



ELEGANCE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

website: <http://www.elegance-group.com>

(Stock Code: 907)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2007

FINANCIAL HIGHLIGHTS

Revenue:	HK\$572,467,000
Profit Attributable to Shareholders:	HK\$61,008,000
Earnings per Share:	HK18.85 cents
Proposed Final Dividend per Share:	HK6.0 cents
Total Shareholders' Funds:	HK\$491,814,000

FINANCIAL RESULTS

The board of directors of Elegance International Holdings Limited (the “Company”) announced that the audited consolidated financial results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2007, together with the comparative figures for 2006, are as follows:

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 March	
	Notes	2007 HK\$'000	2006 HK\$'000
REVENUE	4	572,467	432,164
Cost of sales		<u>(443,818)</u>	<u>(340,499)</u>
Gross profit		128,649	91,665
Other income and gain	4	3,314	3,668
Selling and distribution costs		(12,317)	(9,435)
General and administrative expenses		(55,492)	(53,958)
Other operating income		7,927	4,421
Finance costs	6	(3,199)	(2,840)
Share of profits and losses of associates		<u>1,482</u>	<u>283</u>
PROFIT BEFORE TAX	5	70,364	33,804
Tax	7	<u>(9,041)</u>	<u>(5,908)</u>
PROFIT FOR THE YEAR		<u>61,323</u>	<u>27,896</u>
ATTRIBUTABLE TO:			
Equity holders of the parent		61,008	31,987
Minority interests		<u>315</u>	<u>(4,091)</u>
		<u>61,323</u>	<u>27,896</u>
DIVIDENDS	8		
Interim		9,709	8,091
Proposed final		<u>19,419</u>	<u>16,182</u>
		<u>29,128</u>	<u>24,273</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	9	<u>18.85 cents</u>	<u>9.88 cents</u>

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	2007 HK\$'000	2006 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		232,848	226,481
Investment properties		3,129	2,210
Prepaid land lease payments		45,974	46,692
Interests in associates		8,913	5,849
Available-for-sales financial assets		81,638	84,285
		<hr/>	<hr/>
Total non-current assets		372,502	365,517
CURRENT ASSETS			
Inventories		86,616	88,025
Trade and bills receivables	<i>10</i>	160,058	146,874
Prepayments, deposits and other receivables		5,627	6,200
Equity investments at fair value through profit or loss		451	437
Tax recoverable		15	57
Available-for-sale financial assets		7,699	–
Due from an associate		7,722	–
Cash and bank balances		39,087	30,385
		<hr/>	<hr/>
		307,275	271,978
Non-current assets classified as held for sale		<hr/> –	<hr/> 7,753
Total current assets		<hr/> 307,275	<hr/> 279,731
CURRENT LIABILITIES			
Trade and bills payables	<i>11</i>	56,003	52,709
Other payables and accrued liabilities		27,516	21,298
Tax payable		9,370	5,800
Interest-bearing bank and other borrowings		59,767	71,476
Due to an associate		4,600	4,700
		<hr/>	<hr/>
Total current liabilities		157,256	155,983
NET CURRENT ASSETS		<hr/> 150,019	<hr/> 123,748
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 522,521	<hr/> 489,265

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	5,000	13,583
Deferred tax liabilities	7,985	7,985
	<hr/>	<hr/>
Total non-current liabilities	12,985	21,568
	<hr/>	<hr/>
Net assets	509,536	467,697
	<hr/>	<hr/>
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	32,365	32,365
Reserves	440,030	402,353
Proposed final dividend	19,419	16,182
	<hr/>	<hr/>
	491,814	450,900
	<hr/>	<hr/>
Minority interests	17,722	16,797
	<hr/>	<hr/>
Total equity	509,536	467,697
	<hr/>	<hr/>

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include 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 investment properties, available-for-sale financial assets and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company’s subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards has had no material effect on these financial statements.

HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
------------------------------	-------------------------------

The principal changes in accounting policies are as follows:

HKAS 39 *Financial Instruments: Recognition and Measurement*

Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following applicable new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objectives, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard specifies how an entity should report information about its operating segments in annual financial statements and, as a consequential amendment to HKAS 34 *Interim Financial Reporting*, requires an entity to report selected information about its operating segments in interim financial reports. It also sets out requirements for related disclosures about the products and services provided by the segments, geographical areas in which the Group operates and revenues from the Group's major customers. This standard will supersede HKAS 14 *Segment Reporting*.

