ELEGANCE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(website: http://www.elegance-group.com)

(Stock Code: 907)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2012

The board of directors (the "Board") of Elegance International Holdings Limited (the "Company") is pleased to announce the consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2012 together with the comparative figures for 2011 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2012

	Notes	**2012** *HK$'000*	2011 *HK$'000*
REVENUE	4	**431,174**	505,402
Cost of sales		**(429,403)**	(447,843)
Gross profit		**1,771**	57,559
Other income	4	**2,385**	2,826
Selling and distribution costs		**(7,484)**	(8,554)
Administrative expenses		**(48,204)**	(49,672)
Other operating income/(expenses), net		**34,838**	(463)
Finance costs	6	**—**	(3)
Share of profits and losses of:			
Jointly-controlled entities		**919**	588
An associate		**(926)**	(394)
PROFIT/(LOSS) BEFORE TAX	5	**(16,701)**	1,887
Income tax credit	7	**2,785**	931
PROFIT/(LOSS) FOR THE YEAR		**(13,916)**	2,818
Attributable to:			
Owners of the Company		**(11,334)**	2,653
Non-controlling interests		**(2,582)**	165
		(13,916)	2,818
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted		**HK(3.50) cents**	HK0.82 cent

Details of the dividend proposed for the year are disclosed in note 8 to this announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2012

	2012	2011
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**(13,916)**	2,818
OTHER COMPREHENSIVE INCOME		
Share of other comprehensive income of a jointly-controlled entity	**140**	—
Share of other comprehensive income of an associate	**610**	—
Exchange differences on translation of foreign operations	**1,510**	1,992
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**2,260**	1,992
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(11,656)**	4,810
Attributable to:		
Owners of the Company	**(9,430)**	4,174
Non-controlling interests	**(2,226)**	636
	(11,656)	4,810

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2012

	Notes	31 March 2012 HK$'000	31 March 2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**222,049**	238,990
Investment property		**5,460**	5,300
Prepaid land lease payments		**15,060**	15,168
Investment in a jointly-controlled entity		**5,887**	5,023
Investment in an associate		**1,526**	1,842
Available-for-sale financial assets		**520**	32,149
Deferred tax assets		**1,077**	179
Deposits paid for items of property, plant and equipment		**1,786**	64
Total non-current assets		**253,365**	298,715
CURRENT ASSETS			
Inventories		**73,696**	78,056
Trade and bills receivables	10	**91,798**	125,181
Prepayments, deposits and other receivables		**5,254**	3,354
Equity investments at fair value through profit or loss		**47**	52
Tax recoverable		**1,131**	1,737
Cash and cash equivalents		**162,271**	112,076
Total current assets		**334,197**	320,456
CURRENT LIABILITIES			
Trade and bills payables	11	**37,292**	44,601
Other payables and accruals		**38,460**	38,538
Tax payable		**2,950**	3,132
Total current liabilities		**78,702**	86,271
NET CURRENT ASSETS		**255,495**	234,185
TOTAL ASSETS LESS CURRENT LIABILITIES		**508,860**	532,900
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**786**	3,125
Net assets		**508,074**	529,775
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**32,365**	32,365
Reserves		**447,881**	470,257
Proposed special and final dividends	8	**12,946**	9,709
		493,192	512,331
Non-controlling interests		**14,882**	17,444
Total equity		**508,074**	529,775

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an investment property and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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 Adopters*
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 May 2010

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

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

3. 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 sale of eyewear products.

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

Geographical information

(a) Revenue from external customers

	2012	2011
	HK$'000	*HK$'000*
Europe	**244,206**	288,717
North America	**113,663**	157,591
The People's Republic of China (the "PRC") (including Hong Kong)	**61,959**	46,172
Other Asian countries	**8,571**	10,313
Others	**2,775**	2,609
	431,174	505,402

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$110,444,000 (2011: HK$157,448,000) and HK$44,247,000 (2011: HK$47,758,000) was derived from sales to two separate customers, including sales to groups of entities which are known to be under common control with the customers.

