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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

The board of directors (the "Board") of Elegance Optical International Holdings Limited (the "Company") would like to announce the consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2017 together with the comparative figures for 2016 as follows:

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	*14*	**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		**(215)**	(21)
PROFIT/(LOSS) BEFORE TAX	*6*	**20,798**	(92,425)
Income tax credit/(expense)	*8*	**(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

	Note	**2017**	2016
		HK$'000	*HK$'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		**—**	40
Share of other comprehensive loss of a joint venture		**(37)**	(33)
Exchange differences:			
Release of exchange fluctuation reserve upon deregistration of an associate		**—**	(616)
Release of exchange fluctuation reserve upon disposal of a subsidiary	*14(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		**81,890**	144,666
Investment properties		**29,862**	96,763
Prepaid land lease payments		**4,143**	8,327
Investment in a joint venture		**—**	4,181
Investment in an associate		**—**	—
Available-for-sale financial asset		**360**	360
Prepayment and deposits		**663**	511
Total non-current assets		**116,918**	254,808
CURRENT ASSETS			
Inventories		**14,570**	27,987
Due from a joint venture		**—**	97
Trade receivables	*11*	**18,238**	36,942
Prepayments, deposits and other receivables		**31,123**	4,694
Equity investments at fair value through profit or loss		**38,181**	88
Cash and cash equivalents		**161,973**	44,965
		264,085	114,773
Non-current assets classified as held for sale	*12*	**—**	10,385
Total current assets		**264,085**	125,158
CURRENT LIABILITIES			
Trade payables	*13*	**8,821**	13,159
Other payables, accruals and deposits received		**41,257**	45,374
Derivative financial instrument		**—**	—
Interest-bearing bank borrowings, secured		**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

	2017	2016
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Deposits received	**92**	1,372
Deferred tax liabilities	**2,591**	6,423
Total non-current liabilities	**2,683**	7,795
Net assets	**266,699**	267,141
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**32,365**	32,365
Reserves	**233,350**	230,267
	265,715	262,632
Non-controlling interests	**984**	4,509
Total equity	**266,699**	267,141

NOTES TO FINANCIAL STATEMENTS

31 March 2017

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 securities.

2. 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. 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.

3. 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.

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.

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**

	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

Geographical information

(a) *Revenue from external customers*

	2017	2016
	HK$'000	*HK$'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	2016
	HK$'000	*HK$'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	2016
	HK$'000	*HK$'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):

	Note	**2017**	2016
		HK$'000	*HK$'000*
			(Restated)
Cost of inventories sold*		**135,558**	205,706
Depreciation		**15,832**	19,575
Amortisation of prepaid land lease payments		**243**	378
Auditor's remuneration		**1,040**	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):			
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	*11*	**17**	679
Loss/(gain) on disposal of items of property, plant and equipment		**654**	(9,272)
Fair value losses on derivative financial instrument, net		**—**	455
Changes in fair values of investment properties		**(181)**	23,915
Impairment loss on investment in and loan to a joint venture		**3,929**	—
Gain on deregistration of an associate		**—**	(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	2016
	HK$'000	*HK$'000*
Interest on bank loans	**1,199**	1,125

8. 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	2016
	HK$'000	*HK$'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	**555**	(2,039)
Withholding tax	**424**	340
Total tax expense/(credit) for the year	**15,152**	(2,296)

9. DIVIDEND

The Board does not recommend payment of any dividend for the year ended 31 March 2017 (2016: Nil).

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	2016
	HK$'000	*HK$'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. TRADE RECEIVABLES

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

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

	2017	2016
	HK$'000	*HK$'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.

12. NON-CURRENT ASSETS HELD FOR SALE

	2017	2016
	HK$'000	*HK$'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 14(a)).

13. 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	2016
	HK$'000	*HK$'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.

14. 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). 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 12). 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	10,305
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

(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:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	43,860
Prepaid land lease payments	3,839
Investment properties	67,082
Prepayments and other receivables	218
Other payables and accruals	(1,732)
Due to shareholders	(45,584)
Tax payable	(647)
Deferred tax liabilities	(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

15. 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 announcement, 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 announcement, the placing was not yet completed.

16. 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.

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 gain 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. 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%.

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 entitled 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 announcement 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 (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 announcement, 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 announcement, 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.

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 deviation:

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not have any officer with the title ''chief executive'' under the Board. Mr. Hui Leung Wah assumes the role of both 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 announcement 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.

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 chairman of the Audit Committee since 26 April 2017 following the resignation of Mr. Kwong Ping Man. Mr. Chan Wei and Mr. Chan Ming Kei, appointed as the Audit Committee's members since 26 April 2017 following the resignations of Messrs. Pang Sung Yuen and 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 announcement, 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 announcement, 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 period 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.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

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.

PUBLICATION OF ANNUAL REPORT

The 2017 annual report of the Company and the notice of the annual general meeting will be despatched to the shareholders of the Company and published on the website of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk and the website of the Company at http://www.elegance-group.com in due course.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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 investment.

APPRECIATION

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

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

Hong Kong, 27 June 2017

As at the date of this announcement, the executive Directors are Mr. Hui Leung Wah, Mr. Poon Sui Hong, Mr. Hui Chun Yuen, Ms. Wong Chi Yan and Mr. Chan Wai Kit, and the independent non-executive Directors are Mr. Chan Wei, Mr. Chan Ming Kei and Mr. Wan Kit Man, Tony.