

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

# 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 RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

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 2009 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

|                                     |             | <b>Unaudited</b>        |                      |
|-------------------------------------|-------------|-------------------------|----------------------|
|                                     |             | <b>Six months ended</b> |                      |
|                                     |             | <b>30th September</b>   |                      |
|                                     |             | <b>2009</b>             | <b>2008</b>          |
|                                     | <i>Note</i> | <i>HK\$'000</i>         | <i>HK\$'000</i>      |
| Revenues                            | 2,3         | 1,111,844               | 1,224,066            |
| Cost of sales                       |             | <u>(456,941)</u>        | <u>(491,566)</u>     |
| Gross profit                        |             | 654,903                 | 732,500              |
| Other gains/(losses), net           | 4           | 2,176                   | (5,682)              |
| Other income                        | 5           | 7,168                   | 10,298               |
| Selling expenses                    |             | (516,862)               | (533,058)            |
| General and administrative expenses |             | (110,021)               | (125,863)            |
| Other operating expenses            |             | <u>(11,297)</u>         | <u>(12,731)</u>      |
| Operating profit                    |             | 26,067                  | 65,464               |
| Finance costs                       |             | <u>(6,542)</u>          | <u>(7,966)</u>       |
| Profit before income tax            | 6           | 19,525                  | 57,498               |
| Income tax expense                  | 7           | <u>(14,645)</u>         | <u>(20,815)</u>      |
| Profit for the period               |             | <u><u>4,880</u></u>     | <u><u>36,683</u></u> |

\* For identification purpose only

**CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)**

|   |             | <b>Unaudited</b>        |                 |
|---|-------------|-------------------------|-----------------|
|   |             | <b>Six months ended</b> |                 |
|   |             | <b>30th September</b>   |                 |
|   |             | <b>2009</b>             | <b>2008</b>     |
|   | <i>Note</i> | <i>HK\$'000</i>         | <i>HK\$'000</i> |
| Attributable to:  |             |                         |                 |
| Equity holders of the Company   |             | <b>4,644</b>            | 36,407          |
| Minority interests  |             | <b>236</b>              | 276             |
|   |             | <u><b>4,880</b></u>     | <u>36,683</u>   |
| Dividend  | 8           | <u><b>9,513</b></u>     | –               |
|   |             | <i>HK cents</i>         | <i>HK cents</i> |
| Earnings per share for profit attributable to the equity holders of the Company |             |                         |                 |
| – Basic and diluted   | 9           | <u><b>0.49</b></u>      | <u>3.83</u>     |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009**

|   | <b>Unaudited</b>        |                 |
|---|-------------------------|-----------------|
|   | <b>Six months ended</b> |                 |
|   | <b>30th September</b>   |                 |
|   | <b>2009</b>             | <b>2008</b>     |
|   | <i>HK\$'000</i>         | <i>HK\$'000</i> |
| Profit for the period                                 | <b>4,880</b>            | 36,683          |
| Other comprehensive income                            |                         |                 |
| Currency translation differences                      | <b>37,164</b>           | (26,723)        |
|   | <hr/>                   | <hr/>           |
| Other comprehensive income for the period, net of tax | <b>37,164</b>           | (26,723)        |
|   | <hr/>                   | <hr/>           |
| Total comprehensive income for the period             | <b>42,044</b>           | 9,960           |
|   | <hr/> <hr/>             | <hr/> <hr/>     |
| Total comprehensive income attributable to:           |                         |                 |
| Equity holders of the Company                         | <b>41,577</b>           | 10,038          |
| Minority interests                                    | <b>467</b>              | (78)            |
|   | <hr/>                   | <hr/>           |
|   | <b>42,044</b>           | 9,960           |
|   | <hr/> <hr/>             | <hr/> <hr/>     |

