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

(Incorporated in Bermuda with limited liability)
(website: http://www.elegance-group.com)
(Stock Code: 907)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

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 2016 together with the comparative figures for 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 March 2016

	Notes	**2016** **HK$'000**	2015 *HK$'000*
REVENUE	5	**211,518**	261,682
Cost of sales and services		**(221,299)**	(272,308)
Gross loss		**(9,781)**	(10,626)
Other income	5	**3,874**	1,912
Selling and distribution expenses		**(6,945)**	(5,514)
Administrative expenses		**(63,271)**	(65,435)
Other operating expenses, net	6	**(15,156)**	(8,542)
Finance costs	7	**(1,125)**	(215)
Share of profits and losses of a joint venture		**(21)**	181
LOSS BEFORE TAX	6	**(92,425)**	(88,239)
Income tax credit	8	**2,296**	553
LOSS FOR THE YEAR		**(90,129)**	(87,686)
Attributable to:			
Owners of the parent		**(86,729)**	(84,230)
Non-controlling interests		**(3,400)**	(3,456)
		(90,129)	(87,686)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic and diluted		**HK26.80 cents**	HK26.03 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2016

	2016	2015
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(90,129)**	(87,686)
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**	–
Reclassification adjustments for impairment losses of an available-for-sale financial asset included in the consolidated statement of profit or loss	**–**	250
	40	250
Share of other comprehensive loss of a joint venture	**(33)**	–
Release of exchange fluctuation reserve upon deregistration of an associate	**(616)**	–
Exchange differences on translation of foreign operations	**(3,917)**	39
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**(4,526)**	289
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	**–**	85,140
Deferred tax effect	**–**	(7,325)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**–**	77,815
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(4,526)**	78,104
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(94,655)**	(9,582)
Attributable to:		
Owners of the parent	**(90,160)**	(9,780)
Non-controlling interests	**(4,495)**	198
	(94,655)	(9,582)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**144,666**	173,429
Investment properties		**96,763**	120,678
Prepaid land lease payments		**8,327**	12,865
Investment in a joint venture		**4,181**	4,275
Investment in an associate		**–**	–
Available-for-sale financial asset		**360**	320
Prepayment and deposit		**511**	–
Total non-current assets		**254,808**	311,567
CURRENT ASSETS			
Inventories		**27,987**	49,076
Loan to a joint venture		**–**	219
Due from a joint venture		**97**	–
Trade receivables	*11*	**36,942**	42,761
Prepayments, deposits and other receivables		**4,694**	4,747
Equity investments at fair value through profit or loss		**88**	83
Tax recoverable		**–**	80
Cash and cash equivalents		**44,965**	40,985
		114,773	137,951
Non-current assets classified as held for sale	*12*	**10,385**	–
Total current assets		**125,158**	137,951
CURRENT LIABILITIES			
Trade payables	*13*	**13,159**	18,546
Other payables, accruals and deposits received		**45,374**	21,257
Derivative financial instrument		**–**	1,866
Interest-bearing bank borrowings, secured		**45,265**	35,880
Tax payable		**1,232**	1,711
Total current liabilities		**105,030**	79,260
NET CURRENT ASSETS		**20,128**	58,691
TOTAL ASSETS LESS CURRENT LIABILITIES		**274,936**	370,258

	2016 *HK$'000*	2015 *HK$'000*
NON-CURRENT LIABILITIES		
Deposit received	**1,372**	–
Deferred tax liabilities	**6,423**	8,462
Total non-current liabilities	**7,795**	8,462
Net assets	**267,141**	361,796
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**32,365**	32,365
Reserves	**230,267**	320,427
	262,632	352,792
Non-controlling interests	**4,509**	9,004
Total equity	**267,141**	361,796

Notes:

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

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.

Going concern basis

The Group recorded a consolidated net loss of HK$90,129,000 (2015: HK$87,686,000) and net cash outflows from operating activities of HK$44,485,000 (2015: HK$29,363,000) for the year.

