruals and deposits received, interest-bearing bank borrowings and a derivative financial instrument.

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

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities 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.

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 profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (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 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 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 noncurrent 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 consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

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.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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;

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

(e) realised fair value gains or losses on investment in securities, on trade date basis, whilst unrealised fair value gains or losses on change in fair value at the end of the reporting period.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other 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 consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the consolidated 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 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, the joint venture and the 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 Hong Kong dollars 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 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 consolidated 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 consolidated financial statements:

Operating lease commitments – Group as lessor
The Group has entered into industrial 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 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 non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

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 2017, the carrying amount of inventories was HK$14,570,000, net of provision for obsolete inventories of HK$57,209,000 (2016: HK$27,987,000, net of provision for obsolete inventories of HK$52,719,000).

Impairment of trade receivables

The policy for impairment of trade receivables of the Group is based on the evaluation of collectability and ageing 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 2017, the carrying value of trade receivables was HK$18,238,000, net of impairment of trade receivables of HK$308,000 (2016: HK$36,942,000, net of impairment of trade receivables of HK$364,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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 2017 was approximately HK$96,227,000 (2016: HK$86,835,000). Further details are contained in note 27 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

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

(a) the manufacturing and trading segment engaged in manufacture and trading of optical frames and sunglasses;

(b) the property investment segment engaged in leasing of properties for rental income; and

(c) the debts and securities investment segment engaged in investments in financial instruments and quoted shares.

In prior years, the Group had two reportable operating segments which are the manufacturing and trading segment and property investment segment. As a result of the increased transaction volume of investment in securities during the year, management of the Group has reassessed the Group's segment reporting and decided that for financial reporting purposes, there is a new reportable operating segment as the resources allocation, performance assessment and decision making of the debts and securities investment segment are considered separately. The impact of the abovementioned change in the Group's reportable operating segment for the year ended 31 March 2016 is considered retrospectively and the Group's operating segment information is restated as if the Group had been operating with three operating segments in that year.

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

Segment assets exclude other unallocated head office and corporate assets, including cash and cash equivalents and investment in and balances with a joint venture, as these assets are managed on a group basis.

4. SEGMENT INFORMATION (continued)

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

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

	Manufacturing and trading HK$'000	Property investment HK$'000	Debts and securities investment HK$'000	Total HK$'000
Year ended 31 March 2017				
Segment revenue:				
Revenue from external customers	129,622	5,579	1,047	136,248
Segment results	(81,690)	5,395	1,047	(75,248)
Reconciliation:				
Bank interest income				478
Unallocated gains				101,073
Corporate and other unallocated expenses				(4,306)
Finance costs				(1,199)
Profit before tax				20,798
Segment assets	150,627	29,862	38,541	219,030
Reconciliation:				
Corporate and other unallocated assets				161,973
Total assets				381,003
Segment liabilities	49,566	604	–	50,170
Reconciliation:				
Corporate and other unallocated liabilities				64,134
Total liabilities				114,304
Other segment information:				
Share of losses of a joint venture	(215)	–	–	(215)
Depreciation and amortisation	(16,075)	–	–	(16,075)
Provision for inventory obsolescence	(2,625)	–	–	(2,625)
Impairment of trade receivables	(17)	–	–	(17)
Impairment loss on investment in and loan to a joint venture	(3,929)	–	–	(3,929)
Additions to items of property, plant and equipment	892	–	–	892

4. SEGMENT INFORMATION (continued)

	Manufacturing and trading HK$'000 (Restated)	Property investment HK$'000	Debts and securities investment HK$'000 (Restated)	Total HK$'000 (Restated)
Year ended 31 March 2016				
Segment revenue:				
Revenue from external customers	206,597	4,921	9	211,527
Segment results	(72,450)	(19,291)	9	(91,732)
Reconciliation:				
Bank interest income				291
Unallocated gains				617
Corporate and other unallocated expenses				(476)
Finance costs				(1,125)
Loss before tax				(92,425)
Segment assets	233,512	96,763	448	330,723
Reconciliation:				
Corporate and other unallocated assets				49,243
Total assets				379,966
Segment liabilities	59,393	512	–	59,905
Reconciliation:				
Corporate and other unallocated liabilities				52,920
Total liabilities				112,825
Other segment information:				
Share of losses of a joint venture	(21)	–	–	(21)
Depreciation and amortisation	(19,953)	–	–	(19,953)
Provision for inventory obsolescence	(15,296)	–	–	(15,296)
Impairment of trade receivables	(679)	–	–	(679)
Investment in and loan to a joint venture	4,181	–	–	4,181
Additions to items of property, plant and equipment	3,699	–	–	3,699

4. SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2017 HK$'000	2016 HK$'000 (Restated)
Europe	57,970	105,477
America	63,238	79,889
The PRC (including Hong Kong)	11,236	18,008
Other Asian countries	3,057	7,522
Others	747	631
	136,248	211,527

The revenue information above is based on the locations of the customers. The PRC (including Hong Kong) segment mainly represents rental income from lessees located in the PRC (including Hong Kong) and the sales of eyewear products to agents located in Hong Kong including sales made to local retailers. The directors believe that the agents in Hong Kong export the Group's products mainly to Europe and America.

