ELEGANCE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 907)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

INTERIM RESULTS

The board of directors (the "Board") of Elegance International Holdings Limited (the "Company") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2012 together with the comparative figures for the corresponding period in last year.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 September	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**191,537**	229,264
Cost of sales		**(189,370)**	(218,462)
Gross profit		**2,167**	10,802
Other income	*3*	**2,137**	1,152
Selling and distribution costs		**(3,914)**	(4,091)
Administrative expenses		**(30,117)**	(24,369)
Other operating income/(expenses), net		**1,112**	(5)
Share of losses of:			
Jointly-controlled entities		**(275)**	(11)
An associate		**(449)**	(335)
LOSS BEFORE TAX	*4*	**(29,339)**	(16,857)
Income tax credit	*5*	**2,186**	1,213
LOSS FOR THE PERIOD		**(27,153)**	(15,644)
Attributable to:			
Owners of the Company		**(25,636)**	(15,465)
Non-controlling interests		**(1,517)**	(179)
		(27,153)	(15,644)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*7*		
Basic and diluted		**(7.92) HK cents**	(4.78) HK cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
LOSS FOR THE PERIOD	**(27,153)**	(15,644)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Share of exchange differences on translation of joint-controlled entities	**(140)**	–
Share of exchange differences on translation of an associate	**25**	–
Exchange differences on translation of foreign operations	**(7)**	1,133
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**(122)**	1,133
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(27,275)**	(14,511)
Attributable to:		
Owners of the Company	**(25,759)**	(14,602)
Non-controlling interests	**(1,516)**	91
	(27,275)	(14,511)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2012 (Unaudited) HK$'000	31 March 2012 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**217,049**	222,049
Investment property		**7,445**	5,460
Prepaid land lease payments		**14,846**	15,060
Investments in jointly-controlled entities		**3,797**	5,887
Investment in an associate		**1,102**	1,526
Available-for-sale financial assets		**520**	520
Deferred tax assets		**3,278**	1,077
Deposits paid for items of property, plant and equipment		**2,765**	1,786
Total non-current assets		**250,802**	253,365
CURRENT ASSETS			
Inventories		**85,522**	73,696
Trade and bills receivables	8	**102,073**	91,798
Prepayments, deposits and other receivables		**3,246**	5,254
Equity investments at fair value through profit or loss		**55**	47
Tax recoverable		**1,188**	1,131
Cash and cash equivalents		**109,284**	162,271
Total current assets		**301,368**	334,197
CURRENT LIABILITIES			
Trade and bills payables	9	**44,640**	37,292
Other payables and accruals		**35,942**	38,460
Tax payable		**2,949**	2,950
Total current liabilities		**83,531**	78,702
NET CURRENT ASSETS		**217,837**	255,495
TOTAL ASSETS LESS CURRENT LIABILITIES		**468,639**	508,860
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**786**	786
Net assets		**467,853**	508,074
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**32,365**	32,365
Reserves		**422,122**	447,881
Proposed dividends		**–**	12,946
		454,487	493,192
Non-controlling interests		**13,366**	14,882
Total equity		**467,853**	508,074

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ended 30 September 2012 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited. The accounting policies and the basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 March 2012, except as described below. In the current period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs", which include 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 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 above amendments to HKFRSs has had no significant financial effect on these interim condensed consolidated financial statements.

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

2. SEGMENT INFORMATION

The Group is engaged in the manufacture and trading of optical frames 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

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Europe	**115,983**	144,955
North America	**52,718**	61,347
The People's Republic of China (the "PRC") (including Hong Kong)	**17,730**	15,943
Other Asian countries	**4,572**	5,747
Others	**534**	1,272
	191,537	229,264

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$57,595,000 (2011: HK$61,083,000) and HK$21,607,000 (2011: HK$27,196,000) 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.

3. 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 revenue and other income is as follows:

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue – sales of goods	**191,537**	229,264
Sales of scrap materials	**62**	54
Bank interest income	**806**	367
Gross rental income	**474**	390
Dividend income from equity investments at fair value through profit or loss	**4**	2
Others	**791**	339
Other income	**2,137**	1,152

4. LOSS BEFORE TAX

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

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**186,725**	216,706
Depreciation	**14,846**	15,138
Amortisation of prepaid land lease payments	**208**	189
Minimum lease payments under operating leases in respect of land and buildings	**1,250**	1,698
Employee benefits expenses (including directors' remunerations):		
Wages and salaries	**98,190**	105,200
Pension scheme contributions	**450**	463
	98,640	105,663
Provision for inventory obsolescence	**2,645**	1,756
Foreign exchange differences, net	**(426)**	420
Other operating expenses/(income), net:		
Loss on disposal of items of property, plant and equipment	**879**	–
Fair value losses/(gains), net:		
Equity investments at fair value through profit or loss – held for trading	**(6)**	5
Changes in fair value of an investment property	**(1,985)**	–
	(1,112)	5

5. INCOME TAX CREDIT

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Elsewhere	**15**	19
Deferred	**(2,201)**	(1,232)
Total tax credit for the period	**(2,186)**	(1,213)

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the period (2011: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

6. INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 September 2012 (2011: Nil).

7. 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 period attributable to ordinary equity holders of the Company of HK$25,636,000 (2011: HK$15,465,000) and 323,649,123 (2011: 323,649,123) shares in issue during the period.

No adjustment has been made to the loss per share attributable to ordinary equity holders of the Company presented for the six months ended 30 September 2012 and 2011 in respect of a dilution as there were no potentially dilutive shares in issue during those periods.

