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 2013

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 2013 together with the comparative figures for 2012 as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 March 2013

	Notes	**2013** *HK$'000*	2012 *HK$'000*
REVENUE	4	**361,458**	431,174
Cost of sales		**(360,650)**	(429,403)
Gross profit		**808**	1,771
Other income	4	**6,816**	2,385
Selling and distribution expenses		**(7,564)**	(7,484)
Administrative expenses		**(60,914)**	(48,204)
Other operating income/(expenses), net		**(224)**	34,838
Finance costs	6	**(5)**	–
Share of profits and losses of:			
Jointly-controlled entities		**(43)**	919
An associate		**(740)**	(926)
LOSS BEFORE TAX	5	**(61,866)**	(16,701)
Income tax	7	**(1,297)**	2,785
LOSS FOR THE YEAR		**(63,163)**	(13,916)
Attributable to:			
Owners of the Company		**(59,665)**	(11,334)
Non-controlling interests		**(3,498)**	(2,582)
		(63,163)	(13,916)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted		**HK(18.44) cents**	HK(3.50) cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2013

	2013 HK$'000	2012 HK$'000
LOSS FOR THE YEAR	**(63,163)**	(13,916)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Share of exchange differences on translation of jointly-controlled entities	**(134)**	140
Share of exchange differences on translation of an associate	**18**	610
Exchange differences on translation of foreign operations	**677**	1,510
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**561**	2,260
TOTAL COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(62,602)**	(11,656)
Attributable to:		
Owners of the Company	**(59,189)**	(9,430)
Non-controlling interests	**(3,413)**	(2,226)
	(62,602)	(11,656)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**212,820**	222,049
Investment property		**7,500**	5,460
Prepaid land lease payments		**14,757**	15,060
Investments in jointly-controlled entities		**4,035**	5,887
Investment in an associate		**804**	1,526
Available-for-sale financial asset		**520**	520
Deferred tax assets		**–**	1,077
Deposits paid for items of property, plant and equipment		**396**	1,786
Total non-current assets		**240,832**	253,365
CURRENT ASSETS			
Inventories		**92,089**	73,696
Loan to a jointly-controlled entity		**338**	–
Trade and bills receivables	10	**75,514**	91,798
Prepayments, deposits and other receivables		**5,440**	5,254
Equity investments at fair value through profit or loss		**63**	47
Tax recoverable		**1,169**	1,131
Cash and cash equivalents		**93,031**	162,271
Total current assets		**267,644**	334,197
CURRENT LIABILITIES			
Trade and bills payables	11	**42,810**	37,292
Other payables and accruals		**29,214**	38,460
Tax payable		**2,989**	2,950
Total current liabilities		**75,013**	78,702
NET CURRENT ASSETS		**192,631**	255,495
TOTAL ASSETS LESS CURRENT LIABILITIES		**433,463**	508,860
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**937**	786
Net assets		**432,526**	508,074
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**32,365**	32,365
Reserves		**388,692**	447,881
Proposed special dividend	8	**–**	12,946
		421,057	493,192
Non-controlling interests		**11,469**	14,882
Total equity		**432,526**	508,074

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 revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in the 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 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

	2013	2012
	HK$'000	*HK$'000*
Europe	**221,579**	244,206
North America	**95,891**	113,663
The People's Republic of China (the "PRC") (including Hong Kong)	**35,935**	61,959
Other Asian countries	**6,141**	8,571
Others	**1,912**	2,775
	361,458	431,174

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$121,429,000 (2012: HK$110,444,000) and HK$34,756,000 (2012: HK$44,247,000) 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.

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:

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**361,458**	431,174
Other income		
Sale of scrap materials	**104**	787
Bank interest income	**1,207**	677
Gross rental income	**874**	838
Dividend income from equity investments at fair value through profit or loss	**5**	4
Others	**4,626**	79
	6,816	2,385

5. LOSS BEFORE TAX

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

	2013	2012
	HK$'000	*HK$'000*
Cost of inventories sold*	**357,257**	429,569
Depreciation	**28,644**	29,288
Amortisation of prepaid land lease payments	**417**	412
Auditors' remuneration	**900**	880
Minimum lease payments under operating leases in respect of land and buildings	**2,037**	3,424
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**184,665**	196,936
Pension scheme contributions**	**861**	858
	185,526	197,794
Gross and net rental income	**(874)**	(838)
Provision/(write-back of provision) for inventory obsolescence*	**3,393**	(166)
Foreign exchange differences, net	**34**	292
Other operating expenses/(income), net:		
Write-back of impairment of trade receivables	**(319)**	(134)
Loss/(gain) on disposal of items of property, plant and equipment	**2,597**	(150)
Fair value losses/(gains), net:		
Equity investments at fair value through profit or loss – held for trading	**(14)**	7
Changes in fair value of an investment property	**(2,040)**	(160)
Gain on disposal of a subsidiary	**–**	(453)
Gain on disposal of available-for sale financial assets	**–**	(33,948)
	224	(34,838)

* 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 (2012: Nil).

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2013	2012
	HK$'000	*HK$'000*
Interest on bank overdrafts wholly repayable on demand	**5**	–

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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.