**CONDENSED CONSOLIDATED BALANCE SHEET  
AS AT 30TH SEPTEMBER 2009**

|  |             | <b>Unaudited</b>        | 31st March              |
|--|-------------|-------------------------|-------------------------|
|  |             | <b>30th September</b>   | 2009                    |
|  |             | <b>2009</b>             | 2009                    |
|  | <i>Note</i> | <b>HK\$'000</b>         | HK\$'000                |
| <b>ASSETS</b>  |             |                         |                         |
| Non-current assets   |             |                         |                         |
| Property, plant and equipment  |             | 200,412                 | 205,195                 |
| Investment properties  |             | 35,000                  | 35,000                  |
| Prepayment of lease premium  |             | 183,856                 | 186,298                 |
| Intangible assets  |             | 24,957                  | 23,451                  |
| Deferred tax assets  |             | 47,355                  | 45,548                  |
| Available-for-sale financial assets                                    |             | 18,123                  | 18,123                  |
|  |             | <u>509,703</u>          | <u>513,615</u>          |
| Current assets   |             |                         |                         |
| Stocks   |             | 783,495                 | 790,719                 |
| Debtors and prepayments  | 10          | 329,923                 | 335,800                 |
| Bank balances and cash   |             | 172,208                 | 117,386                 |
|  |             | <u>1,285,626</u>        | <u>1,243,905</u>        |
| Total assets   |             | <u><u>1,795,329</u></u> | <u><u>1,757,520</u></u> |
| <b>EQUITY</b>  |             |                         |                         |
| Capital and reserves attributable to the equity holders of the Company |             |                         |                         |
| Share capital  |             | 95,134                  | 95,134                  |
| Reserves   |             | 735,816                 | 694,239                 |
| Shareholders' funds  |             | 830,950                 | 789,373                 |
| Minority interests   |             | 4,562                   | 4,253                   |
| Total equity   |             | <u>835,512</u>          | <u>793,626</u>          |
| <b>LIABILITIES</b>   |             |                         |                         |
| Non-current liabilities  |             |                         |                         |
| Deferred tax liabilities   |             | 1,468                   | 1,312                   |
| Borrowings   |             | 128,840                 | 116,312                 |
|  |             | <u>130,308</u>          | <u>117,624</u>          |
| Current liabilities  |             |                         |                         |
| Creditors and accruals   | 11          | 380,101                 | 422,078                 |
| Income tax payable   |             | 26,564                  | 16,704                  |
| Borrowings   |             | 422,844                 | 407,488                 |
|  |             | <u>829,509</u>          | <u>846,270</u>          |
| Total liabilities  |             | <u>959,817</u>          | <u>963,894</u>          |
| Total equity and liabilities   |             | <u><u>1,795,329</u></u> | <u><u>1,757,520</u></u> |
| Net current assets   |             | <u>456,117</u>          | <u>397,635</u>          |
| Total assets less current liabilities                                  |             | <u><u>965,820</u></u>   | <u><u>911,250</u></u>   |

## NOTES:–

### 1. BASIS OF PREPARATION

These unaudited condensed interim consolidated 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 interim consolidated financial information should be read in conjunction with the 2009 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim consolidated financial information are consistent with those used in the annual financial statements for the year ended 31st March 2009.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1st April 2009:

- HKAS 1 (revised), ‘Presentation of financial statements’. The revised standard prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8, ‘Operating segments’. HKFRS 8 replaces HKAS 14, ‘Segment reporting’. It requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who makes strategic decisions.
- Amendment to HKFRS 7, ‘Financial instruments: disclosures’. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The Group will make additional relevant disclosures in its financial statements for the year ending 31st March 2010.

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 2009. Those that are relevant to the Group’s operations are as follows:

HKAS 23 (amendment) — Borrowing costs  
HKAS 32 (amendment) — Financial instruments: presentation  
HK(IFRIC) 9 (amendment) — Reassessment of embedded derivatives  
HKAS 39 (amendment) — Financial instruments: Recognition and measurement  
HK(IFRIC) 13 — Customer loyalty programmes  
HK(IFRIC) 16 — Hedges of a net investment in a foreign operation

The adoption of the above revised accounting standard 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 2010.

## 2. SEGMENT INFORMATION

The chief operating decision-makers have been identified as the executive Directors. The executive Directors review the Group's financial information mainly from product and geographical perspective. From a geographical perspective, management assesses the performance of watch and optical operations in Hong Kong, Macau and Mainland China and rest of Asia.

