



Elegance International Holdings Limited

(Incorporated in Bermuda with limited liability) (Stock Code : 907)

The background of the entire page is a vibrant, abstract composition of blue and purple hues. It features several pairs of eyeglasses in various styles, including black-rimmed, silver-rimmed, and clear-rimmed designs. The glasses are arranged in a way that they appear to be floating or moving through the space, with bright, white light streaks and lens flares that create a sense of motion and depth. The overall aesthetic is clean, modern, and sophisticated.

Interim Report
2007/2008

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

HUI Leung Wah (*Chairman*)
POON Sui Hong
LEUNG Shu Sum

Non-Executive Directors

Mario PIETRIBIASI
Massimiliano TABACCHI

Independent Non-Executive Directors

POON Kwok Fai, Ronald
TAM Hok Lam, Tommy, JP
WONG Chung Mat, Ben

QUALIFIED ACCOUNTANT & COMPANY SECRETARY

TSUI Choi Yee, Connie
(Appointed with effect from 26 July 2007)
KWAN Chi Kin, Wallace
(Resigned with effect from 8 July 2007)

PRINCIPAL BANKERS

Hang Seng Bank Limited
Citibank, N.A.
Dah Sing Bank Limited

AUDITORS

Ernst & Young

HONG KONG LEGAL ADVISERS

Richards Butler

BERMUDA LEGAL ADVISERS

Conyers, Dill & Pearman

AUDIT COMMITTEE

POON Kwok Fai, Ronald
TAM Hok Lam, Tommy, JP
WONG Chung Mat, Ben

REMUNERATION COMMITTEE

POON Kwok Fai, Ronald
TAM Hok Lam, Tommy, JP
WONG Chung Mat, Ben

NOMINATION COMMITTEE

POON Kwok Fai, Ronald
TAM Hok Lam, Tommy, JP
WONG Chung Mat, Ben

HONG KONG SHARE REGISTRARS

Tricor Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai Hong Kong

PRINCIPAL SHARE REGISTRARS

The Bank of Bermuda
6 Front Street
Hamilton HM 11
Bermuda

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

B2 & B4 8th Floor Block B
Mai Hing Industrial Building
16-18 Hing Yip Street
Kwun Tong
Kowloon
Hong Kong