HK(IFRIC)-Int 8 and HK(IFRIC)-Int 10 shall be applied for annual periods beginning on or after 1 May 2006 and 1 November 2006, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and trading of optical frames, sunglasses and optical cases. No business segment analysis is presented as management considers that the Group operates in one single business segment.

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's geographical segments for the years ended 31 March 2007 and 2006.

Geographical segments	North America		Europe		People's Republic of China ("PRC") (including Hong Kong*)		Other Asian countries		Others		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue:												
Sales to external customers	157,041	134,515	358,937	262,649	36,016	28,217	12,939	4,321	7,534	2,462	572,467	432,164
Segment results	20,445	11,486	46,729	22,427	4,689	2,409	1,684	369	981	210	74,528	36,901
Interest and dividend income											447	1,447
Unallocated corporate expenses											(2,894)	(1,987)
Finance costs											(3,199)	(2,840)
Share of profits and losses of associates	-	-	-	-	1,005	(1)	477	284	-	-	1,482	283
Profit before tax											70,364	33,804
Tax											(9,041)	(5,908)
Profit for the year											61,323	27,896
Segment assets	31,321	33,463	121,501	100,656	474,858	472,264	3,047	1,391	1,035	1,183	631,762	608,957
Interests in associates	-	-	-	-	6,857	4,270	2,056	1,579	-	-	8,913	5,849
Cash and bank balances											39,087	30,385
Unallocated assets											15	57
Total assets											679,777	645,248
Segment liabilities	346	1,672	7,883	11,390	76,948	63,704	3,168	2,733	-	-	88,345	79,499
Bank loans											64,541	84,267
Unallocated liabilities											17,355	13,785
Total liabilities											170,241	177,551

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

4. REVENUE, OTHER INCOME AND GAIN

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

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
<u>Revenue</u>		
Sale of goods	<u>572,467</u>	<u>432,164</u>
<u>Other income</u>		
Sale of scrap materials	1,741	833
Bank interest income	436	1,436
Gross rental income	190	191
Dividend income from listed investments	11	11
Others	<u>837</u>	<u>619</u>
	<u>3,215</u>	<u>3,090</u>
<u>Gain</u>		
Foreign exchange differences, net	<u>99</u>	<u>578</u>
	<u>3,314</u>	<u>3,668</u>

5. PROFIT BEFORE TAX

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Cost of inventories sold	446,230	339,320
Depreciation	37,365	32,025
Gain on disposal of staff quarters	(4,118)	–
Gain on disposal of investment properties	(50)	–
Loss/(gain) on disposal of items of property, plant and equipment	(802)	56
Write-back of provision for impairment of prepaid land lease payments	(290)	(2,920)
Write-back of provision for impairment of buildings	(45)	(552)
Fair value gains, net:		
Equity investments at fair value through profit or loss	<u>(14)</u>	<u>(36)</u>

6. FINANCE COSTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	3,160	2,816
Interest on finance leases	39	24
	<u>3,199</u>	<u>2,840</u>

7. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) 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 countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Group:		
Current – Hong Kong		
Charge for the year	8,151	4,419
Under/(over) provision in prior years	(48)	542
Current – Elsewhere	938	143
Deferred	–	804
	<u>9,041</u>	<u>5,908</u>
Total tax charge for the year		

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the country/jurisdiction in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

Group – 2007

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Total <i>HK\$'000</i>
Profit before tax	<u>70,224</u>	<u>140</u>	<u>70,364</u>
Tax at the statutory tax rate	12,289	46	12,335
Lower tax rate for specific provinces	–	(58)	(58)
Adjustments in respect of current tax of previous periods	(48)	–	(48)
Profits and losses attributable to associates	(259)	–	(259)
Results from offshore manufacturing operation not subject to tax	(4,733)	–	(4,733)
Income not subject to tax	(1,205)	(844)	(2,049)
Expenses not deductible for tax	863	247	1,110
Tax losses utilised from previous periods	(9)	–	(9)
Estimated tax losses not recognised	388	1,547	1,935
Others	817	–	817
	<u>8,103</u>	<u>938</u>	<u>9,041</u>
Tax charge at the Group's effective rate			

Group – 2006

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Total <i>HK\$'000</i>
Profit/(loss) before tax	<u>42,176</u>	<u>(8,372)</u>	<u>33,804</u>
Tax at the statutory tax rate	7,381	(2,763)	4,618
Lower tax rate for specific provinces	–	269	269
Adjustments in respect of current tax of previous periods	542	–	542
Results from offshore manufacturing operation not subject to tax	(3,237)	–	(3,237)
Income not subject to tax	(1,127)	(22)	(1,149)
Expenses not deductible for tax	1,442	329	1,771
Estimated tax losses not recognised	138	2,187	2,325
Others	<u>626</u>	<u>143</u>	<u>769</u>
Tax charge at the Group's effective rate	<u>5,765</u>	<u>143</u>	<u>5,908</u>

