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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

HUI Leung Wah (*Chairman*)

POON Sui Hong

LEUNG Shu Sum

Non-Executive Directors

LISSI Barbara

DE GASPERIS Maurizio

(appointed on 2 May 2013)

MARCHISIO Paola

(resigned on 30 April 2013)

Independent Non-Executive Directors

POON Kwok Fai, Ronald

TAM Hok Lam, Tommy, PhD, JP

PANG Sung Yuen

(appointed on 29 August 2013)

WONG Chung Mat, Ben, JP

(resigned on 29 August 2013)

AUDIT COMMITTEE

POON Kwok Fai, Ronald (*Chairman*)

TAM Hok Lam, Tommy, PhD, JP

PANG Sung Yuen

(appointed on 29 August 2013)

WONG Chung Mat, Ben, JP

(resigned on 29 August 2013)

REMUNERATION COMMITTEE

PANG Sung Yuen (*Chairman*)

(appointed on 29 August 2013)

WONG Chung Mat, Ben, JP (*Chairman*)

(resigned on 29 August 2013)

POON Kwok Fai, Ronald

TAM Hok Lam, Tommy, PhD, JP

NOMINATION COMMITTEE

TAM Hok Lam, Tommy, PhD, JP

(*Chairman*)

POON Kwok Fai, Ronald

PANG Sung Yuen

(appointed on 29 August 2013)

WONG Chung Mat, Ben, JP

(resigned on 29 August 2013)

COMPANY SECRETARY

TSUI Choi Yee, Connie

PRINCIPAL BANKERS

Chong Hing Bank Limited

Dah Sing Bank Limited

Hang Seng Bank Limited

AUDITORS

Ernst & Young

HONG KONG SHARE REGISTRAR

Tricor Tengis Limited

26/F Tesbury Centre

28 Queen's Road East

Wanchai Hong Kong

PRINCIPAL SHARE REGISTRAR

Codan Services Limited

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

B2 & B4 8th Floor Block B

Mai Hing Industrial Building

16–18 Hing Yip Street

Kwun Tong

Kowloon

Hong Kong

WEBSITE

www.elegance-group.com

STOCK CODE

907

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 People's Republic of China (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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION



22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

**To the board of directors of Elegance Optical International Holdings Limited
(formerly known as "Elegance International Holdings Limited")**
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial information of Elegance Optical International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 6 to 20 which comprises the interim condensed consolidated statement of financial position as at 30 September 2013 and the related interim condensed consolidated income statement, interim condensed consolidated statements of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Company are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
28 November 2013

