

STELUX Holdings International Limited

寶光實業(國際)有限公司*

(Incorporated in Bermuda with limited liability)

website: <http://www.irasia.com/listco/hk/stelux>

Stock Code: 84

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007

The directors of Stelux Holdings International Limited (the “Company”) are pleased to report the interim results and financial information of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th September 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2007

		Unaudited Six months ended 30th September	
	Note	2007 HK\$'000	2006 HK\$'000
Revenues	2	1,021,008	812,740
Cost of sales		(406,629)	(324,799)
Gross profit		614,379	487,941
Other (losses)/gains	3	(975)	36,621
Other income	3	9,867	11,309
Selling expenses		(447,196)	(365,444)
General and administrative expenses		(104,538)	(87,952)
Other operating income/(expenses)		4,559	(9,528)
Operating profit		76,096	72,947
Finance costs		(9,066)	(11,007)
Profit before income tax	4	67,030	61,940
Income tax expense	5	(16,884)	(18,725)
Profit for the period		50,146	43,215
Attributable to:			
Equity holders of the Company		49,911	42,677
Minority interests		235	538
		50,146	43,215
Dividend	6	11,416	10,465
Earnings per share	7	HK cents	HK cents
– Basic and diluted		5.25	4.49

* For identification only

CONDENSED CONSOLIDATED BALANCE SHEET*At 30th September 2007 and 31st March 2007*

	<i>Note</i>	Unaudited 30th September 2007 HK\$'000	31st March 2007 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		202,367	192,209
Investment properties		1,300	1,300
Prepayment of lease premium		144,851	152,974
Intangible assets		23,377	23,027
Deferred tax assets		25,661	21,092
Available-for-sale financial assets		13,252	13,252
		<u>410,808</u>	<u>403,854</u>
Current assets			
Stocks		608,957	518,284
Debtors and prepayments	8	348,648	376,607
Bank balances and cash		116,326	105,103
		<u>1,073,931</u>	<u>999,994</u>
Non-current assets held for sale		–	32,473
		<u>1,073,931</u>	<u>1,032,467</u>
Total assets		<u><u>1,484,739</u></u>	<u><u>1,436,321</u></u>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		95,134	95,134
Reserves		653,920	614,958
Declared interim / proposed final dividend		11,416	27,589
Shareholders' funds		<u>760,470</u>	<u>737,681</u>
Minority interests		4,397	4,587
Total equity		<u>764,867</u>	<u>742,268</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		2,776	2,825
Borrowings		77,475	71,223
		<u>80,251</u>	<u>74,048</u>
Current liabilities			
Creditors and accruals	9	401,934	321,195
Income tax payable		33,680	33,382
Current portion of borrowings		204,007	265,428
		<u>639,621</u>	<u>620,005</u>
Total liabilities		<u>719,872</u>	<u>694,053</u>
Total equity and liabilities		<u><u>1,484,739</u></u>	<u><u>1,436,321</u></u>
Net current assets		<u>434,310</u>	<u>412,462</u>
Total assets less current liabilities		<u>845,118</u>	<u>816,316</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. Basis of preparation

These unaudited condensed consolidated interim financial information 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 (“HKICPA”), and the applicable requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The condensed consolidated interim financial information should be read in conjunction with the 2007 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31st March 2007.

Certain new standards, amendments to standards and interpretations of Hong Kong Financial Reporting Standards (“HKFRS”) issued by HKICPA have been published and are effective for accounting periods beginning on or after 1st April 2007. Those that are relevant to the Group’s operations are as follows:

Amendment to HKAS 1	Capital disclosures
HKFRS7	Financial instruments: Disclosure
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

The adoption of the above new and revised accounting standards has no significant impact on the Group interim results and financial position.

The Group has not early adopted any new standards, amendments to standards and interpretations of HKFRS which have been issued but not yet effective for the financial year ending 31st March 2008.