8. DIVIDENDS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interim – HK3.0 cents (2006: HK2.5 cents) per ordinary share	9,709	8,091
Proposed final – HK6.0 cents (2006: HK5.0 cents) per ordinary share	<u>19,419</u>	<u>16,182</u>
	<u>29,128</u>	<u>24,273</u>

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent for the year of HK\$61,008,000 (2006: HK\$31,987,000) and 323,649,123 (2006: 323,649,123) shares in issue.

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

10. 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 (2006: 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 the trade and bills receivables (net of impairment of trade receivables) as at 31 March 2007 and 2006:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current to 90 days	158,153	141,600
91 – 180 days	677	1,468
181 – 360 days	543	968
	<hr/> 159,373	<hr/> 144,036
Bills receivable	685	2,838
	<hr/> 160,058	<hr/> 146,874
Total	160,058	146,874

The trade receivables of the Group include trade balances due from the Safilo S.p.A group of companies of HK\$100,600,000 (2006: HK\$102,754,000) in aggregate, which are unsecured, interest-free and are repayable in accordance with normal trading terms of 120 days (2006: 120 days).

11. TRADE AND BILLS PAYABLES

The following is an aged analysis of the trade and bills payables as at 31 March 2007 and 2006:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current to 90 days	55,562	50,877
91 – 180 days	145	935
181 – 360 days	160	498
Over 360 days	136	399
	<hr/> 56,003	<hr/> 52,709
Total	56,003	52,709

The trade and bills payables are non-interest-bearing and are normally settled on 30-day terms.

CHAIRMAN'S STATEMENT OF ANNUAL REPORT 2006/2007

DIVIDENDS

The Board of Directors have resolved to recommend the payment of a final dividend of HK6.0 cents per ordinary share (2006: HK5.0 cents) for the year ended 31 March 2007 at the forthcoming Annual General Meeting to be held on 31 August 2007. The final dividend together with the interim dividend of HK3.0 cents per ordinary share, will make a total dividend for the year of HK9.0 cents (2006: HK7.5 cents) per ordinary share. The final dividend, if approved by shareholders, is expected to be payable on 28 September 2007 to those shareholders whose names appear on the Register of Members on 31 August 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 25 August 2007 to 31 August 2007 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Registrars in Hong Kong, Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 24 August 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Review of Industry

The financial year 2006/2007 has been a good year for the Group in which a satisfactory financial performance was delivered. During the year under review, the demand for quality optical products was promising due to the stable economic conditions in Europe and North America, where the market threshold of our major customers are. With the continual growth of fashion brands worldwide which coupled with the increasing importance of eyewear products as major fashion accessories, the market potential for the optical industry in Hong Kong is promising. The trend of the outsource of production orders from traditional optical distributors in Europe and Japan to mainland China to enjoy cheaper product costing is continuing. Taking advantage of the favourable market sentiment for optical products, both of the Group's turnover and profit attributable to equity shareholders recorded a satisfactory growth, reflecting the continuous efforts of the Group in the improvement in product quality, production management and marketing strategy to enhance value of our shareholders.

Financial Performance

Due to successful marketing strategy, the satisfactory order placements from our long-term and new customers have been realised. The implementation of stringent measures on enhancement of product quality also helps. The Group leveraged on its immense industry expertise to increase turnover by a robust growth of 32.47% to HK\$572,467,000 from HK\$432,164,000 for the year 2005/2006. The increase in sales and production output, the resulting economies of scale, further streamlining of the production and logistic processes raised the profit attributable to equity shareholders to HK\$61,008,000 (2006: HK\$31,987,000) for the year ended 31 March 2007, representing an increase of over 90.72% on a year-on-year basis. The abovementioned profit for the year has already taken into account the other operating items including gain on disposal of the PRC staff quarter of HK\$4,118,000 (2006: Nil), write-back of impairment of trade receivables of HK\$1,699,000 (2006: HK\$4,782,000), fair value gain of investment properties of HK\$919,000 (2006: loss of HK\$3,813,000) and gain on disposal of items of property, plant and equipment of HK\$802,000 (2006: loss of HK\$56,000) in the year under review. Without the effects of the other operating items, the profit attributable to equity shareholders amounts to HK\$53,081,000, which represented an increase of 92.56% when compared with that of HK\$27,566,000 last year. Earnings per share also improved from HK9.88 cents to HK18.85 cents for the year ended 31 March 2007. The return on equity also increased to 12.40% from 7.09% for the previous financial year which reflects improved efficiency on deployment of the Group's assets in generating return.