(b) Non-current assets

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

Information about major customers attributable to manufacturing and trading

	2017 HK$'000	2016 HK$'000
Customer A	26,148	34,790
Customer B	19,371	33,691
Customer C	16,762	32,825
	62,281	101,306

5. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, gross rental income, fair value gains on and dividend income from equity investments at fair value through profit or loss.

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

	2017 HK$'000	2016 HK$'000 (Restated)
Revenue:		
Sale of goods	129,622	206,597
Rental income	5,579	4,921
Fair value gains on equity investments at fair value through profit or loss, net	1,043	5
Dividend income from equity investments at fair value through profit or loss	4	4
	136,248	211,527
Other income:		
Sale of scrap materials	962	94
Bank interest income	478	291
Government grants	247	92
Write-back of other payables	1,242	2,467
Others	838	926
	3,767	3,870

As further explained in note 4 to the financial statements, fair value gains on equity investments at fair value through profit or loss of HK$5,000 and dividend income from the equity investments at fair value through profit or loss of HK$4,000 for the year ended 31 March 2016 were reclassified from other operating expenses and other income, respectively, to revenue as the debts and securities investment segment was considered by management to be an operating segment of the Group during the year.

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
Cost of inventories sold*		135,558	205,706
Depreciation	11	15,832	19,575
Amortisation of prepaid land lease payments	13	243	378
Auditor's remuneration		1,110	980
Minimum lease payments under operating leases in respect of land and buildings		2,654	2,238
Employee benefit expense (excluding directors' and chief executive's remuneration, as set out in note 8):			
Wages and salaries		77,886	111,852
Pension scheme contributions**		1,276	1,346
		79,162	113,198
Gross rental income		(5,579)	(4,921)
Less: Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties*		365	297
Net rental income		(5,214)	(4,624)
Provision for inventory obsolescence*		2,625	15,296
Foreign exchange differences, net		3,161	1,543
Other operating expenses, net:			
Impairment of trade receivables	18	17	679
Loss/(gain) on disposal of items of property, plant and equipment		654	(9,272)
Fair value losses on derivative financial instrument, net	25	–	455
Changes in fair values of investment properties	12	(181)	23,915
Impairment loss on investment in and loan to a joint venture	14	3,929	–
Gain on deregistration of an associate	15	–	(616)
Others		87	–
		4,506	15,161

* Included in "cost of sales and services" 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 (2016: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 HK$'000	2016 HK$'000
Interest on bank loans	1,199	1,125

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

Directors' and chief executive's remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017 HK$'000	2016 HK$'000
Fees	374	360
Other emoluments:		
Basic salaries and bonuses	2,672	2,596
Housing benefit	1,344	1,412
Pension scheme contributions	49	51
	4,065	4,059
	4,439	4,419

Two (2016: 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$1,344,000 (2016: HK$1,412,000) for the year ended 31 March 2017, 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:

	2017 HK$'000	2016 HK$'000
Poon Kwok Fai, Ronald	120	120
Pang Sung Yuen	120	120
Kwong Ping Man	120	120
Wan Kin Man, Tony	14	–
	374	360

There were no other emoluments payable to the independent non-executive directors during the year (2016: 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
2017				
Executive directors:				
Hui Leung Wah	1,200	900	–	2,100
Poon Sui Hong	818	444	31	1,293
Hui Chun Yuen	540	–	18	558
Wong Chi Yan	114	–	–	114
	2,672	1,344	49	4,065
2016				
Executive directors:				
Hui Leung Wah	1,200	900	–	2,100
Poon Sui Hong	826	444	31	1,301
Leung Shu Sum	230	68	10	308
Hui Chun Yuen	340	–	10	350
	2,596	1,412	51	4,059

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

Directors' and chief executive's remuneration (continued)

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

There were no fees and other emoluments payable to the independent non-executive directors and chief executive during the year (2016: Nil).

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

Five highest paid employees' emoluments

The five highest paid individuals during the year included two (2016: two) directors, details of whose remuneration are disclosed above. Details of the remuneration of the three (2016: three) non-director, highest paid individuals for the year are set out below:

	2017 HK$'000	2016 HK$'000
Basic salaries and bonuses	2,397	2,229
Housing benefit	252	252
Pension scheme contributions	86	84
	2,735	2,565

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 2017	2016
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 (2016: HK$252,000) for the year ended 31 March 2017, 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% (2016: 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.