8. TRADE AND BILLS RECEIVABLES

Credit is offered to customers following a financial assessment by the Group with regard to their established payment records. The Group usually allows average credit periods ranging from 45 to 120 days (2011: 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. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. 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 2012 and 31 March 2012:

	30 September 2012 (Unaudited) ***HK$'000***	31 March 2012 (Audited) *HK$'000*
Current to 90 days	**86,620**	79,608
91 – 180 days	**720**	449
181 – 360 days	**678**	953
Over 360 days	**–**	1
	88,018	81,011
Bills receivable	**14,055**	10,787
Total	**102,073**	91,798

Included in the Group's trade receivables are amounts due from a substantial shareholder and a jointly-controlled entity of the Group of HK$40,390,000 (31 March 2012: HK$33,027,000) and HK$331,000 (31 March 2012: HK$424,000), respectively, which are repayable on similar credit terms to those offered to the major customers of the Group.

9. TRADE AND BILLS PAYABLES

The following is an aged analysis of the trade and bills payables as at 30 September 2012 and 31 March 2012:

	30 September 2012 (Unaudited) ***HK$'000***	31 March 2012 (Audited) *HK$'000*
Current to 90 days	**43,471**	33,455
91 – 180 days	**498**	2,370
181 – 360 days	**362**	427
Over 360 days	**309**	1,040
Total	**44,640**	37,292

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has recorded a loss for the six months ended 30 September 2012. The challenges faced by the Group as mentioned in its last annual report have not been eased, and the global economic slowdown remains if not deepens. The ongoing European debt crisis still dampened the buying desires of the customers from the Group's largest market. On the other hand, demand from the Group's second largest market, North America, did not rebound. As a result, the Group's revenue from these two largest market segments dropped by 19.99% and 14.07% respectively as compared with those for the same period last year. The total revenue decreased 16.46% from HK$229,264,000 for the six months ended 30 September 2011 to HK$191,537,000 for the six months ended 30 September 2012.

Although the minimum wages of the workers in the southern China where the factories of the Group are located did not increase further during the period under review, the operating environment in the PRC is still tough, as various manufacturing costs remain at a high level.

Without enough orders for metal eyewear products to utilise its production capacity, both the Group's gross profit and net profit were seriously affected. Compared with the loss attributable to owners of the Company in the amount of HK$15,465,000 for the corresponding six months last year, the loss of the Group has increased to HK$25,636,000.

PROSPECTS

The global economic slowdown is still underway. It is uncertain when the global economy will rebound. This uncertainty has been adversely affecting consumer confidence and hence the sales of the Group's products.

Recently, the Renminbi has become strong against the United States Dollar and Hong Kong Dollar after having been stable for a while. The appreciation of Renminbi will push up the production costs of the Group's operation in Mainland China.

Given the optical goods segment is always a laggard amongst different industrial sectors in the economy, and also for the fact that the market is still in favour of the acetate products, any rebound in the market demand for the eyewear products will be gradual. In view of this expectation, the Company believes that improving efficiency is a critical way to improve the performance of the Group. To that end, the management of the Group will endeavor to strengthen its manufacturing activities. At the same time, more efforts will be put by the Group into marketing activities to get more orders from both existing and new customers. The management will also continue to work diligently and carefully to weather the forthcoming difficulties and to seek actively any possible business opportunities.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a strong financial position with cash and cash equivalents of HK$109,284,000 (31 March 2012: HK$162,271,000) and a zero gearing ratio as at 30 September 2012. The Group's equity attributable to owners of the Company as at 30 September 2012 amounted to HK$454,487,000 (31 March 2012: HK$493,192,000).

FOREIGN CURRENCY RISK

The Group conducts its business transactions mainly in Hong Kong Dollar, Renminbi and United States Dollar. As long as Hong Kong Dollar is pegged to the United States Dollar, the Group does not foresee any material exchange risk in this respect. However, the Group remains to be subject to certain foreign exchange impacts caused by the appreciation of Renminbi. The Group has not entered into any foreign exchange contracts. The management of the Company is closely monitoring foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2012, the Group employed 3,866 (30 September 2011: 4,663) full time employees in Mainland China and in Hong Kong. Salaries, bonuses and benefits are determined with reference to market terms and the performance, qualifications and experience of the individual employee, and are subject to review from time to time.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption of the Company's listed securities by the Company or by any of its subsidiaries during the six months ended 30 September 2012.

CORPORATE GOVERNANCE

During the six months ended 30 September 2012, the Group has adopted and met the Code Provisions as set out in the Corporate Governance Code set out in Appendix 14 of the Listing Rules, except for the following deviation:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive 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 is assuming the positions of both Chairman and Managing Director of the Company. 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.

The Company has set up a remuneration committee in June 2005. The duties of the remuneration committee as set out in its terms of references include reviewing and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management of the Company. It is also making recommendations to the Board on the remuneration of the Independent Non-Executive Directors and on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee comprises three Independent Non-Executive Directors.

The Company has also set up a nomination committee in June 2005 to review the structure and composition of the Board on a regular basis. The duties of the nomination committee as set out in its terms of references include selection or making recommendations to the Board on the selection of individuals nominated for directorships and on relevant matters relating to the appointment or re-appointment of Directors.

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

The Company has adopted a code of conducts ("Code of Conduct") applying to 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 period.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing oversight of the Group's financial reporting process and internal controls. The audit committee comprises Mr. Poon Kwok Fai, Ronald, Dr. Tam Hok Lam, Tommy, PhD, JP and Mr. Wong Chung Mat, Ben, JP, the Independent Non-Executive Directors of the Company.

REVIEW OF INTERIM RESULTS

The unaudited interim condensed consolidated financial information for the six months ended 30 September 2012 has been reviewed by the audit committee and the external auditors of the Company in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

APPRECIATION

The Board would like to take this opportunity to express its deepest gratitude to all members of the staff of the Group 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.

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

Hong Kong, 28 November 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.