As at 31 March 2016, the Group had cash and cash equivalents of HK$44,965,000 (2015: HK$40,985,000), and outstanding interest-bearing bank borrowings of HK$45,265,000 (2015: HK$35,880,000) which were due for repayment or renewal within the next twelve months after 31 March 2016.

The directors consider the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis after taking into consideration the following:

(i) the Group had unutilised bank facilities of HK$14,735,000 as at 31 March 2016 expiring within one year from the end of the reporting period which enable the Group to obtain additional borrowings from the bank. The directors of the Company are of the opinion that the bank is willing to renew the facilities upon expiry. Subsequent to the end of the reporting period on 29 April 2016, the bank agreed to renew the Group's existing bank facilities of HK$60 million;

(ii) the Group had interest-bearing bank borrowings of HK$45,265,000 as at 31 March 2016. Although the bank borrowings will expire within one year, the Group will actively negotiate with the bank for the renewal of the Group's bank borrowings when they fall due in order to secure necessary funds to meet the Group's working capital and financial requirements in the foreseeable future. In the opinion of the directors, the Group will be able to roll over or refinance the bank borrowings upon their maturity;

(iii) management has been endeavouring to improve the Group's operating results and cash flows through various tightened cost control measures and seek new investment and business opportunities to improve the Group's profitability and cash flows; and

(iv) the Group had properties including land and buildings situated in Hong Kong and the People's Republic of China ("PRC") and investment properties as at 31 March 2016 that are available for the Group as security for further borrowings or to realise an amount of cash sufficient for financing its working capital.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise. The effect to these adjustments has not been reflected in the consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 March 2016. 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 revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments:* Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets:* Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 *Related Party Disclosures:* Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(c) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations:* Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 *Fair Value Measurement:* Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property:* Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

4. SEGMENT INFORMATION

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

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

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

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 loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, finance costs, dividend income and unallocated gains as well as corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude tax recoverable, cash and cash equivalents, equity investments at fair value through profit or loss, an available-for-sale financial asset, investments in and balances with a joint venture and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude a derivative financial instrument, interest-bearing bank borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate 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*	Total *HK$'000*
Year ended 31 March 2016			
Segment revenue:			
Revenue from external customers	**206,597**	**4,921**	**211,518**
Segment results	**(72,450)**	**(19,291)**	**(91,741)**
Reconciliation:			
Bank interest income			**291**
Dividend income and unallocated gains			**626**
Corporate and other unallocated expenses			**(476)**
Finance costs			**(1,125)**
Loss before tax			**(92,425)**
Segment assets	**234,003**	**96,763**	**330,766**
Reconciliation:			
Corporate and other unallocated assets			**49,200**
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 profits and 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 a joint venture	**4,181**	**–**	**4,181**
Additions to items of property, plant and equipment	**3,699**	**–**	**3,699**

	Manufacturing and trading *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Year ended 31 March 2015			
Segment revenue:			
Revenue from external customers	259,848	1,834	261,682
Segment results	(91,765)	2,923	(88,842)
Reconciliation:			
Bank interest income			456
Dividend income and unallocated gains			692
Corporate and other unallocated expenses			(330)
Finance costs			(215)
Loss before tax			(88,239)
Segment assets	282,878	120,678	403,556
Reconciliation:			
Corporate and other unallocated assets			45,962
Total assets			449,518
Segment liabilities	39,421	382	39,803
Reconciliation:			
Corporate and other unallocated liabilities			47,919
Total liabilities			87,722
Other segment information:			
Share of profits and losses of a joint venture	181	–	181
Depreciation and amortisation	(24,426)	–	(24,426)
Provision for inventory obsolescence	(4,899)	–	(4,899)
Impairment of trade receivables	(10,284)	–	(10,284)
Unallocated impairment of an available-for-sale financial asset	–	–	(330)
Investment in a joint venture	4,275	–	4,275
Additions to items of property, plant and equipment	9,078	–	9,078

Geographical information

(a) Revenue from external customers

	2016	2015
	HK$'000	*HK$'000*
Europe	**105,477**	131,524
America *(note)*	**79,889**	98,140
The PRC (including Hong Kong)	**17,999**	21,245
Other Asian countries	**7,522**	6,868
Others	**631**	3,905
	211,518	261,682

The revenue information above is based on the locations of the customers. The PRC (including Hong Kong) segment mainly represents rental income from leasees 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.