Sales between operating segments are carried out on terms equivalent to those prevailing in arm's length transactions. The executive Directors assess the performance of the operating segments based on a measure of adjusted earnings before interest and tax (EBIT). This measurement basis excludes unallocated income and net corporate expenses.

|                                 | Six months ended 30th September 2009 |                |                                     |                |                         |                |                  |
|---------------------------------|--------------------------------------|----------------|-------------------------------------|----------------|-------------------------|----------------|------------------|
|                                 | Watch retail                         |                | Optical retail                      |                |                         |                | Group Total      |
|                                 | Hong Kong, Macau and Mainland China  | Rest of Asia   | Hong Kong, Macau and Mainland China | Rest of Asia   | Watch wholesale trading | Property       |                  |
|                                 | HK\$'000                             | HK\$'000       | HK\$'000                            | HK\$'000       | HK\$'000                | HK\$'000       | HK\$'000         |
| <b>Revenues</b>                 |                                      |                |                                     |                |                         |                |                  |
| Gross segment                   | 360,353                              | 213,590        | 287,045                             | 114,349        | 235,988                 | 6,875          | 1,218,200        |
| Inter-segment                   | -                                    | -              | -                                   | -              | (100,201)               | (6,155)        | (106,356)        |
|                                 | <u>360,353</u>                       | <u>213,590</u> | <u>287,045</u>                      | <u>114,349</u> | <u>135,787</u>          | <u>720</u>     | <u>1,111,844</u> |
| <b>Segment results</b>          | <u>(5,642)</u>                       | <u>20,463</u>  | <u>3,044</u>                        | <u>5,763</u>   | <u>21,892</u>           | <u>(3,419)</u> | <u>42,101</u>    |
| <b>Unallocated income</b>       |                                      |                |                                     |                |                         |                | 50               |
| <b>Net corporate expenses</b>   |                                      |                |                                     |                |                         |                | (16,084)         |
| <b>Operating profit</b>         |                                      |                |                                     |                |                         |                | 26,067           |
| <b>Finance costs</b>            |                                      |                |                                     |                |                         |                | (6,542)          |
| <b>Profit before income tax</b> |                                      |                |                                     |                |                         |                | 19,525           |
| <b>Income tax expense</b>       |                                      |                |                                     |                |                         |                | (14,645)         |
| <b>Profit after income tax</b>  |                                      |                |                                     |                |                         |                | <u>4,880</u>     |

## 2. SEGMENT INFORMATION (Continued)

|                          | Six months ended 30th September 2008         |                 |  |                 |                               |                 |                  |
|--------------------------|--|-----------------|--|-----------------|-------------------------------|-----------------|------------------|
|                          | Watch retail                                 |                 | Optical retail                               |                 | Watch<br>wholesale<br>trading | Property        | Group<br>Total   |
|                          | Hong Kong,<br>Macau and<br>Mainland<br>China | Rest of<br>Asia | Hong Kong,<br>Macau and<br>Mainland<br>China | Rest of<br>Asia |                               |                 |                  |
|                          | <i>HK\$'000</i>                              | <i>HK\$'000</i> | <i>HK\$'000</i>                              | <i>HK\$'000</i> | <i>HK\$'000</i>               | <i>HK\$'000</i> | <i>HK\$'000</i>  |
| Revenues                 |  |                 |  |                 |                               |                 |                  |
| Gross segment            | 371,949                                      | 242,483         | 296,374                                      | 125,898         | 312,004                       | 6,227           | 1,354,935        |
| Inter-segment            | –  | –               | –  | –               | (124,816)                     | (6,053)         | (130,869)        |
|                          | <u>371,949</u>                               | <u>242,483</u>  | <u>296,374</u>                               | <u>125,898</u>  | <u>187,188</u>                | <u>174</u>      | <u>1,224,066</u> |
| Segment results          | <u>13,945</u>                                | <u>23,070</u>   | <u>17,326</u>                                | <u>6,045</u>    | <u>28,713</u>                 | <u>(415)</u>    | <u>88,684</u>    |
| Unallocated income       |  |                 |  |                 |                               |                 | 52               |
| Net corporate expenses   |  |                 |  |                 |                               |                 | (23,272)         |
| Operating profit         |  |                 |  |                 |                               |                 | 65,464           |
| Finance costs            |  |                 |  |                 |                               |                 | (7,966)          |
| Profit before income tax |  |                 |  |                 |                               |                 | 57,498           |
| Income tax expense       |  |                 |  |                 |                               |                 | (20,815)         |
| Profit after income tax  |  |                 |  |                 |                               |                 | <u>36,683</u>    |