2. SEGMENT INFORMATION

Primary reporting format – business segments

	Six months ended 30th September 2007			
	Retail and trading		Property	Group Total
	Watch	Optical		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenues				
Gross segment	647,378	372,378	7,700	1,027,456
Inter-segment	–	–	(6,448)	(6,448)
	<u>647,378</u>	<u>372,378</u>	<u>1,252</u>	<u>1,021,008</u>
Segment results	<u>46,669</u>	<u>31,483</u>	<u>16,566</u>	94,718
Unallocated income				2,120
Net corporate expenses				(20,742)
Operating profit				76,096
Finance costs				(9,066)
Profit before income tax				67,030
Income tax expense				(16,884)
Profit after income tax				<u>50,146</u>

	Six months ended 30th September 2006			
	Retail and trading		Property	Group Total
	Watch	Optical		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenues				
Gross segment	513,662	297,329	5,161	816,152
Inter-segment	–	–	(3,412)	(3,412)
	<u>513,662</u>	<u>297,329</u>	<u>1,749</u>	<u>812,740</u>
Segment results	<u>30,425</u>	<u>27,752</u>	<u>1,841</u>	60,018
Unallocated income				30,527
Net corporate expenses				(17,598)
Operating profit				72,947
Finance costs				(11,007)
Profit before income tax				61,940
Income tax expense				(18,725)
Profit after income tax				<u>43,215</u>

2. SEGMENT INFORMATION (continued)

Secondary reporting format – geographical segments

	Six months ended 30th September			
	Revenues		Segment Results	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	552,278	449,948	67,040	24,357
South East and Far East Asia	404,440	313,101	51,068	47,421
Europe	4,621	7,369	(7,345)	(5,153)
North America	1,284	1,380	348	491
Mainland China	58,385	40,942	(16,393)	(7,098)
	<u>1,021,008</u>	<u>812,740</u>	<u>94,718</u>	<u>60,018</u>

3. OTHER (LOSSES)/GAINS AND OTHER INCOME

		Six months ended	
		30th September	
		2007	2006
		HK\$'000	HK\$'000
Other (losses)/gains			
Gain on disposal of financial assets at fair value through profit or loss	Note	–	29,250
Exchange (loss)/gain		(975)	7,371
		<u>(975)</u>	<u>36,621</u>

Note: On 23rd August 2006, the Group disposed of its entire holding of 30 million shares of a financial asset at fair value through profit or loss at HK\$4 per share, attributable to a gain of HK\$29,250,000 recorded in the six months ended 30th September 2006.

	Six months ended	
	30th September	
	2007	2006
	HK\$'000	HK\$'000
Other income		
Building management fee income	1,410	1,433
Dividend income	–	1,381
Interest income	1,917	2,334
Sundries	6,540	6,161
	<u>9,867</u>	<u>11,309</u>

4. EXPENSES BY NATURE

Expenses included in arriving at the profit before income tax are analysed as follows:

	Six months ended 30th September	
	2007	2006
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment		
– Owned	31,523	25,027
– Leased	196	243
Amortisation of prepayment of lease premium	4,774	4,462
Loss on disposal of property, plant and equipment	858	411
Provision for stocks	3,087	813
Reversal of bad debts provision	(18,584)	–
Impairment of debtors and bad debts written off	1,041	800
	<u>1,041</u>	<u>800</u>

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits for the six months ended 30th September 2007 (2006: 17.5%) less relief for available tax losses. Taxation on overseas profits has been calculated on the estimated assessable profits for the six months ended 30th September 2007 at the rates of taxation prevailing in the territories in which the Group operates.

The amount of income tax charged to the consolidated income statement represents:

	Six months ended 30th September	
	2007	2006
	HK\$'000	HK\$'000
Current tax		
– Hong Kong profits tax	9,829	5,227
– Overseas profits tax	11,978	10,654
– Over provisions in respect of prior years	(333)	(929)
	<u>21,474</u>	<u>14,952</u>
Deferred income tax	(4,590)	3,773
Income tax expense	<u>16,884</u>	<u>18,725</u>

6. DIVIDEND

Six months ended 30th September

2007	2006
<i>HK\$'000</i>	<i>HK\$'000</i>

Interim, declared, of HK\$0.012 (2006: HK\$0.011) per ordinary share	11,416	10,465
--	---------------	---------------

At a meeting held on 19th December 2007, the directors declared an interim dividend of HK\$0.012 per ordinary share. This dividend is not recognized as a liability at the balance sheet date, but will be reflected as an appropriation of retained earnings for the year ending 31st March 2008.

7. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the Group's profit attributable to equity holders by the weighted average number of ordinary shares in issue during the period.

Six months ended 30th September

2007	2006
------	------

Weighted average number of ordinary shares in issue (thousands)	951,340	951,340
Group's profit attributable to equity holders (HK\$'000)	49,911	42,677
Basic earnings per share (HK cents per share)	5.25	4.49

Diluted

There were no dilutive potential ordinary shares in existence during the six months ended 30th September 2007 and 2006.

8. DEBTORS AND PREPAYMENTS

The Group allows an average credit period of 60 days to its trade debtors. Included in debtors and prepayments are trade debtors (net of impairment of debtors) with the following aging analysis:

	30th September 2007 HK\$'000	31st March 2007 HK\$'000
Trade debtors		
Below 60 days	65,298	54,492
Over 60 days	92,636	66,703
	<hr/>	<hr/>
	157,934	121,195
Deposits, prepayments and other debtors	190,714	255,412
	<hr/>	<hr/>
	348,648	376,607
	<hr/> <hr/>	<hr/> <hr/>

9. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors with the following aging analysis:

	30th September 2007 HK\$'000	31st March 2007 HK\$'000
Trade creditors		
Below 60 days	193,310	128,382
Over 60 days	62,779	46,797
	<hr/>	<hr/>
	256,089	175,179
Other creditors and accruals	145,845	146,016
	<hr/>	<hr/>
	401,934	321,195
	<hr/> <hr/>	<hr/> <hr/>

10. COMMITMENTS

	30th September 2007 HK\$'000	31st March 2007 HK\$'000
Capital commitments for property, plant and equipment:		
Contracted but not provided for	–	1,382
	<hr/> <hr/>	<hr/> <hr/>

11. SUBSEQUENT EVENT

On 6th December 2007, the Group entered into an agreement with an independent third party for the acquisition (the "Acquisition") of a property located in Hong Kong at a consideration of HK\$62,000,000. Completion is expected to be on or before 3rd March 2008. The current intended purpose for the Acquisition is for the Group's own retail shop uses. A separate announcement about the Acquisition was made on 10th December 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF GROUP OPERATIONS

After undergoing a few years of restructuring, the Group now presents a set of results primarily based on its core watch and optical businesses.

The Group is pleased to announce a net contribution to its shareholders of HK\$50 million after tax and minority interests for the first six months ended 30th September 2007 compared to HK\$43 million over the same period last year, an increase of 17%. Group turnover was HK\$1 billion up by 26% compared to HK\$813 million for the first six months of last year.

Our core watch and optical businesses reported an EBIT of HK\$78 million up 33.4% and turnover of around HK\$1 billion up 26% compared to HK\$811 million during the same period last year.

The Directors have proposed that an interim dividend of HK\$0.012 per share, representing an increase of 9% compared to the first six months ended 30th September 2006, be payable to its shareholders.

WATCH RETAIL BUSINESS

The Group's watch retail business comprising of "CITY CHAIN", "moments", "CITHARA" and "C²", reported satisfactory growth in both EBIT and turnover for the first six months. Turnover and EBIT were up by 27% and 26% respectively. Generally, buoyant sentiment contributed to these results.

Our operations in Hong Kong and Macau reported a 24% increase in turnover and an EBIT of HK\$18 million compared to HK\$8 million during the same period last year.

Overall, operations in Singapore, Malaysia and Thailand continued to return strong double digit turnover growth reporting an EBIT of HK\$23 million compared to HK\$20 million during the first six months of last year. While Malaysia was a major contributor to turnover and EBIT growth, Singapore and Thailand reported lower EBIT. In Singapore, the recent increase in GST had an initial impact but turnover growth has now normalized. A smaller currency gain in Singapore also affected EBIT. In Thailand, the dip in EBIT was due to a currency loss.