Note:

During the year, management of the Group decided to evaluate the Group's revenue from customers located in North America and South America as a whole.

(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

	2016	2015
	HK$'000	*HK$'000*
Customer A	**34,790**	29,364
Customer B	**33,691**	N/A[1]
Customer C	**32,825**	52,143
	101,306	81,507

1 The revenue derived from this customer amounted to less than 10% of the Group's revenue during the year ended 31 March 2015.

5. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and gross rental income.

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

	2016	2015
	HK$'000	*HK$'000*
Revenue:		
Sale of goods	**206,597**	259,848
Rental income	**4,921**	1,834
	211,518	261,682
Other income:		
Sale of scrap materials	**94**	192
Bank interest income	**291**	456
Dividend income from equity investments at fair value through profit or loss	**4**	4
Government grants	**92**	132
Write-back of other payables	**2,467**	771
Others	**926**	357
	3,874	1,912

6. LOSS BEFORE TAX

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

	Note	**2016** **HK$'000**	2015 *HK$'000*
Cost of inventories sold*		**205,706**	267,098
Depreciation		**19,575**	24,015
Amortisation of prepaid land lease payments		**378**	411
Auditors' remuneration		**980**	950
Minimum lease payments under operating leases in respect of land and buildings		**2,238**	1,824
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**111,852**	134,681
Pension scheme contributions**		**1,346**	1,514
		113,198	136,195
Gross rental income		**(4,921)**	(1,834)
Less: Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties*		**297**	311
Net rental income		**(4,624)**	(1,523)
Provision for inventory obsolescence*		**15,296**	4,899
Foreign exchange differences, net		**1,543**	4,367
Other operating expenses, net:			
Impairment of trade receivables	*11*	**679**	10,284
Loss/(gain) on disposal of items of property, plant and equipment		**(9,272)**	54
Fair value losses/(gains), net:			
Equity investments at fair value through profit or loss – held for trading		**(5)**	(15)
Derivative financial instrument		**455**	(673)
Changes in fair value of investment properties		**23,915**	(1,400)
Impairment loss on an available-for-sale financial asset		**–**	330
Gain on deregistration of an associate		**(616)**	–
Others		**–**	(38)
		15,156	8,542

* 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 (2015: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2016	2015
	HK$'000	*HK$'000*
Interest on bank loans	**1,125**	215

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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.

	2016	2015
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**92**	–
Underprovision in prior years	**44**	52
Current – Elsewhere		
Charge for the year	**–**	135
Overprovision in prior years	**(733)**	(897)
Deferred	**(2,039)**	157
Withholding tax	**340**	–
Total tax credit for the year	**(2,296)**	(553)

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

	Hong Kong	**Mainland China**	**Total**
	HK$'000	***HK$'000***	***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)**

	Hong Kong	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*
2015			
Loss before tax	(22,577)	(65,662)	(88,239)
Tax at the statutory tax rate	(3,725)	(16,416)	(20,141)
Adjustments in respect of current tax of previous periods	52	(897)	(845)
Profits and losses attributable to a joint venture	–	(45)	(45)
Income not subject to tax	(261)	(237)	(498)
Expenses not deductible for tax	2,881	16,881	19,762
Estimated tax losses not recognised	1,269	–	1,269
Others	(7)	(48)	(55)
Tax expense/(credit) at the Group's effective rate	209	(762)	(553)

9. DIVIDEND

The Board does not recommend payment of any dividend for the year ended 31 March 2016 (2015: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 323,649,123 (2015: 323,649,123) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2016 and 2015.