WEBSITE

www.elegance-group.com

STOCK CODE

907

FINANCIAL RESULTS

The Board of Directors of Elegance International Holdings Limited (the “Company” or “Elegance”) is pleased to present the Interim Report of the Company and its subsidiaries (the “Group”) to the shareholders of the Company for the six months ended 30 September 2007. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 September	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
	<i>Notes</i>		
REVENUE	2, 3	301,547	286,318
Cost of sales		<u>(236,041)</u>	<u>(218,488)</u>
Gross profit		65,506	67,830
Other income and gain	3	3,084	1,245
Selling and distribution costs		(5,050)	(6,004)
General and administrative expenses		(25,079)	(30,422)
Other operating income		–	5,687
Finance costs	5	(1,376)	(1,731)
Share of profits of associates		<u>3,237</u>	<u>285</u>
PROFIT BEFORE TAX	4	40,322	36,890
Tax	6	<u>(4,166)</u>	<u>(4,461)</u>
PROFIT FOR THE PERIOD		<u>36,156</u>	<u>32,429</u>
Attributable to:			
Equity holders of the parent		34,911	33,522
Minority interests		<u>1,245</u>	<u>(1,093)</u>
		<u>36,156</u>	<u>32,429</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic		<u>HK10.8 cents</u>	<u>HK10.4 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>
INTERIM DIVIDEND PER SHARE	8	<u>HK3.0 cents</u>	<u>HK3.0 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		226,717	232,848
Investment properties		3,129	3,129
Prepaid land lease payments		45,572	45,974
Interests in associates		12,150	8,913
Available-for-sale financial assets		<u>60,647</u>	<u>81,638</u>
Total non-current assets		<u>348,215</u>	<u>372,502</u>
CURRENT ASSETS			
Inventories		91,992	86,616
Trade and bills receivables	9	160,355	160,058
Prepayments, deposits and other receivables		6,078	5,627
Equity investments at fair value through profit or loss	10	498	451
Tax recoverable		16	15
Available-for-sale financial assets		23,075	7,699
Due from an associate		9,956	7,722
Cash and cash equivalents		<u>57,091</u>	<u>39,087</u>
Total current assets		<u>349,061</u>	<u>307,275</u>
CURRENT LIABILITIES			
Trade and bills payables	11	67,873	56,003
Other payables and accrued liabilities		33,021	27,516
Tax payable		8,869	9,370
Interest-bearing bank and other borrowings		42,988	59,767
Due to an associate		<u>4,600</u>	<u>4,600</u>
Total current liabilities		<u>157,351</u>	<u>157,256</u>
NET CURRENT ASSETS		<u>191,710</u>	<u>150,019</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		539,925	522,521
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		2,500	5,000
Deferred tax liabilities		<u>7,985</u>	<u>7,985</u>
Total non-current liabilities		<u>10,485</u>	<u>12,985</u>
Net assets		<u>529,440</u>	<u>509,536</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		32,365	32,365
Reserves		468,439	440,030
Proposed dividend		9,709	19,419
		<u>510,513</u>	<u>491,814</u>
Minority interests		<u>18,927</u>	<u>17,722</u>
Total equity		<u>529,440</u>	<u>509,536</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	Attributable to equity holders of the parent										
	Issued share capital	Share premium account	Capital reserve	Available- for-sale financial revaluation reserve	Goodwill asset eliminated against reserve	Exchange fluctuation reserve	Retained profits	Proposed dividend	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2007 (audited)	32,365	56,831	41,800	(4,757)	(152)	1,893	344,415	19,419	491,814	17,722	509,536
Repayment of loan from a minority shareholder	-	-	-	-	-	-	-	-	-	(836)	(836)
Change in fair value of available-for-sale financial assets	-	-	-	2,185	-	-	-	-	2,185	-	2,185
Exchange realignment	-	-	-	-	-	1,022	-	-	1,022	796	1,818
Total income for the period recognised directly in equity	-	-	-	2,185	-	1,022	-	-	3,207	796	4,003
Profit for the period	-	-	-	-	-	-	34,911	-	34,911	1,245	36,156
Total income and expenses for the period (unaudited)	-	-	-	2,185	-	1,022	34,911	-	38,118	2,041	40,159
2007 final dividend declared	-	-	-	-	-	-	-	(19,419)	(19,419)	-	(19,419)
2008 proposed interim dividend ⁸	-	-	-	-	-	-	(9,709)	9,709	-	-	-
At 30 September 2007 (unaudited)	<u>32,365</u>	<u>56,831*</u>	<u>41,800*</u>	<u>(2,572)*</u>	<u>(152)*</u>	<u>2,915*</u>	<u>369,617*</u>	<u>9,709</u>	<u>510,513</u>	<u>18,927</u>	<u>529,440</u>
At 1 April 2006 (audited)	32,365	56,831	41,800	(9,809)	(152)	1,148	312,535	16,182	450,900	16,797	467,697
Change in fair value of available-for-sale financial assets	-	-	-	3,004	-	-	-	-	3,004	-	3,004
Exchange realignment	-	-	-	-	-	78	-	-	78	65	143
Total income for the period recognised directly in equity	-	-	-	3,004	-	78	-	-	3,082	65	3,147
Profit for the period	-	-	-	-	-	-	33,522	-	33,522	(1,093)	32,429
Total income and expenses for the period (unaudited)	-	-	-	3,004	-	78	33,522	-	36,604	(1,028)	35,576
2006 final dividend declared	-	-	-	-	-	-	-	(16,182)	(16,182)	-	(16,182)
2007 proposed interim dividend ⁸	-	-	-	-	-	-	(9,709)	9,709	-	-	-
At 30 September 2006 (unaudited)	<u>32,365</u>	<u>56,831</u>	<u>41,800</u>	<u>(6,805)</u>	<u>(152)</u>	<u>1,226</u>	<u>336,348</u>	<u>9,709</u>	<u>471,322</u>	<u>15,769</u>	<u>487,091</u>