	2017 HK$'000	2016 HK$'000
Current — Hong Kong		
Charge for the year	–	92
Underprovision in prior years	43	44
Current — Elsewhere		
Charge for the year	14,167	–
Overprovision in prior years	(37)	(733)
Deferred (note 27)	555	(2,039)
Withholding tax	424	340
Total tax expense/(credit) for the year	15,152	(2,296)

A reconciliation of the tax expense/(credit) applicable to profit/(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 credit at the effective tax rates is as follows:

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
2017			
Profit/(loss) before tax	50,493	(29,695)	20,798
Tax at the statutory tax rate	8,331	(7,424)	907
Adjustments in respect of current tax of previous periods	43	(37)	6
Effect of withholding tax at 10% on rental income derived from the PRC	424	–	424
Profits and losses attributable to a joint venture	35	–	35
Income not subject to tax	(1,120)	(288)	(1,408)
Effect of different tax rates in other jurisdiction	–	93	93
Expenses not deductible for tax	5,967	7,578	13,545
Estimated tax losses not recognised	1,550	–	1,550
Tax expense/(credit) at the Group's effective rate	15,230	(78)	15,152

9. INCOME TAX (continued)

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
2016			
Loss before tax	(24,545)	(67,880)	(92,425)
Tax at the statutory tax rate	(4,050)	(16,970)	(21,020)
Adjustments in respect of current tax of previous periods	44	(733)	(689)
Effect of withholding tax at 10% on rental income derived from the PRC	340	–	340
Profits and losses attributable to a joint venture	3	–	3
Income not subject to tax	(2,063)	(574)	(2,637)
Effect of different tax rates in other jurisdiction	1,487	69	1,556
Expenses not deductible for tax	1,976	17,430	19,406
Estimated tax losses not recognised	745	–	745
Tax credit at the Group's effective rate	(1,518)	(778)	(2,296)

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 323,649,123 (2016: 323,649,123) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2017 and 2016.

The calculations of basic and diluted earnings per share are based on:

	2017 HK$'000	2016 HK$'000
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculation	8,038	(86,729)

	Number of shares 2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculation	323,649,123	323,649,123

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2017						
At 31 March 2016 and at 1 April 2016:						
Cost	150,408	59,497	143,477	21,844	10,904	386,130
Accumulated depreciation and impairment	(42,082)	(46,265)	(124,892)	(18,488)	(9,737)	(241,464)
Net carrying amount	108,326	13,232	18,585	3,356	1,167	144,666
At 1 April 2016, net of accumulated depreciation and impairment	108,326	13,232	18,585	3,356	1,167	144,666
Additions	–	229	515	148	–	892
Disposals	–	(405)	(10)	(299)	–	(714)
Depreciation provided during the year	(3,223)	(2,350)	(8,795)	(867)	(597)	(15,832)
Disposal of a subsidiary (note 31(b))	(43,860)	–	–	–	–	(43,860)
Exchange realignment	(1,933)	(487)	(692)	(112)	(38)	(3,262)
At 31 March 2017, net of accumulated depreciation	59,310	10,219	9,603	2,226	532	81,890
At 31 March 2017:						
Cost	85,935	57,154	137,721	20,371	10,452	311,633
Accumulated depreciation	(26,625)	(46,935)	(128,118)	(18,145)	(9,920)	(229,743)
Net carrying amount	59,310	10,219	9,603	2,226	532	81,890

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2016						
At 1 April 2015:						
Cost	164,342	61,313	146,808	22,277	12,426	407,166
Accumulated depreciation and impairment	(41,472)	(44,643)	(119,161)	(17,960)	(10,501)	(233,737)
Net carrying amount	122,870	16,670	27,647	4,317	1,925	173,429
At 1 April 2015, net of accumulated depreciation and impairment	122,870	16,670	27,647	4,317	1,925	173,429
Additions	–	447	2,920	293	39	3,699
Disposals	(2,705)	(342)	(274)	(132)	–	(3,453)
Depreciation provided during the year	(3,767)	(2,978)	(11,024)	(1,043)	(763)	(19,575)
Transfer to non-current assets held for sale (note 22)	(6,326)	(158)	–	–	–	(6,484)
Exchange realignment	(1,746)	(407)	(684)	(79)	(34)	(2,950)
At 31 March 2016, net of accumulated depreciation and impairment	108,326	13,232	18,585	3,356	1,167	144,666
At 31 March 2016:						
Cost	150,408	59,497	143,477	21,844	10,904	386,130
Accumulated depreciation and impairment	(42,082)	(46,265)	(124,892)	(18,488)	(9,737)	(241,464)
Net carrying amount	108,326	13,232	18,585	3,356	1,167	144,666

At 31 March 2017, certain of the Group's land and buildings with a net carrying amount of approximately HK$17,577,000 (2016: HK$18,163,000) were pledged to secure general banking facilities granted to the Group (note 26).

