

STELUX Holdings International Limited

Incorporated in Bermuda with limited liability

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

Stock Code: 84

INTERIM REPORT 2007/2008

**INTERIM REPORT
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. The condensed consolidated results of the Group for the six months ended 30th September 2007, the condensed consolidated balance sheet as at 30th September 2007, the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity of the Group for the six months ended 30th September 2007, all of which are unaudited, along with the relevant explanatory notes, are set out below.

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007**

	<i>Note</i>	Unaudited Six months ended 30th September	
		2007	2006
		<i>HK\$'000</i>	<i>HK\$'000</i>
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	<i>HK cents</i>	<i>HK cents</i>
– Basic and diluted		5.25	4.49

**CONDENSED CONSOLIDATED BALANCE SHEET
AT 30TH SEPTEMBER 2007 AND 31ST MARCH 2007**

		Unaudited 30th September 2007	31st March 2007
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	8	202,367	192,209
Investment properties	8	1,300	1,300
Prepayment of lease premium	8	144,851	152,974
Intangible assets	8	23,377	23,027
Deferred tax assets		25,661	21,092
Available-for-sale financial assets		13,252	13,252
		410,808	403,854
		-----	-----
Current assets			
Stocks		608,957	518,284
Debtors and prepayments	9	348,648	376,607
Bank balances and cash		116,326	105,103
		1,073,931	999,994
Non-current assets held for sale		-	32,473
		1,073,931	1,032,467
		-----	-----
Total assets		1,484,739	1,436,321
		=====	=====

CONDENSED CONSOLIDATED BALANCE SHEET (continued)
AT 30TH SEPTEMBER 2007 AND 31ST MARCH 2007

		Unaudited	31st March
		30th September	2007
	<i>Note</i>	2007	2007
		HK\$'000	HK\$'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	10	95,134	95,134
Reserves		653,920	614,958
Declared interim/proposed final dividend		11,416	27,589
		<hr/>	<hr/>
Shareholders' funds		760,470	737,681
Minority interests		4,397	4,587
		<hr/>	<hr/>
Total equity		764,867	742,268
		<hr/>	<hr/>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		2,776	2,825
Borrowings	12	77,475	71,223
		<hr/>	<hr/>
		80,251	74,048
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Creditors and accruals	11	401,934	321,195
Income tax payable		33,680	33,382
Borrowings	12	204,007	265,428
		<hr/>	<hr/>
		639,621	620,005
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		719,872	694,053
		<hr/>	<hr/>
Total equity and liabilities		1,484,739	1,436,321
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Net current assets		434,310	412,462
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Total assets less current liabilities		845,118	816,316
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007**

	Unaudited	
	Six months ended	
	30th September	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	104,420	3,868
Net cash (used in)/from investing activities	(11,132)	51,074
Net cash used in financing activities	(81,196)	(81,404)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	12,092	(26,462)
Cash and cash equivalents at 1st April	103,259	115,977
Effect of foreign exchange rate changes	975	(414)
	<hr/>	<hr/>
Cash and cash equivalents at 30th September	<u>116,326</u>	<u>89,101</u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash – unrestricted	116,326	105,632
Bank overdrafts	–	(16,531)
	<hr/>	<hr/>
	<u>116,326</u>	<u>89,101</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007**

	Unaudited						
	Share capital <i>HKS'000</i>	Share premium <i>HKS'000</i>	Revaluation reserve <i>HKS'000</i>	Exchange reserve <i>HKS'000</i>	Retained earnings <i>HKS'000</i>	Minority interest <i>HKS'000</i>	Total <i>HKS'000</i>
At 1st April 2006	95,134	1,977	6,621	(4,477)	548,390	6,777	654,422
Minority interest – increase in shareholdings of subsidiaries	-	-	-	-	-	(359)	(359)
Exchange difference	-	-	-	4,907	-	61	4,968
Profit for the period	-	-	-	-	42,677	538	43,215
Dividends paid	-	-	-	-	(26,638)	(537)	(27,175)
At 30th September 2006	<u>95,134</u>	<u>1,977</u>	<u>6,621</u>	<u>430</u>	<u>564,429</u>	<u>6,480</u>	<u>675,071</u>
At 1st April 2007	95,134	1,977	8,953	18,487	613,130	4,587	742,268
Exchange difference	-	-	-	467	-	(97)	370
Profit for the period	-	-	-	-	49,911	235	50,146
Dividends paid	-	-	-	-	(27,589)	(328)	(27,917)
At 30th September 2007	<u>95,134</u>	<u>1,977</u>	<u>8,953</u>	<u>18,954</u>	<u>635,452</u>	<u>4,397</u>	<u>764,867</u>

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

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 2007 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 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 <i>HKS'000</i>	Optical <i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'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				<u>(20,742)</u>
Operating profit				76,096
Finance costs				<u>(9,066)</u>
Profit before income tax				67,030
Income tax expense				<u>(16,884)</u>
Profit after income tax				<u>50,146</u>