4. 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:

	2012	2011
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**431,174**	505,402
Other income		
Sale of scrap materials	**787**	572
Bank interest income	**677**	531
Gross rental income	**838**	787
Dividend income from equity investments at fair value through profit or loss	**4**	3
Others	**79**	933
	2,385	2,826

5. PROFIT/(LOSS) BEFORE TAX

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

	2012	2011
	HK$'000	*HK$'000*
Cost of inventories sold*	**429,569**	444,947
Depreciation	**29,288**	30,093
Amortisation of prepaid land lease payments	**412**	370
Auditors' remuneration	**880**	840
Minimum lease payments under operating leases in respect of land and buildings	**3,424**	3,250
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**196,936**	191,732
Pension scheme contributions**	**858**	877
	197,794	192,609
Gross and net rental income	**(838)**	(787)
Provision/(write-back of provision) for inventory obsolescence*	**(166)**	2,896
Foreign exchange differences, net	**292**	214
Other operating expenses/(income), net:		
Write-back of impairment of trade receivables	**(134)**	(84)
Loss/(gain) on disposal of items of property, plant and equipment	**(150)**	2,102
Fair value losses/(gains), net:		
Equity investments at fair value through profit or loss — held for trading	**7**	(15)
Changes in fair value of an investment property	**(160)**	(1,540)
Gain on disposal of a subsidiary	**(453)**	—
Gain on disposal of available-for sale financial assets	**(33,948)**	—
	(34,838)	463

* Included in "cost of sales" on the face of the consolidated income statement.

** At the end of the reporting period, the Group had no forfeited pension scheme contributions available to reduce its contributions to the pension schemes in future years (2011: Nil).

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2012	2011
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**—**	3

7. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2012	2011
	HK$'000	*HK$'000*
Group:		
Current — Hong Kong		
Charge for the year	**19**	563
Underprovision/(overprovision) in prior years	**408**	(530)
Current — Elsewhere		
Charge for the year	**21**	6
Underprovision in prior years	**4**	—
Deferred	**(3,237)**	(970)
Total tax credit for the year	**(2,785)**	(931)

8. DIVIDENDS

	2012	2011
	HK$'000	*HK$'000*
Proposed special – HK4 cents (2011: Nil) per ordinary share	**12,946**	—
Proposed final – Nil (2011: HK3 cents) per ordinary share	**—**	9,709
	12,946	9,709

The 2012 special dividend of HK4 cents per ordinary share has been proposed to be paid to shareholders whose names appear on the register of members on 6 September 2012 and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. 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 year attributable to ordinary equity holders of the Company for the year of HK$11,334,000 (2011: profit of HK$2,653,000) and 323,649,123 (2011: 323,649,123) shares in issue.

No adjustment has been made to the earnings/(loss) per share attributable to ordinary equity holders of the Company presented for the years ended 31 March 2012 and 2011 in respect of a dilution as there were no potentially dilutive shares in issue during those years.

10. TRADE AND BILLS RECEIVABLES

The Group usually allows average credit periods ranging from 45 to 120 days (2011: 45 to 120 days) to its customers and seeks to maintain strict control over its outstanding receivables.

The following is an aged analysis of the trade and bills receivables (net of impairment of trade receivables) as at 31 March 2012 and 2011:

	2012	2011
	HK$'000	*HK$'000*
Current to 90 days	**79,608**	112,624
91 to 180 days	**449**	145
181 to 360 days	**953**	—
Over 360 days	**1**	32
	81,011	112,801
Bills receivable	**10,787**	12,380
Total	**91,798**	125,181

11. TRADE AND BILLS PAYABLES

The following is an aged analysis of the trade and bills payables as at 31 March 2012 and 2011:

	2012	2011
	HK$'000	*HK$'000*
Current to 90 days	**33,455**	41,143
91 to 180 days	**2,370**	1,792
181 to 360 days	**427**	771
Over 360 days	**1,040**	895
Total	**37,292**	44,601

12. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, on 26 June 2012, the Group entered into a shareholders' agreement to form a new company to be incorporated in the PRC (the "NewCo") with one independent third party and three other existing shareholders of 廣州市佳視光學眼鏡有限公司 ("佳視光學"), a jointly-controlled entity of the Group as at 31 March 2012. The registered capital of the NewCo is expected to be RMB1,000,000 and will be contributed by these five shareholders in accordance with their equity holding percentage. The Group will have 25% interest in the NewCo. Under the same agreement, the existing business of 佳視光學, including all of the tangible and intangible assets, customer base, liabilities, human resources and inventories, will be transferred to the NewCo for an agreed consideration. The directors intend to cease operations of 佳視光學 once its business has been transferred to the NewCo. The financial impacts of these transactions have not been reflected in these financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The financial year ended 31 March 2012 would be the one to remember in the history of the Group. As stated in the announcement of the Company dated 29 November 2011 on its interim results for the six months ended 30 September 2011, the Group suffered a loss for the first time since the Company was listed on The Stock Exchange of Hong Kong Limited (the "SEHK") on 11 April 1996 as a result of, inter alia, decrease in revenue and surging in production costs. The Company has recorded a net loss for the financial year ended 31 March 2012.

For the year ended 31 March 2012, sales of the Group decreased 14.69% to HK$431,174,000 (2011:HK$505,402,000). The gross profit of the Group plummeted 96.92% to HK$1,771,000 (2011:HK$57,559,000). As a result, there was a loss of HK$11,334,000 attributable to owners of the Company (2011: profit of HK$2,653,000).

The world works in cycles, though repeating cycles come in varying formats and paces. The global economy during the financial year under review was in the doldrums. Sales of the Group to Europe in the year were down by 15.42% to HK$244,206,000 (2011: HK$288,717,000). The sales to North America also witnessed a 27.87% decline to HK$113,663,000 (2011: HK$157,591,000).

In addition to the worse economic condition which dampened the buying desires of the consumers, the Group was also disadvantaged by the trend of the changing market demand in favor of the frames and sunglasses made of acetate materials. Over the past two years, the Group has managed to increase the production capacity by almost 70% and successfully showed the credentials of being a quality producer of acetate products on top of being long known as a leading metal eyewear products producer. Yet the growth in acetate capacity was not big and quick enough to offset the retreat of the metal frames and sunglasses orders seen in the same period. The rise and fall of the demand in different lines of products have resulted in some of the manufacturing facilities of the Group not being fully and efficiently utilised and hence the overall profit margin of the Group has been lowered.

Added to the trouble were the swift and steep rising wages of the workers in the southern China where the factories of the Group are located. In 2 years' time since June 2010, the minimum wage in our Shenzhen factory increased over 66%. The rise in the minimum wage affected not only the new workers in our factories, together with the high inflation in the region, a rippling effect was set off and the wages of many workers had to be revised upward noticeably. Equally worse is a high turnover of the staff and workers we have seen in the region and that increased the costs and instability of our operations.

We have tried to increase the price of our products but the weak economy worldwide made it challenging for the Group. As Europe suffered from the debt crisis and the economic slowdown and since over 57% of our sales go to the European customers, the task is daunting. While the demand was either flat or declining in some market segments, the customers were extremely price sensitive. For the reason, the Group was unable to pass on all kinds of cost increased to the customers and hence our profitability was greatly restrained.

As part of the cost reduction measures, the Group sold its interests in the loss making optical case manufacturing business to an independent third party during the year. Our team in the optical case manufacturing business was experienced, technically capable and committed. However, because of the lack of economy of scale as a result of having reduced orders, the business was operating at a loss in recent years. We believe the disposal was beneficial to all parties involved. Amongst the benefits, the Group has been able to make a small gain on the disposal compared to the book cost and the management of the Group did not have to set aside further resources on this non-core business.

The Group has also divested in the year under review its interests in Safint Optical Investments Limited ("Safint"), a joint venture held with Safilo Far East Limited ("Safilo") and an independent third party, to Safilo. Approval of the independent shareholders of the Company was obtained in the Special General Meeting held on 29 February 2012 for the divestment of the Group's remaining ten percent equity interests in Safint. Safint's principal business is eyewear distribution business in China. It seems like the whole world is eyeing on China as the prime engine of growth. Such positive long term expectation in the potential of the Chinese market facilitated the divestment. As explained in the circular to the Company's shareholders dated 8 February 2012, being a minority in such an investment with all the products supplied solely by the Safilo Group, our involvement in the investment was extremely passive. By realising the value in Safint at a price which, in the view of the management was satisfactory and for the real benefit of the Group, the Group would have more cash resources to weather the current difficult period.