12. INVESTMENT PROPERTIES

	Notes	2017 HK$'000	2016 HK$'000
Carrying amount at beginning of year		**96,763**	120,678
Net gain/(loss) from a fair value adjustment	6	**181**	(23,915)
Disposal of a subsidiary	31(b)	**(67,082)**	–
Carrying amount at end of year		**29,862**	96,763

The Group's investment properties consist of two (2016: two) industrial properties in Hong Kong and one (2016: four) industrial properties in the PRC. The directors of the Company determined that the investment properties consist of one class of asset, i.e., industrial, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 March 2017 based on valuations performed by Roma Appraisals Limited, independent professionally qualified valuers, at HK$29,862,000. Each year, the Group's financial controller decides, after approval from the audit committee, 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 leased to third parties under operating leases, further summary details of which are included in note 32(a) to the financial statements.

Further particulars of the Group's investment properties are included on page 114.

Fair value hierarchy

All the Group's investment properties were classified under Level 3 in the fair value measurement 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 (2016: Nil).

12. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

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

	Industrial properties HK$'000
Carrying amount at 1 April 2015	120,678
Net loss from a fair value adjustment recognised in other operating expenses, net in profit or loss	(23,915)
Carrying amount at 31 March 2016 and 1 April 2016	96,763
Net gain from a fair value adjustment recognised in other operating expenses, net in profit or loss	181
Disposal of a subsidiary	(67,082)
Carrying amount at 31 March 2017	29,862

Below is a summary of the significant inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Weighted average 2017	Weighted average 2016
Industrial properties in Hong Kong	Market comparison approach	Price per square foot	HK$4,213	HK$4,043
Industrial properties in the PRC	Market comparison approach	Price per square metre	HK$1,943	HK$2,551

Under market comparison approach, the properties are valued on the market basis assuming sales in their existing state with the benefit of vacant possession and by reference to comparable sales evidence as available in the relevant markets. Comparison is based on prices realised in actual transactions or asking prices of comparable properties. Appropriate adjustments are then made to account for the differences between such properties in terms of age, time, location, floor level and other relevant factors.

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

13. PREPAID LAND LEASE PAYMENTS

	Notes	2017 HK$'000	2016 HK$'000
Carrying amount at beginning of year		**8,600**	13,249
Recognised during the year	6	**(243)**	(378)
Disposal of a subsidiary	31(b)	**(3,839)**	–
Transfer to non-current assets held for sale	22	**–**	(3,901)
Exchange realignment		**(263)**	(370)
Carrying amount at end of year		**4,255**	8,600
Current portion included in prepayments, deposits and other receivables		**(112)**	(273)
Non-current portion		**4,143**	8,327

14. INVESTMENT IN A JOINT VENTURE

	2017 HK$'000	2016 HK$'000
Share of net assets	**356**	608
Loan to a joint venture	**3,573**	3,573
	3,929	4,181
Provision for impairment	**(3,929)**	–
	–	4,181

The loan to a joint venture of HK$3,573,000 (2016: HK$3,573,000) included in the Group's non-current assets is unsecured, interest-free and is not repayable within one year from the end of the reporting period. In the opinion of the directors, the loan is considered as part of the Group's net investment in the joint venture.

In the prior year, the amount due from a joint venture of HK$97,000 included in the Group's current assets is unsecured, interest-free and is repayable on demand.

The Group's trade receivable balance due from a joint venture is disclosed in note 18 to the financial statements.

The directors had conducted impairment testing on the Group's investment in a joint venture and they considered that the carrying amounts of the investment in a joint venture are in excess of their recoverable amounts as a result of the continuing operating losses of the joint venture. Accordingly, a provision for impairment of HK$3,929,000 (2016: Nil) was charged to the consolidated statement of profit or loss as at 31 March 2017 (note 6).

14. INVESTMENT IN A JOINT VENTURE (continued)

Particulars of the Group's joint venture 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
廣州佳視美光學眼鏡有限公司 ("佳視美")	Registered capital of RMB1,000,000	The PRC/ Mainland China	27 (2016: 27)	27 (2016: 27)	27 (2016: 27)	Trading of optical frames

The financial statements of the above joint venture were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network and the above joint venture has a financial year end date of 31 December. The consolidated financial statements are adjusted for the material transactions of the above joint venture between 1 January and 31 March. The above joint venture uses 31 December as its financial year end date to comply with relevant regulations in the PRC.

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

The above joint venture was registered as a Sino-foreign joint venture under the PRC law and is held through a wholly-owned subsidiary of the Company.

In the prior year, the Group acquired an additional equity interest of 2% in 佳視美 from one of the investors at a consideration of RMB20,000 (equivalent to HK$24,000).

The following table illustrates the financial information of the Group's joint venture:

	2017 **HK$'000**	2016 HK$'000
Share of the joint venture's loss for the year	**(215)**	(21)
Share of the joint venture's other comprehensive loss	**(37)**	(33)
Share of the joint venture's total comprehensive loss	**(252)**	(54)
Impairment loss on investment in and loan to a joint venture	**(3,929)**	–
Aggregate carrying amount of the Group's investment in the joint venture	**–**	4,181

15. INVESTMENT IN AN ASSOCIATE

	2017 HK$'000	2016 HK$'000
Share of net assets	–	–

Particulars of the Group's associate are as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Group	Principal activities
Optics 2000 & Optics Café Pte., Ltd.	245,000 ordinary shares of SG$1 each	Singapore	– (2016: –)	Dormant

During the year ended 31 March 2016, on 10 December 2015, the Group's associate was deregistered. In the prior year, the share of the associate's exchange differences of HK$616,000 previously recorded in the statement of comprehensive income was released from the exchange fluctuation reserve.

