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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 2009

INTERIM RESULTS

The Board of Directors of Elegance International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2009, together with the comparative figures. These interim results have not been audited, but have been reviewed by the Company’s audit committee.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 September	
		2009	2008
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	3	208,775	282,369
Cost of sales		(171,852)	(241,953)
Gross profit		36,923	40,416
Other income and gain	3	1,305	2,244
Selling and distribution costs		(2,751)	(4,902)
Administrative expenses		(26,063)	(27,715)
Other operating expenses, net		(15)	(293)
Finance costs	5	–	(50)
Share of profits of:			
Jointly-controlled entities		226	323
Associates		134	4,662
PROFIT BEFORE TAX	4	9,759	14,685
Tax	6	(605)	(349)
PROFIT FOR THE PERIOD		9,154	14,336
Attributable to:			
Equity holders of the parent		9,784	14,717
Minority interests		(630)	(381)
		9,154	14,336
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic and diluted		HK3.02 cents	HK4.55 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	9,154	14,336
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences on translation of foreign operations	(88)	893
Net loss on available-for-sale financial assets	—	(273)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(88)	620
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	9,066	14,956
Total comprehensive income attributable to:		
Equity holders of the parent	9,597	15,131
Minority interests	(531)	(175)
	9,066	14,956

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
<i>Notes</i>		
NON-CURRENT ASSETS		
Property, plant and equipment	226,533	229,636
Investment property	2,800	2,800
Prepaid land lease payments	44,941	45,451
Interests in jointly-controlled entities	4,779	4,775
Interests in associates	2,336	3,179
Available-for-sale financial assets	32,279	32,279
Deferred tax assets	807	807
Deposits paid for items of property, plant and equipment	104	2,227
Total non-current assets	314,579	321,154
CURRENT ASSETS		
Inventories	75,426	78,393
Trade and bills receivables	9 111,216	125,894
Prepayments, deposits and other receivables	10,292	13,301
Equity investments at fair value through profit or loss	32	835
Tax recoverable	270	1,068
Cash and cash equivalents	111,319	78,119
Total current assets	308,555	297,610
CURRENT LIABILITIES		
Trade and bills payables	10 39,878	34,764
Other payables and accruals	39,521	39,335
Tax payable	3,901	3,838
Total current liabilities	83,300	77,937
NET CURRENT ASSETS	225,255	219,673
TOTAL ASSETS LESS CURRENT LIABILITIES	539,834	540,827
NON-CURRENT LIABILITIES		
Deferred tax liabilities	5,200	5,550
Net assets	534,634	535,277
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	32,365	32,365
Reserves	483,609	474,012
Proposed dividend	–	9,709
	515,974	516,086
Minority interests	18,660	19,191
Total equity	534,634	535,277

NOTES

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ended 30 September 2009 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 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 financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 March 2009, 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 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC) – Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) – Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i>
HK(IFRIC) – Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC) – Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC) – Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HK(IFRIC) – Int 18	<i>Transfers of Assets from Customers</i>
HKFRSs Amendments	<i>Improvements to HKFRSs issued in 2008</i>

The adoption of the new and revised standards, amendments and interpretations, except for HKAS 1 (Revised) and HKFRS 8 as described below, has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The adoption of this standard did not have any effect on the financial position or performance of the Group.

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

2. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the Group's senior management reviews operating results and financial information on an entity by entity basis. As the Group is principally engaged in the manufacture and trading of eyewear products in the People's Republic of China including Hong Kong ("the Greater China") and each entity is manufacturing and trading similar products to the same group of customers. The Group's operating segments are aggregated into a single reportable segment and accordingly no separate segment information is presented.

The following table presents the revenue of the Group by the geographical location of customers:

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Europe	121,636	170,951
North America	63,687	94,737
The Greater China*	14,325	10,133
Other Asian countries	4,041	2,788
Others	5,086	3,760
	208,775	282,369

For the six months ended 30 September 2009, revenue of approximately HK\$73,410,000 (2008: HK\$108,040,000) is derived from a single external customer.

As at 30 September 2009 and 31 March 2009, all of the Group's non-current assets are located in one geographical location, which is the Greater China region, accordingly, no further analysis of the Group's non-current assets is disclosed.

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

3. REVENUE, OTHER INCOME AND GAIN

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

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

	For the six months ended 30 September	
	2009	2008
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue – net sales of goods	<u>208,775</u>	<u>282,369</u>
Sale of scrap materials	502	680
Bank interest income	238	1,054
Gross rental income	56	100
Dividend income from equity investments at fair value through profit or loss	28	16
Others	<u>481</u>	<u>394</u>
Other income and gain	<u>1,305</u>	<u>2,244</u>

4. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2009	2008
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cost of inventories sold	174,087	238,570
Depreciation	16,466	15,969
Amortisation of prepaid land lease payments	597	597
Minimum lease payments under operating leases in respect of buildings	1,061	1,254
Employee benefits expenses (including directors' remunerations):		
Wages and salaries	70,134	84,597
Pension scheme contributions	<u>455</u>	<u>489</u>
	<u>70,589</u>	<u>85,086</u>
Gain on disposal of items of property, plant and equipment	(67)	(420)
Provision/(write-back of provision) for inventory obsolescence	(2,235)	3,383
Foreign exchange differences, net	<u>2,182</u>	<u>(275)</u>

5. FINANCE COSTS

	For the six months ended 30 September	
	2009	2008
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	–	50
	<u> </u>	<u> </u>

6. TAX

	For the six months ended 30 September	
	2009	2008
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Current – Hong Kong		
Charge for the period	1,326	1,603
Overprovision in prior periods	(370)	(154)
Current – Elsewhere	–	58
Deferred	(351)	(1,158)
	<u> </u>	<u> </u>
Total tax charge for the period	<u> 605</u>	<u> 349</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent of HK\$9,784,000 (2008: HK\$14,717,000) and 323,649,123 (2008: 323,649,123) shares in issue during the period.

