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ELEGANCE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 907)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

INTERIM RESULTS

The board of directors (the "Board") of Elegance 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 2011 together with the comparative figures for the corresponding period in last year.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 September	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	3	**229,264**	268,147
Cost of sales		**(218,462)**	(225,859)
Gross profit		**10,802**	42,288
Other income	3	**1,152**	1,214
Selling and distribution costs		**(4,091)**	(3,715)
Administrative expenses		**(24,369)**	(24,182)
Other operating expenses, net		**(5)**	(99)
Share of profits and losses of:			
Jointly-controlled entities		**(11)**	(2)
An associate		**(335)**	56
PROFIT/(LOSS) BEFORE TAX	4	**(16,857)**	15,560
Income tax expense	5	**1,213**	(1,302)
PROFIT/(LOSS) FOR THE PERIOD		**(15,644)**	14,258
Attributable to:			
Owners of the Company		**(15,465)**	13,555
Non-controlling interests		**(179)**	703
		(15,644)	14,258
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	6		
Basic and diluted		**(4.78) cents**	4.19 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE PERIOD	**(15,644)**	14,258
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**1,133**	886
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(14,511)**	15,144
Attributable to:		
Owners of the Company	**(14,602)**	14,216
Non-controlling interests	**91**	928
	(14,511)	15,144

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 September 2011 (Unaudited) *HK$'000***	31 March 2011 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**230,641**	238,990
Investment property		**5,300**	5,300
Prepaid land lease payments		**15,221**	15,168
Investment in a jointly-controlled entity		**4,817**	5,023
Investment in an associate		**1,507**	1,842
Available-for-sale financial assets		**32,149**	32,149
Deferred tax assets		**179**	179
Deposits paid for items of property, plant and equipment		**595**	64
Total non-current assets		**290,409**	298,715
CURRENT ASSETS			
Inventories		**88,268**	78,056
Trade and bills receivables	8	**110,329**	125,181
Prepayments, deposits and other receivables		**4,879**	3,354
Equity investments at fair value through profit or loss		**47**	52
Tax recoverable		**1,779**	1,737
Cash and cash equivalents		**114,179**	112,076
Total current assets		**319,481**	320,456
CURRENT LIABILITIES			
Trade and bills payables	9	**50,725**	44,601
Other payables and accruals		**48,599**	38,538
Tax payable		**3,118**	3,132
Total current liabilities		**102,442**	86,271
NET CURRENT ASSETS		**217,039**	234,185
TOTAL ASSETS LESS CURRENT LIABILITIES		**507,448**	532,900
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,893**	3,125
Net assets		**505,555**	529,775
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**32,365**	32,365
Reserves		**455,655**	470,257
Proposed dividends		**–**	9,709
		488,020	512,331
Non-controlling interests		**17,535**	17,444
Total equity		**505,555**	529,775

NOTES

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ended 30 September 2011 are 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 2011, 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 included 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 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopter*s
HKAS 24 (Revised)	*Related Party Disclosures*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in 2010

The adoption of these 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, sunglasses and optical cases. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the manufacture and sales 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	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Europe	**144,955**	149,556
North America	**61,347**	93,381
The People's Republic of China (the "PRC") (including Hong Kong)	**15,943**	18,317
Other Asian countries	**5,747**	5,741
Others	**1,272**	1,152
	229,264	268,147

The revenue information above is based on the location of the customers.

(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 a major customer

Revenue of approximately HK$61,083,000 (2010: HK$92,187,000) was derived from a single customer, including sales to a group of entities which are known to be under common control with that customer.

3. REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is as follows:

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue – sales of goods	**229,264**	268,147
Sales of scrap materials	**54**	361
Bank interest income	**367**	125
Gross rental income	**390**	412
Dividend income from equity investments at fair value through profit or loss	**2**	2
Others	**339**	314
Other income	**1,152**	1,214

4. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**216,706**	224,506
Depreciation	**15,138**	16,043
Amortisation of prepaid land lease payments	**189**	184
Minimum lease payments under operating leases in respect of land and buildings	**1,698**	1,159
Employee benefits expenses (including directors' remunerations):		
Wages and salaries	**105,200**	98,600
Pension scheme contributions	**463**	448
	105,663	99,048
Gain on disposal of items of property, plant and equipment	**–**	(289)
Provision for impairment of trade receivables	**–**	396
Provision for inventory obsolescence	**1,756**	1,353
Foreign exchange differences, net	**420**	(385)

5. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**–**	2,107
Current – Elsewhere	**19**	10
Deferred	**(1,232)**	(815)
Total tax charge/(credit) for the period	**(1,213)**	1,302

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the period. In the prior period, Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. 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. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share is based on the loss for the period attributable to ordinary equity holders of the Company of HK$15,465,000 (2010: profit of HK$13,555,000) and 323,649,123 (2010: 323,649,123) shares in issue during the period.