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

	2016	2015
	HK$'000	*HK$'000*
Earnings		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	**(86,729)**	(84,230)

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**323,649,123**	323,649,123

11. TRADE RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**37,306**	53,589
Impairment	**(364)**	(10,828)
	36,942	42,761

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 (2015: 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:

	2016	2015
	HK$'000	*HK$'000*
Current to 90 days	**36,935**	41,814
91 to 180 days	**7**	178
181 to 360 days	**–**	769
	36,942	42,761

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

	2016	2015
	HK$'000	*HK$'000*
At beginning of year	**10,828**	2,764
Impairment losses recognised *(note 6)*	**679**	10,284
Amount written off as uncollectible	**(11,143)**	(2,220)
At end of year	**364**	10,828

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$364,000 (2015: HK$10,828,000) with a carrying amount before provision of HK$364,000 (2015: HK$10,828,000). 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:

	2016	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	**29,724**	37,989
Less than one month past due	**6,180**	3,692
One to three months past due	**1,031**	133
Over three months past due	**7**	947
	36,942	42,761

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

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

Included in the Group's trade receivables is an amount due from the Group's joint venture of HK$2,000 (2015: HK$2,000) as at 31 March 2016, which is repayable on similar credit terms to those offered to the major customers of the Group.

12. NON-CURRENT ASSETS HELD FOR SALE

	2016	2015
	HK$'000	*HK$'000*
Property, plant and equipment	**6,484**	–
Prepaid land lease payments	**3,901**	–
	10,385	–

Pursuant to the Company's announcement dated 18 January 2016, 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.

The transaction has not been completed as at 31 March 2016. A deposit of RMB26,000,000 (approximately HK$30,624,000) was received at the end of the reporting period. The change in ownership of the Subsidiary has been subsequently approved by the State Administration for Industry & Commerce of the PRC on 23 May 2016 (note 14).

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:

	2016	2015
	HK$'000	*HK$'000*
Current to 90 days	**11,577**	17,669
91 to 180 days	**1,168**	570
181 to 360 days	**71**	86
Over 360 days	**343**	221
	13,159	18,546

Trade payables are non-interest-bearing and are normally settled on 90-day (2015: 90-day) terms.

14. EVENTS AFTER THE REPORTING PERIOD

(a) On 23 May 2016, the disposal of a wholly-owned subsidiary as further detailed in note 12 was subsequently approved by the State Administration for Industry & Commerce of the PRC, resulting in an estimated gain on disposal of a subsidiary of HK$20,239,000, which will be accounted for in the Group's consolidated financial statements for the year ending 31 March 2017.

(b) On 12 April 2016, the Company announced that Mr. Hui Leung Wah ("Mr. Hui"), a controlling shareholder of the Company and as seller and an independent third party potential purchaser (the "Potential Purchaser"), entered into a non-legally binding memorandum of understanding (the "MOU") regarding the possible sale of shares representing not less than 51% interest in the issued share capital of the Company on 11 April 2016 after trading hours.

As at the date of this announcement, Mr. Hui and his associates beneficially own an aggregate of 153,624,000 shares, representing approximately 47.47% of the issued share capital of the Company. Pursuant to the MOU, Mr. Hui agreed to procure that the sale shares representing not less than 51% interest in the issued share capital of the Company including the aforesaid 153,624,000 shares beneficially held by Mr. Hui and his associates shall be sold to the Potential Purchaser in accordance with the terms and subject to the conditions set out in the MOU (the "Possible Sale"). If the Possible Sale is materialised, the Potential Purchaser and any parties acting in concert with it are obliged to make a mandatory unconditional general offer for all the shares of the Company (other than those already owned or agreed to be acquired by them) under the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code").

On 30 April 2016, the Company announced that (i) the MOU lapsed upon expiry of the exclusivity period thereunder on 30 April 2016 and (ii) the Company was informed by Mr. Hui that he might continue to discuss with any potential investors, including but not limited to the Potential Purchaser, and provide them with information with respect to the Possible Sale.