* These reserve accounts comprise the consolidated reserves of HK\$468,439,000 (31 March 2007: HK\$440,030,000) in the condensed consolidated balance sheet.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Net cash inflow from operating activities	60,403	66,924
Net cash outflow from investing activities	(3,729)	(6,473)
Net cash outflow from financing activities	<u>(38,698)</u>	<u>(47,958)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,976	12,493
Cash and cash equivalents at beginning of period	39,087	30,385
Effects of foreign exchange rate changes, net	<u>28</u>	<u>–</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>57,091</u>	<u>42,878</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	29,089	42,878
Non-pledged time deposits with original maturity of less than three months when acquired	<u>28,002</u>	<u>–</u>
	<u>57,091</u>	<u>42,878</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 September 2007 are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and the basis of preparation adopted in the preparation of the Interim Financial Statements are the same as those used in the preparation of the Group’s annual financial statements for the year ended 31 March 2007, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which also include HKASs and Interpretations that affect the Group and are adopted for the first time for the current period’s financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the above new and revised HKFRSs has had no material impact on the accounting policies of the Group and the method of computation in the Group’s Interim Financial Statements.

2. SEGMENT INFORMATION

No business segment information is presented as the Group is principally engaged in the manufacture and trading of eyewear products and management considers that the Group operates in one single business segment.

An analysis of the Group’s revenue and profit by geographical segments for the six months ended 30 September 2007 and 2006 is as follows:

	For the six months ended 30 September			
	2007		2006	
	Revenue (Unaudited) HK\$’000	Profit for the period (Unaudited) HK\$’000	Revenue (Unaudited) HK\$’000	Profit for the period (Unaudited) HK\$’000
By geographical area:				
Europe	195,537	25,270	173,447	23,930
North America	85,589	11,061	85,931	11,856
The People’s Republic of China (including Hong Kong)*	11,854	1,532	15,972	2,204
Other Asian countries	4,840	625	6,754	932
Others	3,727	482	4,214	581
	301,547	38,970	286,318	39,503
Interest income		482		228
Unallocated corporate expenses		(991)		(1,395)
Finance costs		(1,376)		(1,731)
Share of profits of associates		3,237		285
Tax		(4,166)		(4,461)
Profit for the period		36,156		32,429

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

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	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue – net sales of goods	301,547	286,318
Sale of scrap materials	2,395	655
Bank interest income	482	228
Others	207	362
Other income and gain	3,084	1,245

4. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	236,041	218,643
Depreciation	17,743	16,322
Amortisation of prepaid land lease payments	582	481
Minimum lease payments under operating leases in respect of buildings	1,265	1,519
Employee benefits expenses (including directors' remunerations):		
Wages and salaries	67,415	58,946
Pension scheme contributions	533	562
	67,948	59,508
Loss/(gain) on disposal of items of property, plant and equipment	(129)	36
Write-back of impairment of trade receivables	(127)	(1,550)
Write-back of provision for inventory obsolescence	–	(155)

5. FINANCE COSTS

	For the six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	1,372	1,706
Interest on finance leases	4	25
	1,376	1,731

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

6. TAX

	For the six months ended 30 September 2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Current:		
Hong Kong	3,273	3,761
Elsewhere	893	–
Deferred tax	–	700
Total tax charge for the period	4,166	4,461

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 period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the country in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No recognition of the potential deferred tax assets relating to tax losses of certain subsidiaries has been made as the recoverability of the potential deferred tax assets is uncertain.

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\$34,911,000 (2006: HK\$33,522,000) and 323,649,123 (2006: 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

At a meeting of board of directors held on 17 December 2007, the directors resolved to pay an interim dividend of HK3.0 cents (2006: HK3.0 cents) per share, totalling HK\$9,709,000 (2006: HK\$9,709,000), to shareholders whose name appear on the Register of Members of the Company on 18 January 2008. The interim dividend will be paid on 31 January 2008.