## 3. REVENUES

|                     | Six months ended<br>30th September |                         |
|---------------------|------------------------------------|-------------------------|
|                     | 2009<br><i>HK\$'000</i>            | 2008<br><i>HK\$'000</i> |
| Turnover            |                                    |                         |
| Sales of goods      | 1,111,124                          | 1,223,892               |
| Gross rental income | 720                                | 174                     |
|                     | <u>1,111,844</u>                   | <u>1,224,066</u>        |

#### 4. OTHER GAINS/(LOSSES), NET

|   | Six months ended<br>30th September |                 |
|---|------------------------------------|-----------------|
|   | 2009                               | 2008            |
|   | <i>HK\$'000</i>                    | <i>HK\$'000</i> |
| Exchange gain/(loss), net                                     | 2,116                              | (5,570)         |
| Gain/(loss) on disposal of property, plant and equipment, net | 60                                 | (112)           |
|   | <u>2,176</u>                       | <u>(5,682)</u>  |

#### 5. OTHER INCOME

|                                | Six months ended<br>30th September |                 |
|--------------------------------|------------------------------------|-----------------|
|                                | 2009                               | 2008            |
|                                | <i>HK\$'000</i>                    | <i>HK\$'000</i> |
| Building management fee income | 1,071                              | 1,071           |
| Interest income                | 51                                 | 1,226           |
| Sundries                       | 6,046                              | 8,001           |
|                                | <u>7,168</u>                       | <u>10,298</u>   |

#### 6. EXPENSES BY NATURE

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

|   | Six months ended<br>30th September |                 |
|---|------------------------------------|-----------------|
|   | 2009                               | 2008            |
|   | <i>HK\$'000</i>                    | <i>HK\$'000</i> |
| Depreciation of property, plant and equipment |                                    |                 |
| – Owned                                       | 40,997                             | 42,163          |
| – Leased                                      | 353                                | 705             |
| Amortisation of prepayment of lease premium   | 5,643                              | 5,704           |
| Provision for stocks                          | 5,241                              | 3,570           |
| Bad debts provision                           | 77                                 | 619             |
|   | <u>52,208</u>                      | <u>55,761</u>   |



## 7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the six months ended 30th September 2009 (2008: 16.5%) 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 2009 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:

|   | <b>Six months ended<br/>30th September</b> |                 |
|---|--|-----------------|
|   | <b>2009</b>                                | <b>2008</b>     |
|   | <b>HK\$'000</b>                            | <b>HK\$'000</b> |
| Current tax                                       |  |                 |
| Hong Kong profits tax                             | 3,772                                      | 10,587          |
| Overseas profits tax                              | 12,159                                     | 12,985          |
| (Over)/under provisions in respect of prior years | (216)                                      | 431             |
|   | <u>15,715</u>                              | <u>24,003</u>   |
| Deferred income tax                               | (1,070)                                    | (3,188)         |
| Income tax expense                                | <u>14,645</u>                              | <u>20,815</u>   |

## 8. DIVIDEND

|   | <b>Six months ended<br/>30th September</b> |                 |
|---|--|-----------------|
|   | <b>2009</b>                                | <b>2008</b>     |
|   | <b>HK\$'000</b>                            | <b>HK\$'000</b> |
| Interim, declared, of HK\$0.01 per ordinary share (2008: nil) | <u>9,513</u>                               | <u>—</u>        |

At a meeting held on 17th December 2009, the directors declared an interim dividend of HK\$0.01 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 2010.

## 9. EARNINGS PER SHARE

### Basic

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

|   | <b>Six months ended<br/>30th September</b> |                |
|---|--|----------------|
|   | <b>2009</b>                                | <b>2008</b>    |
| Weighted average number of ordinary shares in issue (thousands) | <u>951,340</u>                             | <u>951,340</u> |
| Profit attributable to equity holders of the Company (HK\$'000) | <u>4,644</u>                               | <u>36,407</u>  |
| Basic earnings per share (HK cents)                             | <u>0.49</u>                                | <u>3.83</u>    |

## 9. EARNINGS PER SHARE (Continued)

### Diluted

There were no dilutive potential ordinary shares in existence during the six months ended 30th September 2009 and 2008.

