

On behalf of the Board of Directors (the "Board"), I am pleased to present the 2001/2002 annual report of Elegance International Holdings Limited (the "Company" or "Elegance") and its subsidiaries (collectively, the "Group").

DIVIDEND

The Board of Directors have resolved to recommend the payment of a final dividend of HK7.5 cents per ordinary share (2001: HK7.5 cents) for the year ended 31 March 2002 at the forthcoming Annual General Meeting to be held on 16 August 2002. The final dividend together with the interim dividend of HK4.0 cents per ordinary share, will make a total dividend for the year of HK11.5 cents per ordinary share. The final dividend, if approved by shareholders, is expected to be payable on 4 September 2002 to those shareholders whose names appear on the Register of the Members on 16 August 2002.

CLOSURE OF THE REGISTER

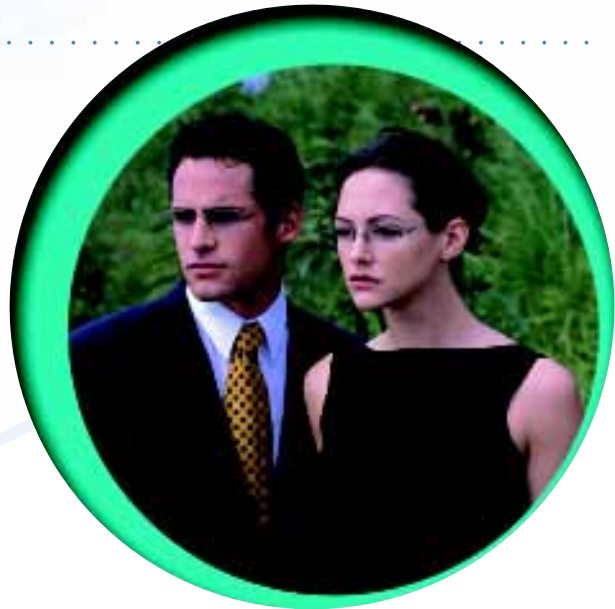
The Register of Members will be closed from 10 August 2002 to 16 August 2002 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Registrars in Hong Kong, Tengis Limited, at 4/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on 9 August 2002.

BUSINESS REVIEW

During the year under review, the Group continued to engage in the manufacture and sale of optical frames, sunglasses and related products.

PERFORMANCE HIGHLIGHT

I am pleased to present to the shareholders the audited annual report of the Group for the year ended 31 March 2002. During the year under review, the Group's audited net consolidated profit amounted to approximately HK\$79,335,000 (31 March 2001: HK\$89,041,000), a decrease of 10.90%. The turnover of the Group for the year ended 31 March 2002 was approximately HK\$370,389,000 (31 March 2001: HK\$427,338,000), representing a decrease of approximately 13.33% as compared to last year. Basic earnings per share were HK24.51 cents (31 March 2001: HK27.51 cents). The net asset value per share was HK\$1.37 (31 March 2001: HK\$1.24).



PERFORMANCE HIGHLIGHT *(continued)*

The decline in turnover was caused by the slacken demand for consumer products and consequently the stagnation of orders for optical frames by overseas customers as a result of economic slowdown in Europe and North America. North America and Europe accounted for 39.74% and 32.77% (31 March 2001: 40.34% and 35.18%) of the Group's turnover.

During the year, the gross profit margin has improved to over 41.12% (31 March 2001: 38.92%), notwithstanding the price pressure from customers and the sluggish demand of optical product in the year 2001/2002. It was because the management had taken measures to control the use of raw materials and other costs of production and to streamline the production process to enhance productivity.

PROSPECTS

The construction of new production complex, the adoption of the ERP system and allocation of greater internal resources on product design and development and customer relationship will contribute towards the future growth of the Group's core business. We remain confident of achieving satisfactory results in coming year due to the following reasons.

The overall market conditions of the optical industry in developed countries are expected to be in a better shape in the year 2002/2003. With over 72% of the Group's turnover to Europe and North America, the performance of the Group is closely related to economic environment in these markets. The Group expects that the gradual economic recovery in developed countries will stimulate consumer demands. There have been some encouraging signs of picking up in sales orders received since early 2002. The demand from our customers in developed countries for affordable eyewear with good quality will continue to grow steadily in coming years.

We are dedicated to invest in product design and in advanced machineries and production technology to keep us stay ahead in challenging market environment. Our in-house design and engineering professionals in Hong Kong and in Mainland China will continue to keep abreast of development of the fashion and optical business in Europe and the US.



PROSPECTS *(continued)*

In the coming year, the Group will continue to pursue further development of our existing businesses by diversifying our product range and geographical sales bases, especially in North America and European Union where the Group believes has the highest growth potential for its ongoing business development. Besides adopting a more focused approach to product development and customer relationship, we will strive to further control our cost structure and to improve our management skills so as to provide superior products and services to our valued customers. Elegance is well positioned to aim higher and to capitalise on any strategic opportunities that fit our corporate vision of providing good return to our shareholders. Our established strengths, experience and expertise will stand us in good stead as we endeavour to maintain our record of growth.

APPRECIATION

I would like to take this opportunity to express my sincere appreciation to the shareholders for their support, and to express our gratitude to the Group's employees for their contribution and to thank all our customers, bankers and business associates for their continuing support. Without their valued patronage, we would not have the foundation necessary to become one of the pioneers in our industry.

By Order of the Board
Hui Leung Wah
Chairman

Hong Kong, 28 June 2002