9. 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 trade and bills receivables (net of impairment of trade receivables) as at 30 September 2007 and 31 March 2007:

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Current to 90 days	153,166	158,153
91 – 180 days	81	677
181 – 360 days	–	543
Bills receivables	153,247 7,108	159,373 685
Total	160,355	160,058

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

10. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Listed equity investments in Hong Kong, at market value	<u>498</u>	<u>451</u>

The above equity investments at 30 September 2007 and 31 March 2007 were classified as held for trading.

11. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables as at 30 September 2007 and 31 March 2007:

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Current to 90 days	55,629	55,562
91 – 180 days	10,677	145
181 – 360 days	1,078	160
Over 360 days	<u>489</u>	<u>136</u>
Total	<u>67,873</u>	<u>56,003</u>

12. CONTINGENT LIABILITIES

At the balance sheet date, the Group had contingent liabilities in respect of guarantee given to banks in connection with facilities granted to non-wholly-owned subsidiaries in the amount of HK\$5,000,000 (31 March 2007: HK\$5,000,000) of which approximately HK\$514,000 (31 March 2007: approximately HK\$575,000) were utilised by the subsidiaries.

13. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases one of its investment properties under an operating lease arrangement, with the lease negotiated for a term of six months. The terms of the lease also require the tenant to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 September 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Within one year	<u>25</u>	<u>22</u>

(b) As lessee

The Group leases certain of its office premises under operating lease arrangements. Leases for office premises are negotiated for terms ranging from one to 50 years.

At 30 September 2007, the Group had total future minimum leases payments under non-cancellable operating leases falling due as follows:

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Within one year	2,610	2,448
In the second to fifth years, inclusive	5,695	5,592
After five years	<u>49,449</u>	<u>44,093</u>
	<u>57,754</u>	<u>52,133</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

14. COMMITMENTS

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Capital expenditure contracted, but not provided for:		
Land and buildings	3,673	1,587
Equipment and machinery	<u>2,113</u>	<u>526</u>
	<u>5,786</u>	<u>2,113</u>

15. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	For the six months ended 30 September 2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Transactions with a substantial shareholder:		
Sale of goods to Safilo S.p.A group of companies	124,325	135,750
Sale of goods to an associate	1,025	–
Rental expenses paid to a director	<u>222</u>	<u>222</u>

(b) Outstanding balances with related parties

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Amount due from a substantial shareholder:		
Trade receivable from Safilo S.p.A group of companies	<u>79,373</u>	<u>100,600</u>
Amount due from an associate	<u>9,956</u>	<u>7,722</u>
Amount due to an associate	<u>4,600</u>	<u>4,600</u>

(c) Compensation of key management personnel of the Group

	For the six months ended 30 September 2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Short term employee benefits	<u>2,902</u>	<u>3,349</u>

16. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 17 December 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2007, the Group's sales increased by 5% to HK\$301,547,000 compared to HK\$286,318,000 for the corresponding period in 2006. However, the gross profit margin decreased from 24% to 22%, due to the increase in the cost of raw materials, the continuous appreciation of Renminbi, and the burgeoning labor and overhead costs in the People's Republic of China ("PRC"). We can only pass on part of the inflated costs to our customers as we have to keep the prices attractive to maintain competitiveness of our products in the market. Yet the Group managed to maintain the net profit margin at approximately the same level as in the last period by implementing stringent control on selling, administrative and finance costs. Increased profit sharing from the associates during the period under review also helps.

In terms of geographical markets, Europe was still the largest market of the Group, accounting for 65% (2006: 61%) of the total revenue of the Group during the period under review. With a continual strengthening of marketing channels in this market, the sales in the European market is expected to stay at the high level in the coming year. U.S. market now ranks second, accounting for 28% (2006: 30%) of the total revenue of the Group and will remain to be an important market though the market is extremely price conscious.