The gross profit margin and net profit margin have also been improved to 22.47% and 10.66% from 21.21% and 7.40%, respectively, last year despite the fact that increasing operating costs such as wages and electricity charges in Mainland China on top of keen competition posed immense pressure on our efforts in keeping satisfactory return to our shareholders. The improvement to net profit margin also showed our continual efforts of imposing stringent cost control measures in containing the general and administrative expenses. It accounted for approximately 9.69% to the Group's turnover compared to that of 12.49% for the year 2005/2006.

Sales Analysis

With a continual strengthening of marketing channels and a favourable consumer sentiment in the developed countries, the Group successfully captured the growth in revenue across overseas markets both in Europe and North America. European markets continued to be the Group's major export market. Sales to European market increased by more than 36.66% to HK\$358,937,000 (2006: HK\$262,649,000), representing 62.7% (2006: 60.78%) of the total turnover of the Group for the year ended 31 March 2007. The Group will accelerate our business expansion in the European markets with new product design and more proactive marketing activities. The sales to North America recorded a stable growth of 16.75% to HK\$157,041,000, as compared to that of HK\$134,515,000 for the financial year ended 31 March 2006 and it contributed to 27.43% (2006: 31.13%) of the total Group's turnover. It was resulted from the turnaround of market demand for optical products in the United States.

To improve the margin of the financial performance, the policy of the Group is to impose strict control in use of materials and consumables, diligently adopt various measures to cut production overhead and reduce materials usage and to enrich our integrated value-added services. With the benefit of this policy and the impact of economies of scale brought by increasing capacity and production output, the Group successfully achieved improvement in our production efficiency and increased our capacity in peak period.

New Facilities for Self-made Machines

The Group's production facility in Dongguan, the PRC for self-development of machinery for use in optical industry was completed in March 2007. With this new premise, the Group managed to install more self-made computer numeric control machines tailored to optical industry to improve production know-how and enhance our productivity in quality product with sophisticated and varied design layout. Besides, the Group is in a better position to control the capital expenditure and the use of operating cash flow by means of deployment of self-made machines in a greater extent in contrast to the purchase of machinery.

PROSPECT

The Group foresees that the financial year ended 31 March 2008 continues to be a challenging year for our manufacturing business. Given the volatile metal and petro-chemical prices and expected further appreciation of Renminbi against US dollars and Hong Kong dollars unfavourably, our gross margin will be under pressure. To maintain profitability amid the high-cost operating environment in mainland China, the Group will strategically directed our resources to support customers with higher margin and in larger volume. To effectively counter the adverse operating cost environment, the Group strives to maintain a diverse product mix and monitor closely the profit contribution of different products and customers and to concentrate on those with satisfactory profit margin. The Group also plans to foster relationship with major customers so as to seek repeated orders with larger volume from these customers to boost profit margin to alleviate the continual adverse impacts from rising materials and overhead costs in the foreseeable future.

The Group is committed to understanding the needs of customers and market development of fashion trend to help our customers develop innovative design layout and materials used for optical products so that the Group is able to add value to our customers and will be in a better position to introduce our products to all potential customers with better sales margin.

Looking ahead, it is obvious that the Group is well positioned to take advantage of its status as a renowned and fully vertically integrated optical manufacturer to produce quality and fashionable optical products to meet increasing demand from customers in Europe and North America when Southern China where our production bases locate has become one of the important manufacture base of optical products in the world. As the optical markets maintains stable growth momentum in early 2007, I am looking forward to placing the Group on the path to further growth and bring fruitful returns to shareholders in the coming financial year.

LIQUIDITY AND CAPITAL RESOURCES

The Group generally finances its operations with internally generated working capitals and external banking facilities. The financial position of the Group remained strong during the year under review.

The Group's current ratio, being the ratio of total current assets divided by the total current liabilities, was 1.95:1 (31 March 2006: 1.79:1). The gearing ratio of the Group, calculated on the basis of interest-bearing bank and other borrowings over shareholders' funds maintained at 13.17% (31 March 2006: 18.86%) as at the year-end date. The improvement in current ratio and gearing ratio reflected the strong cash inflow from operations of HK\$90,591,000 compared to HK\$24,763,000 for the year 2005/2006.

