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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

INTERIM RESULTS

The board of directors (the "Board") of Elegance Optical International Holdings Limited (the "Company") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2013 together with the comparative figures for the corresponding period in last year.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 September	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**210,596**	191,537
Cost of sales		**(207,650)**	(189,370)
Gross profit		**2,946**	2,167
Other income	*3*	**1,057**	2,137
Selling and distribution expenses		**(5,924)**	(3,914)
Administrative expenses		**(28,044)**	(30,117)
Other operating income/(expenses), net		**(126)**	1,112
Share of losses of:			
Jointly-controlled entities		**(70)**	(275)
An associate		**(534)**	(449)
LOSS BEFORE TAX	*4*	**(30,695)**	(29,339)
Income tax	*5*	**(84)**	2,186
LOSS FOR THE PERIOD		**(30,779)**	(27,153)
Attributable to:			
Owners of the Company		**(29,628)**	(25,636)
Non-controlling interests		**(1,151)**	(1,517)
		(30,779)	(27,153)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*7*		
Basic and diluted		**(9.15) HK cents**	(7.92) HK cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
LOSS FOR THE PERIOD	**(30,779)**	(27,153)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to the income statement in subsequent periods:		
Share of exchange differences on translation of jointly-controlled entities	**6**	(140)
Share of exchange differences on translation of an associate	**(3)**	25
Exchange differences on translation of foreign operations	**(162)**	(7)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(159)**	(122)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(30,938)**	(27,275)
Attributable to:		
Owners of the Company	**(29,856)**	(25,759)
Non-controlling interests	**(1,082)**	(1,516)
	(30,938)	(27,275)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2013 (Unaudited) HK$'000	31 March 2013 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**210,929**	212,820
Investment property		**7,500**	7,500
Prepaid land lease payments		**14,685**	14,757
Investments in jointly-controlled entities		**3,971**	4,035
Investment in an associate		**267**	804
Available-for-sale financial asset		**520**	520
Deposits paid for items of property, plant and equipment		**428**	396
Total non-current assets		**238,300**	240,832
CURRENT ASSETS			
Inventories		**82,441**	92,089
Loan to a jointly-controlled entity		**92**	338
Trade receivables	*8*	**112,420**	75,514
Prepayments, deposits and other receivables		**8,105**	5,440
Equity investments at fair value through profit or loss		**60**	63
Tax recoverable		**818**	1,169
Cash and cash equivalents		**36,248**	93,031
Total current assets		**240,184**	267,644
CURRENT LIABILITIES			
Trade payables	*9*	**44,258**	42,810
Other payables and accruals		**28,659**	29,214
Tax payable		**3,042**	2,989
Total current liabilities		**75,959**	75,013
NET CURRENT ASSETS		**164,225**	192,631
TOTAL ASSETS LESS CURRENT LIABILITIES		**402,525**	433,463
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**937**	937
Net assets		**401,588**	432,526
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**32,365**	32,365
Reserves		**358,836**	388,692
		391,201	421,057
Non-controlling interests		**10,387**	11,469
Total equity		**401,588**	432,526

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ended 30 September 2013 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited. The accounting policies and the basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 March 2013, except as described below. In the current period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA which are first effective for the current accounting period of the Group.

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

The adoption of the above new and revised HKFRSs has had no significant financial effect on these interim condensed consolidated financial statements.

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

2. SEGMENT INFORMATION

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

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

Geographical information

(a) *Revenue from external customers*

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Europe	**124,600**	115,983
North America	**63,188**	52,718
The People's Republic of China (the "PRC") (including Hong Kong)	**14,145**	17,730
Other Asian countries	**7,735**	4,572
Others	**928**	534
	210,596	191,537

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

(b) *Non-current assets*

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

Information about major customers

Revenue of approximately HK$56,765,000 (2012: HK$57,595,000) and HK$18,939,000 (2012: HK$21,607,000) was derived from sales to two separate customers, including sales to groups of entities which are known to be under common control with those customers.