We are continuing to grow our Mainland operations with the opening of more shops to drive turnover growth. For the period under review, turnover growth of 41% was reported but was insufficient to set off initial shop setting up costs. A loss of HK\$12 million was reported compared to a loss of HK\$6 million during the corresponding period last year. Despite this, we continue to view the Mainland as a key component of future growth.

OPTICAL RETAIL BUSINESS

The Group's optical retail business comprising "OPTICAL 88", "INSIGHT", "IZE" and "EYE-Q" returned good results. EBIT was HK\$31 million compared to an EBIT of HK\$28 million during the same period last year. Turnover was up 25%.

Although sentiment was generally buoyant, competition was also intense in Hong Kong and Macau. Notwithstanding this, our operations reported an increase in turnover of 22% and an EBIT of HK\$29 million compared to HK\$20 million during the first six months of last year.

Our optical operations in Singapore, Malaysia and Thailand reported strong turnover growth of 30% compared to the same period last year. New shops were opened in these three countries where local underlying sentiment continues to be strong. However, turnover at these new shops could not set off initial shop setting up costs. Unlike the watch business, relationships between optometrists and customers require time to build up and this impacted new shop turnover. EBIT for the relevant period was therefore slightly lower at nearly HK\$7 million compared to an EBIT of HK\$8 million last year. There were also other contributing factors like a lower exchange gain in the case of Singapore and an exchange loss in Thailand. We expect even stronger turnover growth in the next half year as performance at these new shops improve.

Mainland operations continued to report double digit turnover growth due to the opening of more shops and also improvement in same shop sales. Turnover was up by 56%. Compared to the same period last year, same shop turnover growth was up 35%. However, as expected, a loss was recorded as turnover growth was not sufficient to set off initial shop setting up costs. Despite this, we similarly continue to view this segment of the business as a key component of future growth.

WHOLESALE, WATCH ASSEMBLY AND EXPORT TRADING

Thong Sia Group, Stelux' wholesale arm operating in Hong Kong, Singapore, Malaysia and Taiwan continued its stellar run and was a major profit contributor for this business segment. A strong growth in turnover of 26% was reported leading to a strong growth in EBIT of 45% compared to the same period last year.

Whilst, our export arm recorded a further narrowing of losses compared to the relevant period last year, turnover has not picked up. Results are expected to improve in the next six months with the product launch of recently signed licensed brands.

Our watch assembly unit, which produces for the Group reported a positive EBIT due to increases in turnover of the Group's watch business.

At our Swiss subsidiary, Universal Geneve S.A., work continues on the development of the second generation "MICROTOR" movement. This subsidiary reported a larger loss of HK\$7.5 million compared to HK\$6 million. The slightly larger loss was due to the weakness of the US dollar. Losses stemming from research, development and marketing costs will continue to be expensed and periodic performance reviews will continue.

FINANCE

The Group's borrowings at balance sheet date were HK\$281 million (at 31st March 2007: HK\$337 million), out of which, HK\$204 million (at 31st March 2007: HK\$265 million) were repayable within 12 months. The Group's gearing ratio at balance sheet date was 0.37 (at 31st March 2007: 0.46), which was calculated based on the Group's borrowings and shareholders' funds of HK\$760 million (at 31st March 2007: HK\$738 million).

Of the Group's borrowings, 3% (at 31st March 2007: 3%) were denominated in foreign currencies. The Group's bank borrowings denominated in Hong Kong Dollars were on a floating rate basis at either bank prime lending rates or short term inter-bank offer rates.

The Group does not engage in speculative derivative trading.

The Group enters into forward foreign exchange contracts when it is deemed appropriate as hedges against its foreign currency exposures. The forward foreign exchange contracts are used to settle trade creditors and operating expenses. The hedging activities are regularly reviewed by the Group.

As at 30th September 2007, the Group does not have any significant contingent liabilities.