The Group had banking facilities amounted to HK\$162,600,000 (31 March 2006: HK\$147,600,000), of which approximately HK\$66,833,000 (31 March 2006: HK\$85,059,000) were utilised. All outstanding bank borrowings were for purposes of trade-finance and working capital and short to medium term in nature.

The Group successfully tightened control on purchase and use of raw materials to maintain a healthy inventory level despite an increase of turnover of over 32.47%. Stock turnover days decreased from 82 days for the previous financial year to 72 days in 2006/2007.

As at 31 March 2007, the Group's capital commitment was of HK\$2,113,000 (31 March 2006: HK\$3,256,000).

FOREIGN CURRENCY RISK

The Group's monetary assets, liabilities, and transactions are mainly denominated in Hong Kong dollars, Renminbi and US dollars. The management believes that the Group's working capital is not exposed to any significant risk from exchange rate. All of the bank borrowings are denominated in Hong Kong dollars and US dollars. The revenue of the Group, being mostly denominated in US dollars, was fairly matched with the currency requirements of operating expenses.

CONTINGENT LIABILITIES

At 31 March 2007, the Group had contingent liabilities of HK\$162,600,000 (31 March 2006: HK\$147,600,000), comprised of guarantees given to banks in connection with facilities granted to its fellow subsidiaries.

THE PLEDGE OF ASSETS

At 31 March 2007, the Group has pledged its leasehold land, leasehold buildings and investment properties with an aggregate carrying value of approximately HK\$17,206,000 (31 March 2006: HK\$16,363,000) as security for bank loan and general banking facilities granted to the Group. Except the above, there are no other charges on the Group's assets.

EMPLOYEES

As at 31 March 2007, the Group has over 6,666 (31 March 2006: 6,131) employees in Hong Kong and China. Most of them were stationed in the Mainland China while the rest were in Hong Kong and overseas. Employee costs (excluding director's emoluments) amounting to approximately HK\$118,007,000 (2006: HK\$95,567,000). In addition to competitive remuneration packages, discretionary bonuses are awarded to eligible staff based on the Group's performance, individual experience and performance. Various fringe benefits ranging from Mandatory Provident Fund and medical insurance are provided. Employee's remuneration is consistent with the prevailing industry practice in the respective countries where the Group operates.

SHARE OPTION SCHEME

No option were granted, exercised, cancelled or lapsed during the year under review.

CORPORATE GOVERNANCE

The Directors consider that the Company has complied with the code provisions of the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (“SEHK”) throughout the year ended 31 March 2007, except the following deviation:

Code Provision A.2.1 stipulates that the roles of chairman and chief executives officer should be separate and should not be performed by the same individual. Mr. Hui Leung Wah is the founder and Chairman of the Board. The Company does not have any officer with the title “chief executive officer”. Mr. Hui 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 considers that the combination of the roles of chairman and chief executive officer can promote the efficient formulation and implementation of the strategies which will enable the Company to take advantage of market opportunities promptly. The Company will review the feasibility of separating the two roles to comply with Code Provision A.2.1.

The audit committee and the Board of Directors of the Company have reviewed the audited financial statements of the Company for the year ended 31 March 2007.

Detailed information on the Company’s corporate governance practices is set out in the corporate governance report included in the Company’s annual report for the year ended 31 March 2007 to be despatched to the shareholders in due course.

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 year ended 31 March 2007.

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.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Salon II, Grand Hyatt Hotel, 1 Harbour Road, Wanchai, Hong Kong at 3:00 p.m. on Friday, 31 August 2007. The Notice of Annual General Meeting will be published on the website of the SEHK at www.hkex.com.hk and on the Company’s website at www.elegance-group.com and despatched to the shareholders in due course.

APPRECIATION

I would like to take this opportunity to express my deepest gratitude and sincere thanks to all of our staff and fellow directors for their contributions and efforts to the Group in the past. I would also like to thank our customers, shareholders, bankers, suppliers and other business partners for their continuous support to the success of the Group.

As at the date of this announcement, the executive Directors are Hui Leung Wah, Poon Sui Hong and Leung Shu Sum, the non-executive Directors are Mario Pietribiasi and Massimiliano Tabacchi and the independent non-executive Directors are Poon Kwok Fai, Ronald, Tam Hok Lam, Tommy, JP and Wong Chung Mat, Ben.

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

Hong Kong, 6 July 2007