16. AVAILABLE-FOR-SALE FINANCIAL ASSET

	2017 HK$'000	2016 HK$'000
Unlisted debt investment, at fair value	360	360

The above investment was designated as an available-for-sale financial asset. The fair value of the club debenture is based on the recent market transaction price. During the year, the gross fair value gain in respect of the Group's available-for-sale financial asset recognised in other comprehensive income amounted to nil (2016: HK$40,000).

17. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	4,892	8,740
Work in progress	5,525	12,350
Finished goods	4,153	6,897
	14,570	27,987

18. TRADE RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	18,546	37,306
Impairment	(308)	(364)
	18,238	36,942

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally ranging from 45 to 120 days (2016: 45 to 120 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of each reporting period, based on the invoice date and net of provisions, is as follows:

	2017 HK$'000	2016 HK$'000
Current to 90 days	18,236	36,935
91 to 180 days	1	7
181 to 360 days	1	–
	18,238	36,942

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

	2017 HK$'000	2016 HK$'000
At beginning of year	364	10,828
Impairment losses recognised (note 6)	17	679
Amount written off as uncollectible	(73)	(11,143)
At end of year	308	364

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$308,000 (2016: HK$364,000) with a carrying amount before provision of HK$308,000 (2016: HK$364,000). 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.

18. TRADE RECEIVABLES (continued)

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

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**16,920**	29,724
Less than one month past due	**853**	6,180
One to three months past due	**463**	1,031
Over three months past due	**2**	7
	18,238	36,942

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.

As at 31 March 2016, included in the Group's trade receivables is an amount due from the Group's joint venture of HK$2,000, which is repayable on similar credit terms to those offered to the major customers of the Group.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Prepayments	**634**	1,954
Deposits and other receivables	**31,152**	3,251
	31,786	5,205
Less: Non-current portion	**(663)**	(511)
	31,123	4,694

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.

20. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000	2016 HK$'000
Listed equity investments, at market value	**38,181**	88

The above equity investments at 31 March 2017 and 31 March 2016 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit and loss.

The market value of the Group' short term investments at the date of approval of these financial statements was approximately HK$43,600,000.

21. CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Cash and bank balances	**161,973**	20,947
Time deposits	**–**	24,018
Cash and cash equivalents	**161,973**	44,965

At 31 March 2017, the aggregate cash and bank balances and deposits of the Group denominated in Renminbi ("RMB") amounted to HK$8,285,000 (2016: HK$39,244,000). 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.

22. NON-CURRENT ASSETS HELD FOR SALE

	2017 HK$'000	2016 HK$'000
Property, plant and equipment	–	6,484
Prepaid land lease payments	–	3,901
	–	10,385

In prior year, the Group entered into a sale and purchase agreement (the "Agreement") with an independent third party to dispose of its entire equity interest in a wholly-owned subsidiary (the "Subsidiary"). The Agreement further set out that the Group shall retain all assets and liabilities of the Subsidiary other than leasehold land and buildings and certain items of plant and machinery situated in the PRC. Accordingly, the Subsidiary's leasehold land and buildings and certain items of plant and machinery were classified as non-current assets held for sale as their carrying amounts will be recovered principally through sale.

During the year ended 31 March 2017, the transaction was completed and a gain on disposal of subsidiary amounted to HK$22,306,000 was recognised (note 31(a)).

23. TRADE PAYABLES

An aged analysis of the trade payables as at the end of each reporting period, based on the payment due date, is as follows:

	2017 HK$'000	2016 HK$'000
Current to 90 days	**8,074**	11,577
91 to 180 days	**311**	1,168
181 to 360 days	**46**	71
Over 360 days	**390**	343
	8,821	13,159

Trade payables are non-interest-bearing and are normally settled on 90-day (2016: 90-day) terms.

24. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2017 HK$'000	2016 HK$'000
Other payables	1,686	355
Accruals	9,400	13,114
Deposits received	30,263	33,277
	41,349	46,746
Less: Non-current portion	(92)	(1,372)
	41,257	45,374

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

25. DERIVATIVE FINANCIAL INSTRUMENT

In the prior year, the Group entered into a forward currency contract to manage its exchange rate exposures. This forward currency contract was not designated for hedge purposes and was measured at fair value through profit or loss. During the year ended 31 March 2016, fair value loss of a non-hedging currency derivative amounting to HK$455,000 was charged to consolidated statement of profit or loss.

No forward currency contract was outstanding as at 31 March 2017 and 31 March 2016.