An update announcement was issued by the Company pursuant to Rule 3.7 of the Takeovers Code on 30 May 2016 in which the Company announced that the discussions in respect of the Possible Sale between Mr. Hui and the potential investors, including but not limited to the Potential Purchaser, were still ongoing.

As at the date of this announcement, as informed by Mr. Hui, the discussions in respect of the Possible Sale were still in progress but no legally binding agreement for the Possible Sale has been entered into between him and the Potential Purchaser or any other potential investor. As such, the Possible Sale may or may not proceed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the financial year ended 31 March 2016, the Group continued to record a financial loss. The loss attributable to the owners of the Company for the year ended 31 March 2016 was approximately HK$86.7 million (2015: HK$84.2 million).

The total revenue for the reporting period was approximately HK$211.5 million. Compared to HK$261.7 million recorded for the year ended 31 March 2015, it represented a decrease of approximately 19.2%. The total revenue was comprised of 2 segments, being manufacture and trading of optical frames and sunglasses and property investment. The lion share of the total revenue came from the sales of optical frames and sunglasses. They were reduced by approximately HK$53.2 million to approximately HK$206.6 million (2015: HK$259.8 million) or approximately 20.5%. For property investment, rental income increased remarkably from approximately HK$1.8 million in 2015 to approximately HK$4.9 million in 2016. However, it is still relatively unimportant to the Group.

On the eyewear sales, noticeable reduction was seen. This is due to weak market condition and our downsized production capacity. European customers, probably affected by the weaker European currency and the consistently poor economies, bought approximately 19.8% less from the Group, comparing the year under review with the previous year. Sales to American customers in sales amount were also checked and saw an approximately 18.6% reduction, the relative importance of sales in American is still second to that of the European sales (America 37.8%; Europe 49.9% of the total).

Sales sold to Safilo Group, Safilo S.p.A., a subsidiary of Safilo Group S.p.A., once a substantial shareholder of the Group, have also seen a marked reduction, in dollar term, by 37.0% as compared with that of the same period last year. Safilo Group ceased to be a substantial shareholder of the Company since 22 September 2015.

During the reporting period, the management has worked on various fronts to cut costs. The most obvious one was to streamline the production workforce. The number of production workforce was reduced roughly by 16.6% compared to previous year.

The financial results of the Group were also affected by the fluctuation of Renminbi ("RMB") during the year. A weak Renminbi helped to lower our payment cost to workers in the People's Republic of China ("PRC").

Another reason for the enlarged general and administrative expenses in the reporting period was that the Company has engaged financial and legal professionals to help exploring various options in strengthening the financial situation of the Company and all these work incurred costly bills which aggravated the loss of the Group.

Added to our disfavour in the financial results was the fair value loss of the investment properties of the Group, because of the slowed down economies and property markets in the PRC and in Hong Kong, a fair value loss of HK$23.9 million from a fair value downward adjustment recognized in the operating expenses was recorded.

As a means to improve our working capital and to realize the value of the assets of the Group, an agreement dated 18 January 2016 was entered into with an independent third party to dispose of the entire registered capital in 東莞精奇機械科技有限公司 ("Jet Kingdom"), a wholly owned subsidiary of the Group, at a total cash price of RMB26 million. The approval needed to sell the registered capital of Jet Kingdom required by the laws of the PRC has been obtained, the equity transfer has been completed on 23 May 2016.

PROSPECT

As it has been the trend of the industry and been affecting the Group for years, buying appetite of our major eyewear customers is expected to remain low. European customers were hit by their sluggish economies and weak currency. North American economies were better but the customers were more cost conscious. Some of them switched to cheaper producers. We have not been able to increase the average selling price markedly nor to get the agreement of the customers to place substantially greater purchase volume for individual models. Lesser demand triggered greater competition. The trend is likely to remain the same. The confirmed Brexit will add to the market uncertainty. In the time to come, the management will have to work harder on the loyal customers to court their continuous and enlarged patronage.