## 10. 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:

|   | <b>30th September<br/>2009<br/>HK\$'000</b> | 31st March<br>2009<br>HK\$'000 |
|---|---|--------------------------------|
| Trade debtors                           |   |                                |
| Below 60 days                           | 53,237                                      | 53,467                         |
| Over 60 days                            | 73,755                                      | 92,712                         |
|   | <hr/>                                       | <hr/>                          |
|   | 126,992                                     | 146,179                        |
| Deposits, prepayments and other debtors | 202,931                                     | 189,621                        |
|   | <hr/>                                       | <hr/>                          |
|   | <b>329,923</b>                              | <b>335,800</b>                 |
|   | <hr/> <hr/>                                 | <hr/> <hr/>                    |

## 11. CREDITORS AND ACCRUALS

|                              | <b>30th September<br/>2009<br/>HK\$'000</b> | 31st March<br>2009<br>HK\$'000 |
|------------------------------|---|--------------------------------|
| Trade creditors              |   |                                |
| Below 60 days                | 205,446                                     | 190,029                        |
| Over 60 days                 | 34,478                                      | 68,335                         |
|                              | <hr/>                                       | <hr/>                          |
|                              | 239,924                                     | 258,364                        |
| Other creditors and accruals | 140,177                                     | 163,714                        |
|                              | <hr/>                                       | <hr/>                          |
|                              | <b>380,101</b>                              | <b>422,078</b>                 |
|                              | <hr/> <hr/>                                 | <hr/> <hr/>                    |

## 12. COMMITMENTS

|  | <b>30th September<br/>2009<br/>HK\$'000</b> | 31st March<br>2009<br>HK\$'000 |
|--|---|--------------------------------|
| Capital commitments for property, plant and equipment: |   |                                |
| Contracted but not provided for                        | –   | 596                            |
| Authorised but not contracted for                      | –   | –                              |
|  | <hr/>                                       | <hr/>                          |
|  | –   | 596                            |
|  | <hr/> <hr/>                                 | <hr/> <hr/>                    |

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **REVIEW OF GROUP OPERATIONS**

The Group announces a small profit attributable to shareholders after tax and minority interests of HK\$4.6 million for the first six months ended 30th September 2009 compared to HK\$36 million for the corresponding period last year. Group turnover stood at HK\$1.1 billion down 9% from HK\$1.2 billion over the same period last year.

The above sets of results are drawn from two sharply contrasting retail environments. In the first six months ended 30th September 2008, retail markets were still buoyant before the October global meltdown. However, in the first six months ended 30th September 2009, the poor world economy brought on by the financial tsunami and the widespread outbreak of H1N1 impacted the Group's commercial activities. Inbound tourist arrivals, particularly from China was sluggish and resulted in poor retailing sentiment in the Asian region.

The various strategies adopted by the Group have helped us to weather the worst of the fall-out from the global recession. In August and September 2009 (compared to the same time last year), we have seen turnover pick up in some of the countries where we operate. The Group has come through more resilient, positioning itself for further future growth.

The Board is therefore of the view that business conditions allow the resumption of a dividend payment and declare an interim dividend of HK\$0.01 (2008: nil).

### **WATCH RETAIL BUSINESS**

The Group's retail watch business, namely, "CITY CHAIN", "MOMENTS", "CITHARA" and "C<sup>2</sup>" posted an EBIT of nearly HK\$15 million, a decrease of 60% with turnover slipping by 7%.

In Hong Kong and Macau, turnover edged down only slightly by 3% as promotions were held to attract customers sacrificing higher margins. An EBIT of HK\$13.8 million was recorded, a fall of 49% compared to the same time last year. In August and September this year, turnover at our Hong Kong operations reported improved turnover growth compared to the same time last year as Mainland tourists began returning to consume in the City.

Mixed performances were recorded by our South East Asian operations as the impact of the global recession affected each country differently. Our Singapore operations were hit hardest due to its open economy and higher operating costs, with turnover down 21% and a loss of HK\$2 million was reported. Thailand and Malaysia, however, with relatively lower cost bases and more resilient domestic markets fared better and our operations saw turnover falls averaging about 6%. Our Thai operations reported an EBIT of HK\$14 million, an increase of 11% whilst our operations in Malaysia posted an EBIT of HK\$8.8 million, up by 18%. These two countries would have returned an even stronger performance if not for the poor global economy.

At our Mainland operations, robust turnover growth seen in the previous corresponding period was severely curtailed as domestic consumption was hard hit, particularly, by innumerable factory closures in Guangdong Province and turnover edged down 5%. In the absence of strong turnover growth and an exchange gain of HK\$4 million included in the loss of HK\$13 million reported over the same period last year, a loss of HK\$19 million was reported this year.

