ELEGANCE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 907)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

FINANCIAL RESULTS

The Board of Directors of Elegance International Holdings Limited (the "Company" or "Elegance") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2008, together with the comparative figures. These interim results have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 September	
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**282,369**	301,547
Cost of sales		**(241,953)**	(236,041)
Gross profit		**40,416**	65,506
Other income and gain	*3*	**2,244**	3,084
Selling and distribution costs		**(4,902)**	(5,050)
General and administrative expenses		**(27,715)**	(25,079)
Other operating expenses, net		**(293)**	–
Finance costs	*5*	**(50)**	(1,376)
Share of profits and losses of:			
Jointly-controlled entities		**323**	–
Associates		**4,662**	3,237
PROFIT BEFORE TAX	*4*	**14,685**	40,322
Tax	*6*	**(349)**	(4,166)
PROFIT FOR THE PERIOD		**14,336**	36,156
Attributable to:			
Equity holders of the parent		**14,717**	34,911
Minority interests		**(381)**	1,245
		14,336	36,156
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*7*		
Basic		**HK4.5 cents**	HK10.8 cents
Diluted		**N/A**	N/A
INTERIM DIVIDEND PER SHARE	*8*	**Nil**	HK3.0 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 September 2008 (Unaudited) HK$'000	31 March 2008 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**227,109**	229,560
Investment properties		**4,416**	4,416
Prepaid land lease payments		**46,544**	46,553
Interests in jointly-controlled entities		**5,493**	3,827
Interests in associates		**23,817**	19,155
Available-for-sale financial assets		**650**	650
Deposits paid for items of property, plant and equipment		**6,905**	3,048
Total non-current assets		**314,934**	307,209
CURRENT ASSETS			
Inventories		**93,924**	90,286
Trade and bills receivables	*9*	**151,508**	137,468
Prepayments, deposits and other receivables		**5,377**	7,029
Equity investments at fair value through profit or loss		**908**	78
Tax recoverable		**1,564**	–
Available-for-sale financial assets		**–**	23,673
Due from an associate		**9,465**	10,120
Cash and cash equivalents		**72,744**	76,082
Total current assets		**335,490**	344,736
CURRENT LIABILITIES			
Trade and bills payables	*10*	**57,032**	61,309
Other payables and accruals		**41,574**	31,852
Tax payable		**4,305**	3,150
Interest-bearing bank and other borrowings		**2,500**	5,000
Due to an associate		**4,600**	4,600
Total current liabilities		**110,011**	105,911
NET CURRENT ASSETS		**225,479**	238,825
TOTAL ASSETS LESS CURRENT LIABILITIES		**540,413**	546,034
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**5,957**	7,115
Net assets		**534,456**	538,919
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**32,365**	32,365
Reserves		**481,464**	466,333
Proposed dividend		**–**	19,419
		513,829	518,117
Minority interests		**20,627**	20,802
Total equity		**534,456**	538,919

NOTES

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 September 2008 are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and the basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the preparation of the Group's annual financial statements for the year ended 31 March 2008.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial period beginning 1 April 2008 but are not expected to have any impact on the Group's financial statements:

HKAS 39 and HKFRS 7 Amendments	Reclassification of Financial Assets
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group has not applied the following new standards, amendments to standards and interpretations, that have been issued but are not yet effective, in the condensed consolidated interim financial statements:

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 Amendments	Eligible Hedged Items[2]
HKFRS 2 Amendments	Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 October 2008

2. SEGMENT INFORMATION

No business segment information is presented as the Group is principally engaged in the manufacture and trading of eyewear products and management considers that the Group operates in one single business segment.

An analysis of the Group's revenue and profit by geographical segments for the six months ended 30 September 2008 and 2007 is as follows:

	For the six months ended 30 September			
	2008		2007	
	Revenue (Unaudited) ***HK$'000***	**Profit for the period (Unaudited)** ***HK$'000***	Revenue (Unaudited) *HK$'000*	Profit for the period (Unaudited) *HK$'000*
By geographical area:				
Europe	**170,951**	**5,564**	195,537	25,270
North America	**94,737**	**3,083**	85,589	11,061
People's Republic of China (including Hong Kong)*	**10,133**	**330**	11,854	1,532
Other Asian countries	**2,788**	**91**	4,840	625
Others	**3,760**	**122**	3,727	482
	282,369	**9,190**	301,547	38,970
Interest and dividend income		**1,070**		490
Unallocated corporate expenses		**(510)**		(999)
Finance costs		**(50)**		(1,376)
Share of profits and losses of:				
Jointly-controlled entities		**323**		–
Associates		**4,662**		3,237
Tax		**(349)**		(4,166)
Profit for the period		**14,336**		36,156