PROSPECTS

The global economy is struggling. Factory outputs worldwide slid as echoed by the declining purchasing manager indices seen in different major economies. Eyewear products are increasingly linked to fashion rather than being the basic necessities of vision correction aids. When people are uncertain about the economic future, they will not buy or delay buying new eyewear or sunglasses. As a result, the Group can neither be optimistic nor certain about the business prospects of the immediate period to follow. Given the current global political, financial and economic development seen, it is highly likely that the challenging period for our industry will linger on.

To tackle the difficulties, the management has focused on improving the operational efficiency of the Group's manufacturing set up. The targets are to improve production lead time, reduce costs and avoid non-conforming products being produced. Deploying more computer controlled machines to lead in selective automation on the production floor will be one of the directions. The Group will make use of its machine making capability to achieve the objectives. The Group needs to take quick action with strong determination to control the production cost as its already extremely thin gross profit margin is being eroded by the rising expenses coming at all fronts.

The Group will also make use of the slower momentum of business to improve on its organisation. It has to streamline the organisational structure to make the system more responsive.

Although the Group cannot expect much for the market to rebound significantly and quickly in the short period of time, for the fact that its acetate market segment is small as compared to the market practitioners of comparable scale, the Group expects more room to grow. The Group will expand its sales efforts to get a bigger market share in the acetate product segment which is believed to remain strong for a while. Simultaneously, the Group will also strengthen its marketing efforts to convince its customers to accept its price increase request as it is mandated by the circumstances.

There are times in which we need to be patient. This is the period in which the Group needs to tread carefully and optimise management of its resources for the next opportunity to come.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a strong financial position with cash and bank balances of HK$162,271,000 and a zero gearing ratio as at 31 March 2012. The Group's equity attributable to owners of the Company as at 31 March 2012 amounted to HK$493,192,000 (31 March 2011: HK$512,331,000).

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 foreign exchange contract. The management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 March 2012, the Group had capital commitments, which were contracted but not provided for, in respect of leasehold improvements, equipment and machinery of HK$2,368,000 (31 March 2011: HK$132,000). As at 31 March 2012, the Company had a contingent liability of HK$125,400,000 (31 March 2011: HK$151,400,000) in respect of guarantees given to banks in connection with facilities granted to its subsidiary.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2012, the Group employed 4,130 (31 March 2011: 5,159) full time employees in Mainland China and in Hong Kong. Salaries, bonuses and benefits are determined with reference to market terms and performance, qualifications and experience of individual employees, 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 year ended 31 March 2012.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is committed to applying high standard of corporate governance practices and procedures in fulfilling its responsibilities. It is the belief of the Board that shareholders can maximise their benefits from good corporate governance. The Company has always recognised the importance of transparency and accountability. The Group has adopted the code provisions as set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the SEHK as its own code of corporate governance practices. The Directors consider that the Company has complied with the Code throughout the year ended 31 March 2012, 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 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.

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

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

AUDIT COMMITTEE

The accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2012 have been reviewed by the audit committee, which comprises Mr. Poon Kwok Fai, Ronald, Dr. Tam Hok Lam, Tommy and Mr. Wong Chung Mat, Ben, the independent non-executive directors of the Company.

DIVIDEND AND RECORD DATE

The Board has resolved to recommend the payment of a special dividend of HK4 cents per ordinary share (2011: Nil) for the year ended 31 March 2012 at the forthcoming annual general meeting of the Company to be held on 31 August 2012. The record date set for entitlement of special dividend is 6 September 2012. Payment of the special dividend is scheduled for 26 September 2012 subject to its declaration being approved at the annual general meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will close on the following dates, during which the registration of transfers of shares will be suspended:

(a) Friday, 31 August 2012 (being the date of the annual general meeting of the Company), for facilitating the processing of proxy voting on the annual general meeting; and

(b) Thursday, 6 September 2012 (being the record date set for the proposed special dividend if declaration of which is approved at the annual general meeting), for determination of entitlements of the shareholders of the Company to the proposed special dividend.

All transfers of shares, accompanied by the relevant share certificates, must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong:

(a) not later than 4:30 p.m. on Thursday, 30 August 2012 in order to be eligible to attend and vote at the forthcoming annual general meeting of the Company; and

(b) not later than 4:30 p.m. on Wednesday, 5 September 2012 in order to qualify for the proposed special dividend.

APPRECIATION

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

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

Hong Kong, 28 June 2012

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.