	2013	2012
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**18**	19
Underprovision in prior years	**29**	408
Current – Elsewhere		
Charge for the year	**10**	21
Underprovision in prior years	**12**	4
Deferred	**1,228**	(3,237)
Total tax expense/(credit) for the year	**1,297**	(2,785)

8. DIVIDEND

	2013	2012
	HK$'000	*HK$'000*
Proposed special – Nil (2012: HK4 cents) per ordinary share	**–**	12,946

9. 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 year attributable to ordinary equity holders of the Company for the year of HK$59,665,000 (2012: HK$11,334,000) and 323,649,123 (2012: 323,649,123) shares in issue.

No adjustment has been made to the loss per share attributable to ordinary equity holders of the Company presented for the years ended 31 March 2013 and 2012 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 (2012: 45 to 120 days) to its customers and seeks to maintain strict control over its outstanding receivables.

An aged analysis of the trade and bills receivables as at 31 March 2013 and 2012, based on the payment due date and net of impairment of trade and bills receivables, is as follows:

	2013	2012
	HK$'000	*HK$'000*
Current to 90 days	**74,098**	79,608
91 to 180 days	**793**	449
181 to 360 days	**432**	953
Over 360 days	**191**	1
	75,514	81,011
Bills receivable	**–**	10,787
Total	**75,514**	91,798

11. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at 31 March 2013 and 2012, based on the payment due date, is as follows:

	2013	2012
	HK$'000	*HK$'000*
Current to 90 days	**39,301**	33,455
91 to 180 days	**2,417**	2,370
181 to 360 days	**625**	427
Over 360 days	**467**	1,040
Total	**42,810**	37,292

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The financial year ended 31 March 2013 was another challenging year for the Group, as the Group suffered a loss for the second consecutive year. The upsurge in operating costs in Mainland China was amongst the main reasons for causing the loss. Labour costs continued to rise in the year under review, especially after the Chinese New Year, while the output rate per worker did not increase or the increase rate was not in proportion to the increase in labour costs. The further appreciation of Renminbi was another contributory reason for the loss of the Group. On the other hand, competition has kept our selling prices remained suppressed.

Globally, significant improvement of worldwide economic environment had not been seen, especially in the Group's two largest market segments, Europe and North America. In fact, demand for the Group's products from these two markets declined in the year under review. The Group's sales to Europe reduced by 9.27% to HK$221,579,000, while sales to North America decreased by 15.64% to HK$95,891,000. The total sales revenue of the Group dropped from HK$431,174,000 for the last year to HK$361,458,000 this year.

As a result, the Group recorded a loss of HK$59,665,000 attributable to owners of the Company for the year ended 31 March 2013 as compared to loss of HK$11,334,000 for the last year.

PROSPECTS

The operating environment in Mainland China is expected to remain tough, as the minimum wage in Mainland China was further increased by 6.67% in March this year. Added to that, Renminbi against the U.S. Dollar and Hong Kong Dollar has been getting stronger and stronger recently. The successful conversion of the mode of operation of the Group's major subsidiary in Mainland China early this year from that of the processing contract arrangement to a wholly-foreign-owned enterprise will definitely increase the costs of operation in Mainland China. The operating costs of the Group in Mainland China will unavoidably be pushed up further.

Moreover, it is still uncertain when the global economy will recover. While the U.S. economy has demonstrated encouraging signs of revival, the sluggish economic state in the European continent as well as the fear of the U.S. Federal Reserve to reduce the money supply soon will work otherwise to undermine the world economic recovery process. Such development works together to create instability and uncertainty. To some extent, consumer confidence as well as the sales of the Group's products will be affected by these elements.

The management of the Group is fully aware of these challenges. To tackle these difficulties, we attempted with slight success to raise the selling prices of some of our products earlier this year. We are also implementing more control measures to improve efficiency and to strengthen its manufacturing activities.

Manufacturers based in Southern China have increasingly realised the current operating environment is less conducive to the operation as a whole. We have to focus on transforming the structure and culture of our management system to cope with the changes in the operating environment of Mainland China as well as in the market and to keep our competitiveness to meet the challenges ahead. During the process, together with the less certain market factors, we need to face up to the temporary setback. The Management is working to streamline its operation and is confident of having enough resources to take up the challenge.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a strong financial position with cash and bank balances of HK$93,031,000 and a zero gearing ratio as at 31 March 2013. The Group's equity attributable to owners of the Company as at 31 March 2013 amounted to HK$421,057,000 (31 March 2012: HK$493,192,000).

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 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 2013, the Group had capital commitments, which were contracted but not provided for, in respect of leasehold improvements, equipment and machinery of HK$626,000 (31 March 2012: HK$2,368,000). As at 31 March 2013, the Company had a contingent liability of HK$72,000,000 (31 March 2012: HK$125,400,000) in respect of guarantees given to banks in connection with facilities granted to its subsidiary.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2013, the Group employed 3,773 (31 March 2012: 4,130) 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 2013.

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 Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited 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 2013, 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.

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 2013 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

The Board does not recommend any final dividend (2012: special dividend of HK4 cents) for the year ended 31 March 2013 at the forthcoming annual general meeting of the Company to be held on 29 August 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will close on Thursday, 29 August 2013 (being the date of the annual general meeting of the Company), for facilitating the processing of proxy voting at the annual general meeting, during which the registration of transfers of shares will be suspended. 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 not later than 4:30 p.m. on Wednesday, 28 August 2013 in order to be eligible to attend and vote at the forthcoming annual general meeting 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.

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

Hong Kong, 27 June 2013

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