26. INTEREST-BEARING BANK BORROWINGS

	2017			2016		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans — secured	2.68–3.40	2017	46,584	2.65–2.92	2016	45,265

	2017 HK$'000	2016 HK$'000
Analysed into:		
Bank loans repayable within one year	46,584	45,265

26. INTEREST-BEARING BANK BORROWINGS (continued)

Notes:

(a) The Group's banking facilities amounting to HK$60,000,000 (2016: HK$60,000,000), of which HK$46,584,000 (2016: HK$45,265,000) had been utilised as at the end of the reporting period, are secured by the pledge of certain of the Group's land and buildings located in Hong Kong with a net carrying amount of HK$17,577,000 (2016: HK$18,163,000).

(b) All of the Group's bank borrowings were denominated in United States dollars.

27. DEFERRED TAX

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

	Depreciation allowance in excess of related depreciation HK$'000	Property revaluation HK$'000	Total HK$'000
At 1 April 2015	1,137	7,325	8,462
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 9)	43	(2,082)	(2,039)
Net deferred tax liabilities at 31 March 2016 and 1 April 2016	1,180	5,243	6,423
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 9)	617	(62)	555
Disposal of a subsidiary (note 31(b))	–	(4,387)	(4,387)
Net deferred tax liabilities at 31 March 2017	1,797	794	2,591

At the end of the reporting period, the Group had estimated tax losses arising in Hong Kong of HK$96,227,000 (2016: HK$86,835,000) 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.

27. DEFERRED TAX (continued)

At 31 March 2017, 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. There were no temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised at 31 March 2017 (2016: Nil).

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

28. SHARE CAPITAL

	2017 **HK$'000**	2016 HK$'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. RESERVES

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 49 of the financial statements.

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. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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

	2017	2016
Percentage of equity interest held by non-controlling interests:		
Gold Strong Industrial Limited and its subsidiaries	**45%**	45%

	2017 **HK$'000**	2016 HK$'000
Loss for the year allocated to non-controlling interests:		
Gold Strong Industrial Limited and its subsidiaries	**(2,392)**	(3,404)
Accumulated balance of non-controlling interests at the reporting dates:		
Gold Strong Industrial Limited and its subsidiaries	**984**	4,509

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

	2017 **HK$'000**	2016 HK$'000
Revenue	**47,137**	50,692
Total expenses	**(54,000)**	(60,352)
Loss for the year	**(5,315)**	(7,565)
Total comprehensive loss for the year	**(7,832)**	(10,000)
Current assets	**16,636**	18,284
Non-current assets	**53,140**	60,836
Current liabilities	**(66,797)**	(65,887)
Non-current liabilities	**(794)**	(3,215)
Net cash flows from/(used in) operating activities	**(1,943)**	909
Net cash flows used in investing activities	**(154)**	(967)
Net decrease in cash and cash equivalents	**(2,097)**	(58)

31. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Jet Kingdom Machinery Technology Company Limited ("Jet Kingdom")

During the year ended 31 March 2016, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in Jet Kingdom, a wholly-owned subsidiary of the Company, at a consideration of RMB26,000,000 (equivalent to HK$31,078,000). The deposit of RMB26,000,000 has been received during the year ended 31 March 2016. As the transaction had not been completed as at 31 March 2016, Jet Kingdom's leasehold land and buildings and certain items of plant and machinery were classified as non-current assets held for sale as at 31 March 2016 (note 22). Upon the completion of the transaction in May 2016, Jet Kingdom ceased to be a subsidiary of the Company. The net assets of Jet Kingdom at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	6,433
Prepaid land lease payments	3,872
Inventories	1,946
Other payables and accruals	(431)
	11,820
Exchange fluctuation reserve	(3,048)
	8,772
Gain on disposal of a subsidiary	22,306
Consideration	31,078
Satisfied by:	
Cash and cash equivalents	31,078

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	HK$'000
Cash consideration	31,078
Cash and bank balances disposed of	–
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	31,078

31. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of Million Wave Limited ("Million Wave")

During the current year, in October 2016, the Group entered into a disposal agreement with a company in which Mr. Hui, chairman of the board as well as the executive director of the Group, is the beneficial owner (the "Purchaser"), for the disposal of the entire equity interests in Million Wave, a wholly-owned subsidiary of the Company, at a cash consideration of HK$187,000,000. The Group also entered into a leaseback agreement, whereby the Group leased certain of the disposed properties back from the Purchaser for its own use for 2 years commencing on the completion of the transaction in January 2017. Upon completion of the transaction, Million Wave ceased to be a subsidiary of the Company. The net assets of Million Wave at the date of disposal were as follows:

	Notes	HK$'000
Net assets disposed of:		
Property, plant and equipment	11	43,860
Prepaid land lease payments	13	3,839
Investment properties	12	67,082
Prepayments and other receivables		218
Other payables and accruals		(1,732)
Due to shareholders		(45,584)
Tax payable		(647)
Deferred tax liabilities	27	(4,387)
		62,649
Assignment of shareholder's loan		45,584
		108,233
Gain on disposal of a subsidiary		78,767
Consideration		187,000
Satisfied by:		
Cash and cash equivalents		187,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	HK$'000
Cash consideration	187,000
Cash and bank balances disposed of	–
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	187,000

32. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 12 to the financial statements) under operating lease arrangements, with the leases negotiated for terms ranging from two to three years. The terms of the leases also require the tenant to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2017, the Group had total future minimum lease receivables under non- cancellable operating leases with its tenants falling due as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**1,302**	7,016
In the second to fifth years, inclusive	**875**	4,660
	2,177	11,676

(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 2017, the Group had total future minimum lease payments under non- cancellable operating leases falling due as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**4,667**	834
In the second to fifth years, inclusive	**2,763**	3,326
After five years	**27,133**	28,993
	34,563	33,153

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:

	2017 HK$'000	2016 HK$'000
Contracted, but not provided for:		
Equipment and machinery	–	93

34. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) Transactions with Safilo Group S.p.A. and its subsidiaries (collectively "Safilo")

During the year ended 31 March 2016, Safilo Group S.p.A., a former substantial shareholder of the Company, entered into a share purchase agreement with two independent third parties for the transfer of 74,599,123 shares, representing a 23.05% equity interest of the Company (the "Transfer"). The Transfer was completed on 22 September 2015. Upon completion of the Transfer, Safilo Group S.p.A. ceased to be a substantial shareholder of the Group. Safilo S.p.A., a former subsidiary of Safilo Group S.p.A. incorporated in Italy, had entered into the following commercial agreement with the Company since 1997 and constituted related party transaction up to the Transfer:

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 ended 31 March 2016, up to the date of Transfer, the Group sold goods to Safilo with an aggregate sales value amounting to HK$17,886,000.

34. RELATED PARTY TRANSACTIONS (continued)

(b) Leaseback of properties upon disposal of a subsidiary

Further to note 31(b) to the financial statements, the Group entered into a disposal agreement with a company in which Mr. Hui, chairman of the board as well as the executive director of the Group, is the beneficial owner, for the disposal of the entire equity interests in Million Wave, a wholly-owned subsidiary of the Company, at a cash consideration of HK$187,000,000.

During the current year, upon the completion of the disposal, the Group leases the properties back from Million Wave for a monthly rental of HK$372,000 which was mutually agreed by both parties based on market value. The amount of rental paid by the Group for the current year in respect of leasing of the properties amounted to HK$930,000 (2016: Nil), which has been included in "administrative expenses" on the face of the consolidated statement of profit or loss.

(c) Transaction with a director of the Company

During the year, director's quarters were rented by the Group from Mr. Hui, chairman of the board as well as the executive director of the Group, for the use by Mr. Poon Sui Hong as director's quarters. The annual rental amounting to HK$444,000 for the year (2016: 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.

(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 14 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 18 to the financial statements.

(e) Compensation of key management personnel of the Group

	2017 HK$'000	2016 HK$'000
Short term employee benefits	6,665	6,489
Post-employment benefits	135	135
Total compensation paid to key management personnel	6,800	6,624

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

The related party transactions as set out in (a) and (b) 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:

2017

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
Available-for-sale financial asset	–	–	360	360
Trade receivables	–	18,238	–	18,238
Financial assets included in prepayments, deposits and other receivables	–	31,152	–	31,152
Equity investments at fair value through profit or loss	38,181	–	–	38,181
Cash and cash equivalents	–	161,973	–	161,973
	38,181	211,363	360	249,904

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	8,821
Financial liabilities included in other payables, accruals and deposits received	34,589
Interest-bearing bank borrowings	46,584
	89,994

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)

2016

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	–	3,573	–	3,573
Due from a joint venture	–	97	–	97
Available-for-sale financial asset	–	–	360	360
Trade receivables	–	36,942	–	36,942
Financial assets included in prepayments, deposits and other receivables	–	2,795	–	2,795
Equity investments at fair value through profit or loss	88	–	–	88
Cash and cash equivalents	–	44,965	–	44,965
	88	88,372	360	88,820

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	13,159
Financial liabilities included in other payables, accruals and deposits received	36,056
Interest-bearing bank borrowings	45,265
	94,480

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, current portion of a loan to/an amount due from a joint venture, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, interest-bearing bank borrowings and current portion of financial liabilities included in other payables, accruals and deposits received approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance team 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 financial 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 the non-current portion of a loan to a joint venture and the non-current portion of a deposit received have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group's own non-performance risk for interest-bearing bank borrowings as at 31 March 2017 was assessed to be insignificant.

The fair values of listed equity investments and an unlisted available-for-sale financial asset are based on quoted market prices.