Original equipment manufacturing or original design manufacturing for eyewear products is at its matured stage of development. Unless the worldwide economy bounces back strongly or a breakthrough trend in product design or raw material deployment is seen, customer demand in the coming year is expected to be lackluster. The operation will remain to be a market share scrambling game.

The Group has spent more resources in developing and promoting the products bearing our own brand in the reporting year. Eyewear products branded "People by People" have received our major push and the effort will be continued. Sales were carried out mainly through the online internet setup and coupled with some retail sales made in our Shenzhen optical shop and retail outlet in Hong Kong. Selling of handbags under the People by People brand was our another attempt to test a new revenue channel. This segment is chosen because it is part of the fashion accessories. The management is hopeful on the development but expects it will take time to see the result.

Rental collection is the way to make use of the real estate assets of the Group which cannot be fully utilized because of our downsized operation. It provides a steady income stream for the Group which will be continued. However, given the slow PRC economy and the size of our spare production spaces to be made available is limited, it can only be a steady income of a modest amount rather than one with a quick and substantial growth potential.

Because of the poor market situation and the costly yet difficult production environment in mainland China where the production facilities of the Group are based, the road ahead requires our greater focus and effort. The management is working on various ways to improve on the operation of the Group which include revenue generation and cost cutting. The target is to keep the book balanced sooner.

EVENTS AFTER THE REPORTING PERIOD

On 12 April 2016, the Company announced that Mr. Hui Leung Wah ("Mr. Hui") (a controlling shareholder, the Chairman and Managing Director of the Company and as seller) and a potential purchaser (the "Potential Purchaser") (an independent third party not connected to the Company nor any of its connected persons and as purchaser) entered into a non-legally binding memorandum of understanding (the "MOU") on 11 April 2016 (after trading hours) regarding the possible sale of shares representing not less than 51% interest in the issued share capital of the Company.

As at the date of this announcement, Mr. Hui and his close associates beneficially own an aggregate of 153,624,000 shares, representing approximately 47.47% of the issued share capital of the Company. Pursuant to the MOU, Mr. Hui agreed to procure that the sale shares representing not less than 51% interest in the issued share capital of the Company (including the aforesaid 153,624,000 shares beneficially held by Mr. Hui and his associates) shall be sold to the Potential Purchaser in accordance with the terms and subject to the conditions set out in the MOU (the "Possible Sale"). If the Possible Sale is materialized, the Potential Purchaser and any parties acting in concert with it are obliged to make a mandatory unconditional general offer for all the shares of the Company (other than those already owned or agreed to be acquired by them) under the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code").

On 30 April 2016, the Company announced that (i) the MOU lapsed upon expiry of the exclusivity period thereunder on 30 April 2016 and (ii) the Company was informed by Mr. Hui that he might continue to discuss with any potential investors (including but not limited to the Potential Purchaser) and provide them with information with respect to the Possible Sale.

An update announcement was issued by the Company pursuant to Rule 3.7 of the Takeovers Code on 30 May 2016 in which the Company announced that the discussions in respect of the Possible Sale between Mr. Hui and the potential investors (including but not limited to the Potential Purchaser) were still ongoing.

As at the date of this announcement, as informed by Mr. Hui, the discussions in respect of the Possible Sale are still in progress but no legally binding agreement for the Possible Sale has been entered into between him and the Potential Purchaser or any other potential investor. As such, the Possible Sale may or may not proceed. For details, please refer to the announcements of the Company dated 12 April 2016, 30 April 2016 and 30 May 2016.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position with cash and cash equivalents of approximately HK$45.0 million (2015: HK$41.0 million), short-term bank borrowings of approximately HK$45.3 million (2015: HK$35.9 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 3.0% as at 31 March 2016 (2015: 2.4%). The non-current liabilities of the Group comprised of deferred tax liabilities and deposit received amounting to approximately HK$6.4 million and approximately HK$1.4 million respectively (2015: HK$8.5 million and Nil) which came up a total amount of approximately HK$7.8 million as at 31 March 2016 (2015: HK$8.5 million). The Group's equity attributable to owners of the Company as at 31 March 2016 amounted to approximately HK$262.6 million (2015: HK$352.8 million).