The sales of the Group derived principally from manufacturing activities.

PROSPECT

Whilst focusing on the market developments in Europe and North America, the Group has actively explored other market segments such as the Japanese and PRC markets to widen our customer base. To achieve that, the Group will keep on looking for opportunities in the PRC to increase our sales in that area. Sales to the Japanese market are expected to increase in the coming year with the effort made by the Group in this market.

The market ahead is not without uncertainty as highlighted by the subprime mortgage crisis in the U.S., the depreciation of U.S. currency against other major foreign currencies and the likelihood of an economic slow down which may then affect major economies around the world. Being living in the global village, the sales of the group may also be affected if the most important economies of the world slow down or recede.

The production habitat in the PRC is getting tougher than before as prices of all segments there increase rapidly and substantially. Rapid economic development in the PRC is causing a drain of workers from the manufacturing sector. The group will improve on the innovation and the management of our resources to make ourselves more efficient and competitive. The management is confident that a greater and more appropriate use of technology in our production environment is a means to achieve the objectives.

Barring adverse development in the economies of the major markets we are in, the group is cautiously optimistic about the growth in sales and profitability in the coming period.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated working capital and external banking facilities granted by its bankers. As at 30 September 2007, the Group's outstanding borrowing in respect of bank loans amounted to HK\$45,488,000 (31 March 2007: HK\$64,767,000) of which HK\$42,988,000 was repayable within one year and HK\$2,500,000 was payable in the second year. Total cash and bank balances of the Group as at 30 September 2007 increased to HK\$57,091,000 (31 March 2007: HK\$39,087,000), which were mainly denominated in Hong Kong dollars, U.S. dollars and Renminbi. 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, improved to 9% (31 March 2007: 13%).

The Group conducts its business transactions mainly in Hong Kong dollars, Renminbi and U.S. dollars. As the Hong Kong dollar is pegged to the U.S. dollar, the Group does not foresee any material exchange risk in this respect. The Group is subject to certain foreign exchange impacts caused by the appreciation of Renminbi. The Group has not entered into any foreign exchange contract. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

THE PLEDGE OF ASSETS

The Group's building situated in Hong Kong with an aggregate net book value of HK\$3,680,000 (31 March 2007: HK\$3,731,000), the investment property situated in Hong Kong with an aggregate valuation of HK\$2,350,000 (31 March 2007: HK\$2,350,000) and leasehold land situated in Hong Kong with an aggregate net prepaid land lease payments of HK\$10,970,000 (31 March 2007: HK\$11,125,000) were pledged to secure certain general banking facilities granted to the Group at the balance sheet date. The banking facilities were also secured by corporate guarantees in the amount of HK\$189,300,000 (31 March 2007: HK\$162,600,000) from the Company.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2007, the Group employed approximately 6,187 (31 March 2007: 6,666) full time employees in China and in Hong Kong. The decrease of total headcount during the period was due to the fact that more machines were put into use in the manufacturing process and shortage in the supply of labour forces in Shenzhen and Dongguan where the Group operates. 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.

OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2007, the interests and short positions of the directors of the Company in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinances (the "SFO") as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "SEHK") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long position in ordinary shares of the Company:

Name of Director	Number of shares held and capacity in which the shares are held		Total	Percentage of Issued Share Capital of the Company
	Beneficial Owner	Other Interests		
Hui Leung Wah (Note)	8,308,000	141,316,000	149,624,000	46.23
Poon Sui Hong	7,000,000	–	7,000,000	2.16
Leung Shu Sum	6,000,000	–	6,000,000	1.85
Mario Pietribiasi	<u>100,000</u>	<u>–</u>	<u>100,000</u>	<u>0.03</u>
	<u>21,408,000</u>	<u>141,316,000</u>	<u>162,724,000</u>	<u>50.27</u>

Note: 141,116,000 shares held as Other Interests of Mr. Hui are held by Best Quality Limited and 200,000 shares are held by Deluxe Concept Limited, the entire issue share capital of both Best Quality Limited and Deluxe Concept Limited are held by Wahyee Limited as trustee for a unit trust, which, in turn, is beneficially owned by Docater Trust, a discretionary trust with LGT Trustees Limited as trustee, the beneficiaries of which include the spouse and children of Mr. Hui (Mr. Hui himself is not a beneficiary of the discretionary trust).