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) 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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	<u>(30,779)</u>	<u>(27,153)</u>
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	<u>(162)</u>	<u>(7)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(159)</u>	<u>(122)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(30,938)</u>	<u>(27,275)</u>
Attributable to:		
Owners of the Company	(29,856)	(25,759)
Non-controlling interests	<u>(1,082)</u>	<u>(1,516)</u>
	<u>(30,938)</u>	<u>(27,275)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September 2013 (Unaudited) Notes	31 March 2013 (Audited)
	HK\$'000	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	<u>238,300</u>	<u>240,832</u>
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	9 60	63
Tax recoverable	818	1,169
Cash and cash equivalents	36,248	93,031
Total current assets	<u>240,184</u>	<u>267,644</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
	Note		
CURRENT LIABILITIES			
Trade payables	10	44,258	42,810
Other payables and accruals		28,659	29,214
Tax payable		3,042	2,989
		<hr/>	<hr/>
Total current liabilities		75,959	75,013
		<hr/>	<hr/>
NET CURRENT ASSETS			
		164,225	192,631
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		402,525	433,463
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		937	937
		<hr/>	<hr/>
Net assets		401,588	432,526
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital		32,365	32,365
Reserves		358,836	388,692
		<hr/>	<hr/>
		391,201	421,057
Non-controlling interests		10,387	11,469
		<hr/>	<hr/>
Total equity		401,588	432,526
		<hr/>	<hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Attributable to owners of the Company										
	Issued capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Available-for-sale financial asset revaluation reserve HK\$'000	Goodwill eliminated against reserves HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Proposed special dividend HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2013	32,365	56,831	41,925	(130)	(152)	8,105	282,113	-	421,057	11,469	432,526
Loss for the period	-	-	-	-	-	-	(29,628)	-	(29,628)	(1,151)	(30,779)
Other comprehensive income/(loss) for the period:											
Share of exchange differences on translation of jointly-controlled entities	-	-	-	-	-	6	-	-	6	-	6
Share of exchange differences on translation of an associate	-	-	-	-	-	(3)	-	-	(3)	-	(3)
Exchange differences on translation of foreign operations	-	-	-	-	-	(231)	-	-	(231)	69	(162)
Total comprehensive loss for the period	-	-	-	-	-	(228)	(29,628)	-	(29,856)	(1,082)	(30,938)
At 30 September 2013 (unaudited)	32,365	56,831*	41,925*	(130)*	(152)*	7,877*	252,485*	-	391,201	10,387	401,588
At 1 April 2012	32,365	56,831	41,925	(130)	(152)	7,629	341,778	12,946	493,192	14,882	508,074
Loss for the period	-	-	-	-	-	-	(25,636)	-	(25,636)	(1,517)	(27,153)
Other comprehensive income/(loss) for the period:											
Share of exchange differences on translation of jointly-controlled entities	-	-	-	-	-	(140)	-	-	(140)	-	(140)
Share of exchange differences on translation of an associate	-	-	-	-	-	25	-	-	25	-	25
Exchange differences on translation of foreign operations	-	-	-	-	-	(8)	-	-	(8)	1	(7)
Total comprehensive loss for the period	-	-	-	-	-	(123)	(25,636)	-	(25,759)	(1,516)	(27,275)
2012 dividend paid	-	-	-	-	-	-	-	(12,946)	(12,946)	-	(12,946)
At 30 September 2012 (unaudited)	32,365	56,831	41,925	(130)	(152)	7,506	316,142	-	454,487	13,366	467,853

* These reserve accounts comprise the consolidated reserves of HK\$358,836,000 (31 March 2013: HK\$388,692,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash flows used in operating activities	(46,997)	(30,747)
Net cash flows used in investing activities	(10,018)	(9,263)
Net cash flows used in a financing activity	–	(12,946)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(57,015)	(52,956)
Cash and cash equivalents at beginning of period	93,031	162,271
Effect of foreign exchange rate changes, net	232	(31)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	36,248	109,284
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	32,314	51,557
Non-pledged time deposits with original maturity of less than three months when acquired	3,934	57,727
	36,248	109,284

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Europe	124,600	115,983
North America	63,188	52,718
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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 (Unaudited) HK\$'000	2012 (Unaudited) 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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. LOSS BEFORE TAX

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

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) 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
	<u>96,939</u>	<u>98,640</u>
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)
	<u>126</u>	<u>(1,112)</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. INCOME TAX

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

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 of directors (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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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	<u>112,420</u>	<u>75,514</u>

9. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Listed equity investments in Hong Kong, at market value	<u>60</u>	<u>63</u>

The above equity investments at 30 September 2013 and 31 March 2013 were classified as held for trading.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. 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	<u>44,258</u>	<u>42,810</u>

11. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases and subleases certain of its office premises under operating lease arrangements, with the leases negotiated for terms of two years. The terms of the leases also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 September 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Within one year	883	875
In the second to fifth years, inclusive	221	656
	<u>1,104</u>	<u>1,531</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

The Group leases certain of its office premises under operating lease arrangements. Leases for office premises are negotiated for terms ranging from one to fifty years.