CAPITAL STRUCTURE OF THE GROUP

There was no change in the capital structure of the Group during the period.

CHANGES IN THE COMPOSITION OF THE GROUP DURING THE INTERIM PERIOD

There was no change in the composition of the Group during the period.

SEGMENTAL INFORMATION

An analysis of the Group's segment turnover and segment results by business activities and markets is shown in note 2 to the condensed interim financial information.

NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES, BONUS AND TRAINING SCHEMES

The Group's remuneration policies are reviewed on a regular basis and remuneration packages are in line with market practices in the relevant countries where the Group operates. As of 30th September 2007, the Group had 2,888 (at 30th September 2006: 2,565) employees.

DETAILS OF THE CHARGES ON GROUP ASSETS

At 30th September 2007, certain of the Group's property, plant and equipment amounting to HK\$55 million (at 31st March 2007: HK\$55 million) and leasehold land amounting to HK\$96 million (31st March 2007: HK\$100 million) were pledged to secure banking facilities granted to the Group. No investment properties were pledged to secure banking facilities of the Group (at 31st March 2007: Nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 29th January 2008 (Tuesday) to 2nd February 2008 (Saturday) both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement to the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Registrar, Computershare Hong Kong Investor Services Limited, 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on 28th January 2008 (Monday). The interim dividend will be paid on 15th February 2008 (Friday).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

CORPORATE GOVERNANCE

During the six months ended 30th September 2007, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code Provisions") as set out in Appendix 14 of the Listing Rules, except for the following deviations:—

Code Provision A.4.2

Under Code Provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Not all Directors of the Company retire strictly under Code Provision A.4.2 but in accordance with the Company's Bye-Laws. Bye-Law 110(A) stipulates that one-third of the Directors of the Company who have been longest serving in office since their last election, except the Chairman, Vice-Chairman or Chief Executive Officer, shall retire from office by rotation at each annual general meeting.

Code Provision B.1.3

This Code Provision deals with the terms of reference of the remuneration committee. The Company has adopted the terms of reference under Code Provision B.1.3 except that the terms of reference do not include reviewing and determining the remuneration packages of senior management. The Company believes that the remuneration packages of senior management should be the responsibility of the executive directors as they are in a better position to appraise the performance of senior management.

Code Provision E.1.2

Under the first part of Code Provision E.1.2, the Chairman of the Board should attend annual general meetings. The Chairman of the Board did not attend the annual general meeting of the Company held on 6th September 2007 as he was not in Hong Kong.

Audit Committee

On 14th December 2007, the Audit Committee together with the management of the Company reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the Group's results for the six months ended 30th September 2007 before they were presented to the board of directors for approval.

Remuneration Committee

The Remuneration Committee held a meeting on 23rd July 2007 to review the bonus entitlement of certain executive directors.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding director's securities transactions.

The Company has also made specific enquiry of all its directors to ascertain whether they have complied with or whether there has been any non-compliance with the required standard set out in the Model Code.

All directors complied with the provisions of the Model Code during the six months ended 30th September 2007.

PUBLICATION OF FINANCIAL INFORMATION AND INTERIM REPORT

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk under "Latest Listed Company Information" and the Company's website at www.irasia.com/listco/hk/stelux under "Announcement & Notices". The Company's Interim Report for 2007/2008 will be despatched to the shareholders of the Company and will also be available on the above websites in due course.

On behalf of the Board

Joseph C. C. Wong

Vice Chairman and Chief Executive Officer

Hong Kong, 19th December 2007

Directors of the Company as at the date hereof:

Executive directors:

Wong Chong Po (*Chairman*), Chumphol Kanjanapas (alias Joseph C. C. Wong) (*Vice Chairman and Chief Executive Officer*), Anthony Chu Kai Wah and Vincent Lau Tak Bui

Non-Executive directors:

Sakorn Kanjanapas, Wu Chun Sang (*independent*), Lawrence Wu Chi Man (*independent*) and Agnes Kwong Yi Hang (*independent*)