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

7. INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 September 2011 (2010: Nil).

8. TRADE AND BILLS 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 (2010: 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 2011 and 31 March 2011:

	30 September 2011 (Unaudited) *HK$'000*	31 March 2011 (Audited) *HK$'000*
Current to 90 days	**90,242**	112,624
91 – 180 days	**3,273**	145
181 – 360 days	**130**	–
Over 360 days	**64**	32
	93,709	112,801
Bills receivable	**16,620**	12,380
Total	**110,329**	125,181

9. TRADE AND BILLS PAYABLES

The following is an aged analysis of the trade and bills payables as at 30 September 2011 and 31 March 2011:

	30 September 2011 (Unaudited) *HK$'000*	31 March 2011 (Audited) *HK$'000*
Current to 90 days	**46,689**	41,143
91 – 180 days	**2,082**	1,792
181 – 360 days	**1,398**	771
Over 360 days	**556**	895
Total	**50,725**	44,601

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2011, the Group suffered a loss for the first time since the Company was listed on the SEHK on 11 April 1996 as a result of, inter alia, decrease in revenue and surging in production costs. The Group's revenue dropped by 14.50% from HK$268,147,000 for the six months ended 30 September 2010 to HK$229,264,000 for the same period in 2011. The ongoing European sovereign debt crisis and the poor economic situation and market sentiment in Europe and North America adversely affected the sales of the Group to these two largest markets of the Group. Hence, sales to Europe and North America for the six months ended 30 September 2011 decreased by 3.08% and 34.30% respectively as compared with those for the same period last year. Sales to the PRC including Hong Kong also declined by 12.96% during the period under review.

The operating environment in the PRC is getting tougher and tougher, as all sorts of costs keep increasing. First, the minimum wage was further increased by 20% during the period under review, while the Renminbi keeps hitting new highs against the United States Dollar. Besides, persistent inflation remains at a high level. All the above unfavourable factors have pushed up the Group's production costs.

Despite the management's continuous effort in cost control, the decrease in revenue together with the jump in production costs caused the Group's gross profit margin to decline to 4.71% for the six months ended 30 September 2011 as compared to the 15.77% for the same period last year. As a result, the Group recorded a loss of HK$15,465,000 for the six months ended 30 September 2011 in contrast to a profit of HK$13,555,000 attributable to owners of the Company for the same period last year.

PROSPECTS

The global economy is still facing the issues of European sovereign debt crisis and the uncertainty about the path of US monetary and fiscal policy. These uncertainties will inevitably affect the Group's sales to the two largest markets in Europe and North America.

Locally, production costs and wages in the PRC are expected to continue with an upward trend, while the Renminbi is expected to appreciate continuously in response to the market need. The Board of the Company believes that the operating environment in the PRC will remain to be difficult for the rest of the financial year.

Facing the challenging and competitive operating environment, the management of the Group will continue to manage its operating costs prudently and will carry out various measures to improve management efficiency. The Group will also actively seek more orders from its existing customers and explore new market segments to widen its customer base.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a strong financial position with cash and bank balances of HK$114,179,000 (31 March 2011: HK$112,076,000) and a zero gearing ratio as at 30 September 2011. The Group's equity attributable to owners of the Company as at 30 September 2011 amounted to HK$488,020,000 (31 March 2011: HK$512,331,000).

FOREIGN CURRENCY RISK

The Group conducts its business transactions mainly in Hong Kong Dollar, Renminbi and United States Dollar. As Hong Kong Dollar is pegged to the United States 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 foreign exchange contract. 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 2011, the Group employed 4,663 (30 September 2010: 5,459) full time employees in Mainland 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 OF THE COMPANY

There was no purchase, sale or redemption of the Company's listed securities by the Company or by any of its subsidiaries during the six months ended 30 September 2011.

CORPORATE GOVERNANCE

During the six months ended 30 September 2011, the Group has adopted and met the Code Provisions as set out in the Code on Corporate Governance Practices 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 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 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 grasp 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 exists so that the interests of the shareholders are adequately and fairly represented.

The Company has set up a remuneration committee since June 2005. The duties of the remuneration committee set out in its terms of references include review and determination of the remuneration packages of the Executive Directors and senior management of the Company, making recommendations to the Board on the remuneration of the Independent Non-Executive Directors and 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 since June 2005 to review the structure and composition of the Board on a regular basis. The duties of the nomination committee 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 OF LISTED ISSUERS (the "Model Code")

The Company has adopted the code of conducts 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 throughout the period.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing oversight of the Group's financial reporting process and internal controls. The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 September 2011 have been reviewed by the Company's audit committee. The audit committee comprises Mr. Poon Kwok Fai, Ronald, Dr. Tam Hok Lam, Tommy, PhD, JP and Mr. Wong Chung Mat, Ben, JP, the Independent Non-Executive Directors of the Company.

REVIEW OF INTERIM RESULTS

The unaudited interim condensed consolidated financial information for the six months ended 30 September 2011 have been reviewed by the audit committee of the Company, and the Company's external auditors 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 of the staff for their contributions, support and dedication. The Board would also like to thank our customers, shareholders, bankers, suppliers and other business partners for their continuing support.

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

Hong Kong, 29 November 2011

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 Ms. Paola Marchisio and the independent non-executive directors are Mr. Poon Kwok Fai, Ronald, Dr. Tam Hok Lam, Tommy, PhD, JP and Mr. Wong Chung Mat, Ben, JP.