* *Sales were primarily made to agents in Hong Kong, but were also made to local retailers. The directors believed that the agents exported most of the Group's products to Europe and North America.*

3. **REVENUE, OTHER INCOME AND GAIN**

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

An analysis of revenue, other income and gain is as follows:

	For the six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue – net sales of goods	**282,369**	301,547
Sale of scrap materials	**680**	2,395
Bank interest income	**1,054**	482
Gross rental income	**100**	102
Dividend income from equity investments at fair value through profit or loss	**16**	8
Others	**394**	97
Other income and gain	**2,244**	3,084

4. **PROFIT BEFORE TAX**

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

	For the six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**241,953**	236,041
Depreciation	**15,969**	17,743
Amortisation of prepaid land lease payments	**597**	582
Minimum lease payments under operating leases in respect of buildings	**1,254**	1,265
Employee benefits expenses (including directors' remunerations):		
Wages and salaries	**84,597**	67,415
Pension scheme contributions	**489**	533
	85,086	67,948
Gain on disposal of items of property, plant and equipment	**(420)**	(129)
Write-back of impairment of trade receivables	**–**	(127)

5. FINANCE COSTS

	For the six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**50**	1,372
Interest on finance leases	**–**	4
	50	1,376

6. TAX

	For the six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**1,603**	3,273
Overprovision in prior years	**(154)**	–
Current – Elsewhere	**58**	893
Deferred	**(1,158)**	–
Total tax charge for the period	**349**	4,166

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the country in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No recognition of the potential deferred tax assets relating to tax losses of certain subsidiaries has been made as the recoverability of the potential deferred tax assets is uncertain.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent of HK$14,717,000 (2007: HK$34,911,000) and 323,649,123 (2007: 323,649,123) shares in issue during the period.

A diluted earnings per share has not been calculated for the current and prior periods as no diluting events existed throughout the periods.

8. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2008 (2007: HK3.0 cents per share, totalling HK$9,709,000).

9. TRADE AND BILLS RECEIVABLES

Credit is offered to customers following a financial assessment by the Group and with regard to their established payment records. The Group usually allows average credit periods ranging from 45 to 120 days (2007: 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. Trade and bills receivables are non-interest bearing.

The following is an aged analysis of trade and bills receivables (net of impairment of trade receivables) as at 30 September 2008 and 31 March 2008:

	30 September 2008 (Unaudited) ***HK$'000***	31 March 2008 (Audited) *HK$'000*
Current to 90 days	**145,161**	128,652
91 – 180 days	**513**	4,353
181 – 360 days	**390**	816
	146,064	133,821
Bills receivables	**5,444**	3,647
Total	**151,508**	137,468

10. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables as at 30 September 2008 and 31 March 2008:

	30 September 2008 (Unaudited) ***HK$'000***	31 March 2008 (Audited) *HK$'000*
Current to 90 days	**53,225**	56,920
91 – 180 days	**2,532**	3,066
181 – 360 days	**863**	566
Over 360 days	**412**	757
Total	**57,032**	61,309

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2008, the Group's performance in terms of net profit and turnover was significantly affected by the worsening operating environment for manufacturing in the People's Republic of China (the "PRC") and the slow global economy, resulting in a drop of 58% and 6% of the Group's profit attributable to equity holders of the parent and turnover respectively compared to those of the corresponding period in 2007.

The operating environment in the PRC became increasingly challenging because of the rapid and successive increase of minimum wages in the last few years. Since the implementation of the new labour law at the beginning of 2008, the environment deteriorated. The PRC labour cost of the Group increased by 31% for the six months ended 30 September 2008 compared to that of the corresponding period in last year. This labour cost increase together with the high inflation rate in the PRC and the appreciation of Renminbi in the period under review ate up the Group's gross profit. As a result, together with reduced sales, the Group's gross profit margin decreased from 22% to 14%. Profit for the six months ended 30 September 2008 attributable to equity holders of the parent amounted to HK$14,717,000 (2007: HK$34,911,000), representing a decrease of 58% over that of last period.