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

8. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2009 (2008: Nil).

9. 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 (2008: 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 2009 and 31 March 2009:

	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
Trade receivables		
Current to 90 days	102,298	119,021
91 – 180 days	443	1,990
181 – 360 days	487	138
	<hr/>	<hr/>
	103,228	121,149
Bills receivables	7,988	4,745
	<hr/>	<hr/>
Total	111,216	125,894
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10. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables as at 30 September 2009 and 31 March 2009:

	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
Current to 90 days	37,993	31,694
91 – 180 days	422	2,327
181 – 360 days	865	145
Over 360 days	598	598
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Total	39,878	34,764
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's business operation for the six months ended 30 September 2009 was still significantly affected by the global financial crisis. Consumer confidence has not fully resumed, especially in the Group's two largest geographical markets, Europe and North America. As such, customers are cautious when placing orders, and therefore turnover in these two markets dropped by 28.85% and 32.77% respectively as compared to that of the corresponding period in 2008. As a result, the Group's turnover decreased by 26.06% to HK\$208,775,000 when compared to HK\$282,369,000 in the last corresponding period.

The shortage in the supply of labour forces in Southern China during the latter part of the period under review had affected the manufacturing operation of the Group, which in turn has slowed down the recovery of the Group's turnover.

With effective control over costs, the pressure on the Group's gross profit margin due to the decrease in turnover has been mitigated. The Group's gross profit margin has slightly improved. The Group's profit attributable to equity holder of the Company dropped by 33.52% to HK\$9,784,000 as compared to that of last period, which was partially due to the decrease in turnover and partially due to the significant decrease in the share of profit of associates, as a result of the reclassification of the Group's unlisted equity investment from an associate to available-for-sale financial assets on 1 January 2009.

PROSPECT

Although it is anticipated that full economic recovery will take some time, market sentiment has improved, and signs of economic upturn have been seen in the third quarter of 2009. Barring unforeseen circumstances, the Group is cautiously optimistic about its business operation for the rest of this financial year as orders from existing customers have rebounded lately.

The Group expects that the labour shortage problem may not be resolved in a short period of time due to the increase in customer orders. To cope with this situation, the Group will streamline its production process to better utilise its manpower and will step up the selective automation process.

Furthermore, the Group will reinforce its sales efforts to strengthen its relationship with its existing customers and will at the same time actively solicit new customers, so as to compete for more market share. The Group will continue using its cost control methods to reduce costs at all level to ensure its profitability.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2009, the Group continued to maintain a strong financial position with cash and bank balances of HK\$111,319,000 (31 March 2009: HK\$78,119,000) and without any bank borrowing (31 March 2009: Nil). The Group's equity attributable to equity holders of the parent as at 30 September 2009 amounted to HK\$515,974,000 (31 March 2009: HK\$516,086,000). The Group's gearing ratio, calculated on the basis of total bank borrowings as a percentage of equity attributable to equity holders of the parent, was nil as at 30 September 2009 (31 March 2009: Nil).

FOREIGN CURRENCY RISK

The Group conducts its business transactions mainly in Hong Kong dollars, Renminbi and the U.S. dollars. It is subject to certain foreign exchange impacts caused by the appreciation of Renminbi. The Group has not entered into any foreign exchange contract. However, the management closely monitors foreign exchange exposure.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2009, the Group employed 4,774 (30 September 2008: 6,041) full time employees in China and in Hong Kong. Salaries, bonuses and benefits are determined with reference to market terms and the performance, qualifications and experience of the individual employee, and are subject to review from time to time.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

During the six months ended 30 September 2009, the Group has adopted and met the Code Provisions as set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Listing Rules on the SEHK, except for the following deviation:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title "chief executive officer". Mr. Hui Leung Wah assumes the role of both Chairman and Managing Director of the Company and he is in charge of the overall management of the Company. The Company does not have a separate Chairman and Managing Director as Mr. Hui currently holds both positions. The Board believes that the combination of the roles of Chairman and Managing Director can promote the efficient formulation and implementation of the strategies of the Company, which will enable the Group to grasp business opportunities efficiently and promptly. The Board also believes that through the supervision of its Board and its Independent Non-Executive Directors, a balancing mechanism exist so that the interests of the shareholders are adequately and fairly represented.

The Company has set up a remuneration committee in June 2005 to review and determine the remuneration packages of the directors of the Company, and to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee comprises three Independent Non-Executive Directors.

The Company has also set up a nomination committee in June 2005 to review the structure and composition of the Board on a regular basis. The committee assists the Board to fulfill its supervisory role over the Group in nominating new directors to the Board and assessing the performance and skills of Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS (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. The Company, having made specific enquiry, confirms that all Directors complied throughout the period with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 September 2009 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.

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 continuous support.

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

Hong Kong, 16 December 2009

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 of the Company are Ms. Barbara Lissi and Ms. Paola Marchisio and the Independent Non-Executive Directors of the Company are Mr. Poon Kwok Fai, Ronald, Dr. Tam Hok Lam, Tommy, PhD, JP and Mr. Wong Chung Mat, Ben, JP.