CHARGES ON GROUP'S ASSETS

At 31 March 2016, one of the Group's land and building with carrying amount and market value of approximately HK$18.2 million and approximately HK$75.1 million respectively (2015: HK$18.7 million and HK$81.8 million), was pledged to a bank for a general banking facilities to an extent of HK$60 million (2015: HK$60 million). The Company had provided corporate guarantees up to a maximum amount of HK$60 million (2015: HK$60 million) to secure the general banking facilities granted to its subsidiaries and an amount of approximately HK$45.2 million had been utilized by its subsidiaries as at 31 March 2016 (2015: HK$35.9 million).

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 March 2016, the Group had capital commitments, which were contracted but not provided for, in respect of acquisition of property, plant and equipment of approximately HK$93,000 (2015: HK$5,000). As at 31 March 2016, the Company had a contingent liabilities amounting to approximately HK$53,354,000 (2015: HK$74,052,000) 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 2016, the Group employed 1,557 (31 March 2015: 1,866) full time employees in Mainland China and Hong Kong. Salaries, bonuses and benefits are determined with reference to market terms and performance, qualifications and experience of each individual employee, and are subject to review from time to time.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract of independent auditor' report issued by the Group's independent auditors:

"Opinion

In our opinion, the consolidated financial statements give a true and fair view of financial position of the Company and its subsidiaries as at 31 March 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2.1 to the consolidated financial statements which indicates that the Group incurred a consolidated net loss of HK$90,129,000 and net operating cash outflows of HK$44,485,000 during the year ended 31 March 2016. These conditions, along with other matters as set forth in note 2.1, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. As explained in note 2.1, these consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Group's ability to extend its short-term borrowings upon maturity, to source additional debt financing and to improve its operation to generate adequate cash flows to meet the Group's financial obligations as and when they fall due in the foreseeable future."

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 2016, except for the following deviation:

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not have any officer with the title "chief executive" under the Board. Mr. Hui Leung Wah assumes the role of both Chairman and Managing Director of the Company and he is in charge of the overall management of the Company. The Company does not have a separate Chairman and Managing Director as Mr. Hui currently holds both positions.

The Board believes that the assumption of the roles of Chairman and Managing Director can, as far as the Group is concerned, promote the efficient formulation and implementation of the strategies of the Company, which will enable the Group to capture business opportunities efficiently and promptly. The Board also believes that through the supervision of its Board and its Independent Non-Executive Directors (the "INEDs") a balancing mechanism is in place and operating so that the interests of the shareholders are adequately and fairly represented.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2016 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 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

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

The accounting principles and practices adopted by the Group and the announcement results for the year ended 31 March 2016 have been reviewed by the audit committee.

DIVIDEND

The Board does not recommend any dividend (2015: Nil) for the year ended 31 March 2016 at the forthcoming annual general meeting of the Company to be held on 28 August 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will close on Friday, 26 August 2016 (being the date of the annual general meeting of the Company) for facilitating the processing of proxy voting at the annual general meeting, during which the registration of transfers of shares will be suspended. All transfers of shares, accompanied by the relevant share certificates, must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 25 August 2016 in order to be eligible to attend and vote at the forthcoming annual general meeting of the Company.

PUBLICATION OF ANNUAL REPORT

The 2016 annual report of the Company and the notice of the annual general meeting will be despatched to the shareholders of the Company and published on the website of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk and the website of the Company at http://www.elegance-group.com in due course.

APPRECIATION

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

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

Hong Kong, 28 June 2016

As at the date of this announcement, the executive directors of the Company are Mr. Hui Leung Wah, Mr. Poon Sui Hong, and Mr. Hui Chun Yuen, the independent non-executive directors are Mr. Poon Kwok Fai, Ronald, Mr. Pang Sung Yuen and Mr. Kwong Ping Man.