At 30 September 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Within one year	1,121	1,081
In the second to fifth years, inclusive	4,146	3,982
After five years	51,339	51,130
	<u>56,606</u>	<u>56,193</u>

12. COMMITMENTS

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Capital expenditure contracted, but not provided for:		
Leasehold improvements	266	344
Equipment and machinery	214	282
	<u>480</u>	<u>626</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Transactions with a substantial shareholder: Sales of goods to the group of Safilo Group S.p.A.	56,765	57,595
Sales of goods to jointly-controlled entities	80	280
Rental expenses paid to a director	222	222

(b) Outstanding balances with related parties

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Amount due from a substantial shareholder: Trade receivables from the group of Safilo Group S.p.A.	43,157	34,144
Loans to jointly-controlled entities	3,632	3,878
Trade receivables from a jointly-controlled entity	19	45

(c) Compensation of key management personnel of the Group

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Short term employee benefits	2,956	2,929

SUPPLEMENTARY INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 September 2013, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinances (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long position in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest		Total	Percentage of the issued share capital of the Company
	Beneficial owner	Other interests		
Hui Leung Wah (Note)	8,308,000	141,316,000	149,624,000	46.23
Poon Sui Hong	7,000,000	–	7,000,000	2.16
Leung Shu Sum	6,000,000	–	6,000,000	1.85
	<u>21,308,000</u>	<u>141,316,000</u>	<u>162,624,000</u>	<u>50.24</u>

Note: The 141,316,000 shares held as other interests by Mr. Hui comprised 141,116,000 shares held by Best Quality Limited and 200,000 shares held by Deluxe Concept Limited. The entire issued share capital of both Best Quality Limited and Deluxe Concept Limited is held by Wahyee (PTC) Limited as trustee for a unit trust, which, in turn, is beneficially owned by Docater Trust, a discretionary trust with LGT Trustees Limited as trustee, the beneficiaries of which include the spouse and children of Mr. Hui Leung Wah (Mr. Hui himself is not a beneficiary of the discretionary trust).

SUPPLEMENTARY INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(continued)

Long position in ordinary shares of the subsidiaries:

Mr. Hui Leung Wah is beneficially interested in 200,000 non-voting deferred shares in the capital of Elegance Optical Investments Limited. The rights and restrictions of these non-voting deferred shares are disclosed in the audited financial statements of the Company for the year ended 31 March 2013.

In addition to the above, certain directors of the Company have non-beneficial personal equity interests in certain subsidiaries of the Group held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Saved as disclosed above, as at 30 September 2013, none of the directors or chief executive of the Company had registered an interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in the section "share option scheme", at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company, their respective spouses or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUPPLEMENTARY INFORMATION

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

At 30 September 2013, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interest required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Number of issued ordinary shares held	Capacity and nature of interest	Percentage of issued share capital of the Company
Poon Yuk Yee (Note 1)	149,624,000	Beneficiary of a trust	46.23
LGT Trustees Limited (Note 2)	141,316,000	Trustee	43.66
Wahyee (PTC) Limited (Note 2)	141,316,000	Trustee	43.66
Safilo Far East Limited ("SFEL") (Note 3)	74,599,123	Beneficial owner	23.05
Safilo Group S.p.A. (Note 3)	74,599,123	Controlled corporation	23.05

Notes:

- Ms. Poon Yuk Yee is the spouse of Mr. Hui Leung Wah, she is deemed to be interested in the shares held by and shares taken to be interested by Mr. Hui Leung Wah for the purposes of Divisions 2 and 3 of Part XV of the SFO.
- Details are stated in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures".
- SFEL is a wholly-owned subsidiary of Safilo Group S.p.A.

Save as disclosed above, as at 30 September 2013, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SUPPLEMENTARY INFORMATION

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 16 May 2003 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. No options have been granted since the adoption of the Scheme. The Scheme expired on 15 May 2013. The Company has not adopted any new share option scheme thereafter.

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.

CHANGES IN DIRECTORS' INFORMATION

The changes in Directors' information disclosed pursuant to Rule 13.51B (1) of the Listing Rules are as follows:

1. Ms. Paola Marchisio resigned as a Non-Executive Director on 30 April 2013.
2. Mr. Maurizio De Gasperis was appointed as a Non-Executive Director on 2 May 2013.
3. Mr. Wong Chung Mat, Ben resigned as an Independent Non- Executive Directors on 29 August 2013.
4. Mr. Pang Sung Yuen was appointed as an Independent Non- Executive Directors on 29 August 2013.

SUPPLEMENTARY INFORMATION

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.

SUPPLEMENTARY INFORMATION

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 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
Hui Leung Wah
Chairman

Hong Kong, 28 November 2013