Fair value hierarchy

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

Assets measured at fair value:

As at 31 March 2017

	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:				
Debt investment	360	–	–	360
Equity investments at fair value through profit or loss	38,181	–	–	38,181
	38,541	–	–	38,541

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

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at 31 March 2016

	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:				
Debt investment	360	–	–	360
Equity investments at fair value through profit or loss	88	–	–	88
	448	–	–	448

The Group did not have any financial liabilities measured at fair value as at 31 March 2017 and 2016.

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 (2016: 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 will enter into a forward currency contract to manage its exchange rate exposures if needed. 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 profit/(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 profit/(loss) before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2017			
If Hong Kong dollar weakens against RMB	**5**	**(1,601)**	**(1,807)**
If Hong Kong dollar strengthens against RMB	**(5)**	**1,601**	**1,807**
2016			
If Hong Kong dollar weakens against RMB	5	(178)	(903)
If Hong Kong dollar strengthens against RMB	(5)	178	903

* 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, an available-for-sale financial asset, a loan to a joint venture and financial assets included in prepayments, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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 24% (2016: 27%) and 66% (2016: 73%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively, within the Europe, 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 18 to the financial statements.

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:

	2017			2016		
	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	**8,821**	**–**	**8,821**	13,159	–	13,159
Financial liabilities included in other payables, accruals and deposits received	**34,497**	**92**	**34,589**	34,684	1,372	36,056
Interest-bearing bank borrowings	**46,639**	**–**	**46,639**	45,323	–	45,323
	89,957	**92**	**90,049**	93,166	1,372	94,538

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 2017 and 2016. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2017 and 2016.

38. EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of a limited company with a money lender license announced on 26 April 2017

On 25 April 2017, the Group acquired a wholly-owned subsidiary, Capital Real Estate Development Limited with a money lender license for the money lending business.

(b) Memorandum of Understanding in respect of possible acquisition announced on 16 June 2017

On 16 June 2017, the Company entered into a non-legally binding memorandum of understanding (the "MOU") with an independent third party (the "Investor"), pursuant to which the Company intends to acquire the entire issued share capital of Gold & Silver Holdings Limited ("Gold & Silver"), for a total consideration of HK$35,000,000. Gold & Silver is principally engaged in property investment and owns a residential property situated in Hong Kong, with a total gross floor area of approximately 4,200 square feet. As at the date of this report, there is no formal agreement that has been signed and finalised.

(c) Placing of New Shares under General Mandate announced on 20 June 2017

On 20 June 2017, the Company entered into a placing agreement with Kingston Securities Limited to procure on a best effort basis for 64,720,000 placing shares to not less than six independent placees at the placing price of HK$1.50 per share. Assuming all shares are fully placed, the gross proceeds from the placing will be approximately HK$97.1 million. The net proceeds, after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements in association with the placing amounted to approximately HK$2.7 million), are estimated to be approximately HK$94.4 million. The Company intends to apply the net proceeds from the placing: (i) as to approximately HK$35 million to finance the potential acquisition of a property as announced by the Company on 16 June 2017; (ii) as to approximately HK$40 million to finance the operations of the money lending business and the securities investment business and (iii) as to approximately HK$19.4 million as general working capital of the Group. As at the date of this report, the placing was not yet completed.

39. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation, as in the opinion of the directors, the presentation would better reflect the financial performance of the Group.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**308,147**	507,229
CURRENT ASSETS		
Prepayments	**170**	170
Cash and bank balances	**107,075**	55
Total current assets	**107,245**	225
CURRENT LIABILITIES		
Other payables and accruals	**329**	112
NET CURRENT ASSETS	**106,916**	113
TOTAL ASSETS LESS CURRENT LIABILITIES	**415,063**	507,342
NON-CURRENT LIABILITIES		
Loan from a subsidiary	**–**	282,629
Due to subsidiaries	**187,367**	3,229
Total non-current liabilities	**187,367**	285,858
Net assets	**227,696**	221,484
EQUITY		
Issued capital	**32,365**	32,365
Reserves	**195,331**	189,119
Total equity	**227,696**	221,484

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserve is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2015	56,831	146,973	(2,428)	201,376
Loss for the year and total comprehensive loss for the year	–	–	(12,257)	(12,257)
At 31 March 2016 and 1 April 2016	56,831	146,973	(14,685)	189,119
Profit for the year and total comprehensive income for the year	–	–	6,212	6,212
At 31 March 2017	56,831	146,973	(8,473)	195,331

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 29, 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.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 June 2017.

Particulars of Properties

31 March 2017

INVESTMENT PROPERTIES

Location	Use	Tenure	Applicable interest of the Group
B7, 3rd Floor, Block B, Mai Hing Industrial Building, 16–18 Hing Yip Street, Kwun Tong, Kowloon Hong Kong	Industrial	Medium	100%
B1&B2, 6th Floor, Block B, Mai Hing Industrial Building, 16–18 Hing Yip Street, Kwun Tong, Kowloon Hong Kong	Industrial	Medium	100%
A factory located at Lan Ma Jiao, Tang Wen Qian, Xiejiang Town, Dongguan City, Guangdong Province, the PRC	Industrial	Medium	55%