3. REVENUE AND OTHER INCOME

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

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

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**210,596**	191,537
Other income		
Sale of scrap materials	**76**	62
Bank interest income	**117**	806
Gross rental income	**448**	474
Dividend income from equity investments at fair value through profit or loss	**2**	4
Others	**414**	791
	1,057	2,137

4. LOSS BEFORE TAX

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

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**208,050**	186,725
Depreciation	**13,056**	14,846
Amortisation of prepaid land lease payments	**210**	208
Minimum lease payments under operating leases in respect of land and buildings	**943**	1,250
Employee benefit expense (including directors' remunerations):		
Wages and salaries	**96,508**	98,190
Pension scheme contributions	**431**	450
	96,939	98,640
Provision/(write-back of provision) for inventory obsolescence	**(400)**	2,645
Foreign exchange differences, net	**833**	(426)
Other operating expenses/(income),net:		
Loss on disposal of items of property, plant and equipment	**123**	879
Fair value losses/(gains), net:		
Equity investments at fair value through profit or loss – held for trading	**3**	(6)
Changes in fair value of an investment property	**–**	(1,985)
	126	(1,112)

5. INCOME TAX

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Elsewhere – Charge for the period	**84**	15
Deferred	**–**	(2,201)
Total tax expense/(credit) for the period	**84**	(2,186)

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the period (2012: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

6. INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 September 2013 (2012: Nil).

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

The calculation of basic loss per share is based on the loss for the period attributable to ordinary equity holders of the Company of HK$29,628,000 (2012: HK$25,636,000) and 323,649,123 (2012: 323,649,123) shares in issue during the period.

No adjustment has been made to the basic loss per share attributable to ordinary equity holders of the Company presented for the six months ended 30 September 2013 and 2012 in respect of a dilution as there were no potentially dilutive shares in issue during those periods.

8. **TRADE RECEIVABLES**

Credit is offered to customers following a financial assessment by the Group with regard to their established payment records. The Group usually allows average credit periods ranging from 45 to 120 days (2012: 45 to 120 days) to its customers and seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management and collections are followed up by accounting personnel. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

An aged analysis of trade receivables as at 30 September 2013 and 31 March 2013, based on the payment due date and net of impairment of trade receivables, is as follows:

	30 September 2013 (Unaudited) ***HK$'000***	31 March 2013 (Audited) *HK$'000*
Current to 90 days	**110,129**	74,098
91–180 days	**1,416**	793
181–360 days	**786**	432
Over 360 days	**89**	191
Total	**112,420**	75,514

9. **TRADE PAYABLES**

An aged analysis of the trade payables as at 30 September 2013 and 31 March 2013, based on the payment due date, is as follows:

	30 September 2013 (Unaudited) ***HK$'000***	31 March 2013 (Audited) *HK$'000*
Current to 90 days	**42,278**	39,301
91–180 days	**1,302**	2,417
181–360 days	**161**	625
Over 360 days	**517**	467
Total	**44,258**	42,810

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2013, the Group recorded a loss after tax of HK$30,779,000 as compared with a loss of HK$27,153,000 for the same period last year. As mentioned in our last annual report, the operating environment in Southern China where the Group's manufacturing activities operate is still tough. The manufacturing costs, especially the Chinese tax, increased after the transformation of the Group's major manufacturing operation in Shenzhen from a contract processing operation to a wholly-foreign-owned enterprise early this year. Apart from the further increase of the minimum wages in Shenzhen by approximately 7% in March this year, the required insurance for workers in Mainland China has increased significantly since January this year. This increase in operating costs offset mostly the marginal improvement in gross profit margin resulted from the increase of the Group's revenue.

The Group's sales increased by 10% to HK$210,596,000 in the period under review as compared with HK$191,537,000 for the same period last year. Sales to all geographical markets increased except for sales to the PRC segment which dropped by 20% for the six months ended 30 September 2013 as compared with those for the six months ended 30 September 2012. Sales to the Group's largest market, Europe, increased by 7% to HK$124,600,000, while sales to North America, the Group's second largest market, increased by 20% to HK$63,188,000.