The drop in consumer confidence together with the credit crunch triggered by the sub prime mortgage crisis led to lower market demand which in turn adversely affected the Group's turnover. The sales to the Group's largest market, the European market, decreased by 13% to HK$170,951,000 compared to HK$195,537,000 for the corresponding period in 2007. Although the sales to the Group's second largest market, North America, increased by 11% from HK$85,589,000 to HK$94,737,000 which was the result of greater sales efforts being placed in this market during the period under review, the total sales of the Group decreased by 6% from HK$301,547,000 for the six months ended 30 September 2007 to HK$282,369,000 for the six months ended 30 September 2008.

Prospect

The negative impact of the financial tsunami on global economy has emerged. The market sentiment is bearish. It is widely expected economic recession will come or has already come, especially to the Group's major markets, Europe and the U.S. The Group's sales in the second half of the financial year 2008/2009 will almost certain be affected negatively.

In order to sustain steady growth in its economy and to help small to medium sized enterprises in the PRC, the Chinese Government announced in mid November 2008 to freeze the minimum wages at their current levels. This will ease the cost pressure now the Group is facing in its manufacturing operation in the PRC. On the other hand, the exchange rate of Renminbi against the U.S. dollar and Hong Kong dollar and the cost of materials have recently stabilised. The inflation rate has also been contained. The continuance of such trend is helpful to the outlook of the Group's results.

Management is well aware of the challenges ahead caused by the deteriorating global economy and will take a positive and prudent approach to strengthen the Group's core business and to control its costs.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2008, the Group had cash and bank balances of HK$72,744,000 (31 March 2008: HK$76,082,000), which were mainly denominated in Hong Kong dollars, the U.S. dollars and Renminbi. On the other hand, the Group's outstanding borrowing in respect of bank loans amounted to HK$2,500,000 (31 March 2008: HK$5,000,000) which was repayable within one year. The Group's equity attributable to equity holders of the parent as at 30 September 2008 amounted to HK$513,829,000 (31 March 2008: HK$518,117,000). Accordingly, the Group's gearing ratio, calculated on the basis of total interest-bearing bank borrowings as a percentage of equity attributable to equity holders of the parent, improved to 0.49% (31 March 2008: 0.97%).

FOREIGN CURRENCY RISK

The Group conducts its business transactions mainly in Hong Kong dollars, Reminbi and the U.S. dollars. As Hong Kong dollars is pegged to the U.S. dollars, 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 foreign exchange contract. However, 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 2008, the Group employed approximately 6,041 (31 March 2008: 6,402) full time employees in China and in Hong Kong. Salaries, bonuses and benefits are determined with reference to market terms and the performance, qualifications and experience of the individual employee, and are subject to review from time to time.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or by any of its subsidiaries during the period.

CORPORATE GOVERNANCE

During the six months ended 30 September 2008, the Group has adopted and met the Code Provisions as set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "SEHK"), except for the following deviation:

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title "chief executive officer". 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 combination of the roles of chairman and chief executive officer can promote the efficient formulation and implementation of the strategies of the Company, which will enable the Group to grasp business opportunities efficiently and promptly. The Board also maintains that through the supervision of its Board and its Independent Non-executive Directors, a balancing mechanism exist so that the interests of the shareholders are adequately and fairly represented.

The Company has set up a remuneration committee in June 2005 to review and determine the remuneration packages of the directors and senior management of the Company, and to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. 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 and composition of the Board on a regular basis. The committee assists the Board to fulfill its supervisory role over the Group in nominating new directors to the Board and assessing the performance and skills of Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (the "Model Code")

The Company had adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding Director's securities transactions. Upon specific enquiry of the Company, all of the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 September 2008.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2008 have been reviewed by the Company's audit committee. The audit committee comprises Poon Kwok Fai, Ronald, Tam Hok Lam, Tommy and Wong Chung Mat, Ben, the Independent Non-executive Directors of the Company.

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.

By order of the Board
Elegance International Holdings Limited
Hui Leung Wah
Chairman

Hong Kong, 15 December 2008

As at the date of this announcement, the Executive Directors of the Company are Hui Leung Wah, Poon Sui Hong, and Leung Shu Sum, the Non-executive Directors of the Company are Barbara Lissi and Paola Marchisio and the Independent Non-executive Directors of the Company are Poon Kwok Fai, Ronald, Tam Hok Lam, Tommy and Wong Chung Mat, Ben.