Long position in ordinary shares in the subsidiaries

Mr. Hui Leung Wah is beneficially interested in 200,000 non-voting deferred shares in the capital of Elegance Optical Investments Limited. The rights and restrictions of such non-voting deferred shares are disclosed in the audited financial statements for the year ended 31 March 2007.

In addition to the above, certain directors of the Company have non-beneficial personal equity interests in certain subsidiaries of the Group held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Saved as disclosed above, as at 30 September 2007, none of the directors had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

OTHER INFORMATION (Continued)

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme disclosures set out below, at no time during the period was the Company, or any of its subsidiaries a party to any arrangement to enable the directors of the Company, their respective spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

None of the directors had a material interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the period.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES

Other than disclosed above under the section headed "Director's Interests and Short Positions in Shares and Underlying Shares", so far as is known to the directors of the Company, as at 30 September 2007, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Number of Issued Ordinary Shares Held	Percentage of Issued Share Capital of the Company
Poon Yuk Yee (<i>Note 1</i>)	149,624,000	46.23
LGT Trustees Limited (<i>Note 2</i>)	141,316,000	43.66
Wahyee Limited (<i>Note 2</i>)	141,316,000	43.66
Safilo Far East Limited ("SFEL")	74,599,123	23.05
Safilo S.p.A. (<i>Note 3</i>)	<u>74,599,123</u>	<u>23.05</u>

Notes:

1. Ms. Poon Yuk Yee is the wife of Mr. Hui Leung Wah and is deemed to be interested in shares held by and shares taken to be interested by Mr. Hui Leung Wah.
2. Details are stated in above section "Director's Interests and Short Positions in Shares and Underlying Shares".
3. SFEL is a wholly-owned subsidiary of Safilo S.p.A.

Saved as disclosed above, as at 30 September 2007, no person, other than the directors of the Company whose interests are set out in the section "Director's Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or short positions in the shares and underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

OTHER INFORMATION (Continued)

SHARE OPTION SCHEME

The share option scheme of the Company adopted on 21 March 1996 (the “Old Share Option Scheme”) was terminated and a new share option scheme (the “New Share Option Scheme”) was approved by the shareholders at a special general meeting of the Company held on 16 May 2003 to comply with Chapter 17 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the SEHK.

As at 30 September 2007, no options granted under the Old Share Option Scheme remained outstanding and no options was granted under the New Share Option Scheme during the period.

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

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 of the Listing Rules on the SEHK throughout the six months ended 30 September 2007, except 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 chief executive officer can promote the efficient formulation and implementation of the strategies of the Company, which will enable the Group to rasp business opportunities efficiently and promptly. The Board also maintains 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 responsible for formulating and making recommendation to the Board on the Group’s policy and structure for all the remunerations of the Directors and senior management and on the establishment of formal procedures for developing policy on such remuneration.

The Company has also set up a nomination committee in June 2005. The committee is responsible for nominating and affirming potential directors approved by the Board, reviewing the structure and composition of the Board on a regular basis and ensuring fair and transparent procedures for the appointment of Directors to the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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 six months ended 30 September 2007.

OTHER INFORMATION (Continued)

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 condensed consolidated interim financial statements of the Group for the six months ended 30 September 2007 have been reviewed by the Company's audit committee. The audit committee comprises Poon Kwok Fai, Ronald, Tam Hok Lam, Tommy and Wong Chung Mat, Ben, the Independent Non-executive Directors of the Company.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 14 January 2008 to Friday, 18 January 2008 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Registrars in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 11 January 2008.

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.

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

Hong Kong, 17 December 2007