PROSPECTS

With the constant rise in labour and related costs in Mainland China, labour intensive manufacturing operation like the Group's operation will remain in a passive and disadvantaged position as the latest development of the Chinese economic policy is in general perceived as not favourable to the light industrial goods manufacturing industry. To cope with this challenging operating environment and to tackle the problem of labour shortage and instability, the Group will continue to design and tailor-make more machines through its machine making subsidiary to facilitate its selective automated production. Furthermore, the management of the Group will continue with the effort in streamlining the operation and motivating the team members to improve the Group's production efficiency.

Added to the concern is the persistently strong Renminbi against the U.S. Dollar and Hong Kong Dollar which further undermines the profitability of the Group. With such a background, costs cutting is our basic mandate.

Globally, when the U.S. Federal Reserve will withdraw its quantitative easing program and the effects of its withdrawal on the global economy remain obscure. Such uncertainty will, to some extent, affect the buying desire of consumers and hence the Group's products. With many elements pointing to a bleak prospect, the management cannot be optimistic in the short term but will strive to achieve the best out of the current difficult business environment.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a net cash position with cash and cash equivalents of HK$36,248,000 (31 March 2013: HK$93,031,000) and a zero gearing ratio as at 30 September 2013. The Group's equity attributable to owners of the Company as at 30 September 2013 amounted to HK$391,201,000 (31 March 2013: HK$421,057,000).

FOREIGN CURRENCY RISK

The Group conducts its business transactions mainly in Hong Kong Dollar, Renminbi and U.S. Dollar. As the Hong Kong Dollar is pegged to the U.S. Dollar, the Group does not foresee any material exchange risk in this respect. However, the Group is subject to certain foreign exchange impacts caused by the appreciation of Renminbi. The Group has not entered into any significant foreign exchange contracts. The management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2013, the Group employed 3,372 (30 September 2012: 3,866) 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 six months ended 30 September 2013.

CORPORATE GOVERNANCE

During the six months ended 30 September 2013, the Company has adopted and complied with the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules, except for the following deviation:

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

The Company has set up a remuneration committee in June 2005. The duties of the remuneration committee as set out in its terms of references include reviewing and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management of the Company. It is also mandated to make recommendations to the Board on the remuneration of the Independent Non-Executive Directors and on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. The Remuneration Committee comprises three Independent Non-Executive Directors.

The Company has also set up a nomination committee in June 2005 to review the structure, size, composition and board diversity policy of the Board on a regular basis. The duties of the nomination committee as set out in its terms of references include selection or making recommendations to the Board on the selection of individuals nominated for directorships and on relevant matters relating to the appointment or re-appointment of Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conducts ("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 period under review.

AUDIT COMMITTEE

The Audit Committee has been established since 1999 and currently consists of three Independent Non-Executive Directors, namely, Mr. Poon Kwok Fai, Ronald, Dr. Tam Hok Lam, Tommy and Mr. Pang Sung Yuen. The main duties of the Audit Committee include the review of the relationship with external auditors of the Company, review of the Group's financial information, oversight of the Group's financial reporting system and internal control procedures and performance of the corporate governance functions delegated by the Board.

REVIEW OF INTERIM RESULTS

The unaudited interim condensed consolidated financial information for the six months ended 30 September 2013 has been reviewed by the audit committee and the external auditors of the Company in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

APPRECIATION

The Board would like to take this opportunity to express its deepest gratitude to all members of the staff of the Group for their contributions, support and dedication. The Board 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 November 2013

As at the date of this announcement, the executive directors of the Company are Mr. Hui Leung Wah, Mr. Poon Sui Hong, and Mr. Leung Shu Sum, the non-executive directors are Ms. Barbara Lissi and Mr. Maurizio De Gasperis and the independent non-executive directors are Mr. Poon Kwok Fai, Ronald, Dr. Tam Hok Lam, Tommy, PhD, JP and Mr. Pang Sung Yuen.