## **OPTICAL RETAIL BUSINESS**

The Group's optical retail business recorded an EBIT of HK\$8.8 million down 62% and a drop in turnover of 5% compared to the corresponding period last year.

In Hong Kong and Macau, intense market competition and the overall poor retail sentiment contributed to a drop in EBIT of 64% to HK\$7.5 million. Turnover also fell by 4%.

Our South East Asian operations also reported falls in turnover, averaging 9%. Our Singapore and Malaysian operations reported breakeven results, whilst our Thai operations posted an EBIT of HK\$5.7 million, albeit a decrease of 12% from the same period last year.

Turnover at our Mainland operations continued to grow but at a much less robust pace. Turnover growth was 10% and losses widened by HK\$1 million to around HK\$4.5 million.

## **WATCH ASSEMBLING AND WHOLESALE TRADING**

Our watch assembling and wholesale trading operations recorded an EBIT of nearly HK\$22 million down by 24% compared to the same time last year. Turnover was also down 27%.

Our watch assembling unit that produces for the Group returned satisfactory results.

We continue to monitor the performance of our Swiss subsidiary, Universal Geneve S.A.. Turnover increased by 16% and losses narrowed to HK\$6 million down from HK\$9.7 million over the same period last year. As this subsidiary has continued to under perform, and with the poor economic recovery prospects in Europe and the Middle East, measures were implemented to trim costs and these measures will continue.

The Thong Sia Group operating in Hong Kong, Singapore, Malaysia and Taiwan continued to be a major EBIT contributor to this segment of the Group's business. The Thong Sia Group returned a smaller turnover compared to the corresponding period last year but the decrease was less than expected as retailers have a preference for strong brands like "Seiko" during recessionary times.

## **OUTLOOK**

With confidence levels, generally, returning to Asian markets, the worst is probably behind us. Strategies implemented over the previous twelve months, including, growing selective markets, strengthening research and product development and building up higher margin house brand products will continue. As underlying economic activity continues to recover, we will adopt more aggressive growth strategies and measures. Barring unforeseen circumstances, we expect to see a more positive performance in the next six months.

## **FINANCE**

The Group's gearing ratio at balance sheet date was 46% (at 31st March 2009: 51%), which was calculated based on the Group's net debt of HK\$380 million (at 31st March 2009: HK\$406 million) and shareholders' funds of HK\$831 million (at 31st March 2009: HK\$789 million). The Group's net debt was calculated based on the Group's borrowings of HK\$552 million (at 31st March 2009: HK\$523 million) less the Group's bank balances and cash of HK\$172 million (at 31st March 2009: HK\$117 million). Of the Group's borrowings at balance sheet date, HK\$423 million (at 31st March 2009: HK\$407 million) were repayable within 12 months.

Of the Group's borrowings, 10% (at 31st March 2009: 5%) 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 strictly used to settle trade creditors and operating expenses. The hedging activities are regularly reviewed by the Group.

As at 30th September 2009, the Group does not have any significant contingent liabilities.

The Group does not have plans for material investments or change of capital assets.

## **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**

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

## **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 2009, the Group had 3,175 (at 30th September 2008: 3,084) employees.

## **DETAILS OF THE CHARGES ON GROUP ASSETS**

At 30th September 2009, certain of the Group's property, plant and equipment amounting to HK\$58 million (at 31st March 2009: HK\$58 million), investment property amounting to HK\$33 million (at 31st March 2009: HK\$33 million) and leasehold land amounting to HK\$144 million (31st March 2009: HK\$146 million) were pledged to secure banking facilities granted to the Group.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 25th January 2010 (Monday) to 29th January 2010 (Friday) 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 22nd January 2010 (Friday). The interim dividend will be paid on 12th February 2010 (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 2009, 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 8th September 2009 as he was not in Hong Kong.

### **Audit Committee**

On 11th December 2009, 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 2009 before they were presented to the board of directors for approval.

### **Remuneration Committee**

The Remuneration Committee met on 15th July 2009 to determine annual bonus entitlement.

### **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 2009.

## **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](http://www.hkex.com.hk) under “Latest Listed Company Information” and the Company’s website at [www.irasia.com/listco/hk/stelux](http://www.irasia.com/listco/hk/stelux) under “Announcement & Notices”. The Company’s Interim Report for 2009/2010 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, 17th December 2009

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)