2. SEGMENT INFORMATION (continued)

Primary reporting format – business segments (continued)

	Six months ended 30th September 2006			
	Retail and trading		Property	Group Total
	Watch HK\$ '000	Optical HK\$ '000	HK\$ '000	HK\$ '000
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				<u>(17,598)</u>
Operating profit				72,947
Finance costs				<u>(11,007)</u>
Profit before income tax				61,940
Income tax expense				<u>(18,725)</u>
Profit after income tax				<u>43,215</u>

Secondary reporting format – geographical segments

	Six months ended 30th September			
	Revenues		Segment Results	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 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	–	29,250
Exchange (loss)/gain	(975)	7,371
	(975)	36,621

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
	9,867	11,309

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

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)
	21,474	14,952
Deferred income tax	(4,590)	3,773
Income tax expense	16,884	18,725

6. DIVIDEND

	Six months ended 30th September	
	2007	2006
	HK\$'000	HK\$'000
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. CAPITAL EXPENDITURE

	Goodwill <i>HK\$'000</i>	Trademarks and licences <i>HK\$'000</i>	Total intangible assets <i>HK\$'000</i>	Property, plant and equipment <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Prepayment of lease premium <i>HK\$'000</i>
Opening net book amount as at 1st April 2007	6,197	16,830	23,027	192,209	1,300	152,974
Additions	–	–	–	45,253	–	1,446
Exchange differences	242	108	350	(1,726)	–	(4,795)
Disposals	–	–	–	(1,650)	–	–
Depreciation/amortisation	–	–	–	(31,719)	–	(4,774)
Closing net book amount as at 30th September 2007	<u>6,439</u>	<u>16,938</u>	<u>23,377</u>	<u>202,367</u>	<u>1,300</u>	<u>144,851</u>
Opening net book amount as at 1st April 2006	5,315	16,721	22,036	130,380	34,340	146,877
Additions	–	–	–	70,988	–	1,492
Exchange differences	2,819	(6)	2,813	3,238	308	2,611
Disposals	–	–	–	(462)	–	–
Depreciation/amortisation	–	–	–	(25,270)	–	(4,462)
Closing net book amount as at 30th September 2006	<u>8,134</u>	<u>16,715</u>	<u>24,849</u>	<u>178,874</u>	<u>34,648</u>	<u>146,518</u>
Additions	–	–	–	37,563	–	257
Exchange differences	(1,937)	115	(1,822)	8,577	913	11,063
Transfer to non-current assets held for sale	–	–	–	–	(32,473)	–
Disposals	–	–	–	(1,709)	(10,000)	–
Depreciation/amortisation	–	–	–	(30,089)	–	(4,864)
Fair value gains	–	–	–	–	8,212	–
Impairment	–	–	–	(1,007)	–	–
Closing net book amount as at 31st March 2007	<u>6,197</u>	<u>16,830</u>	<u>23,027</u>	<u>192,209</u>	<u>1,300</u>	<u>152,974</u>

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

10. SHARE CAPITAL

**Number of
shares of
HK\$0.1 each**

Issued and fully paid:

At 30th September 2006, 1st April 2007 and 30th September 2007

951,340,023

Note:

No share options were exercised, granted or lapsed during the six months ended 30th September 2007 and the year ended 31st March 2007.

11. 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
	256,089	175,179
Other creditors and accruals	145,845	146,016
	<u>401,934</u>	<u>321,195</u>

12. BORROWINGS

	30th September 2007 HK\$'000	31st March 2007 HK\$'000
	<i>Note</i>	
Bank loans and overdrafts	<i>(a)</i> 279,636	335,027
Obligations under finance leases	<i>(b)</i> 1,846	1,624
	281,482	336,651
Amount repayable within one year included in current liabilities	(204,007)	(265,428)
	<u>77,475</u>	<u>71,223</u>

12. BORROWINGS (continued)

Note:

- (a) The Group's bank loans and overdrafts are repayable as follows:

	30th September 2007 HK\$'000	31st March 2007 HK\$'000
Within 1 year	203,518	264,994
Between 1 and 2 years	49,548	25,352
Between 2 and 5 years	12,571	28,422
Over 5 years	13,999	16,259
	<u>279,636</u>	<u>335,027</u>

Included in bank borrowings and overdrafts as at 30th September 2007 are secured borrowings amounted to HK\$135,631,000 (31st March 2007: HK\$132,464,000), which are secured by land and buildings of the Group.

- (b) The obligations under finance leases are payable as follows:

	30th September 2007 HK\$'000	31st March 2007 HK\$'000
Within 1 year	579	512
Between 1 and 2 years	591	498
Between 2 and 5 years	831	700
Over 5 years	97	136
	<u>2,098</u>	1,846
Future finance charges on finance leases	(252)	(222)
	<u>1,846</u>	<u>1,624</u>

The present value of finance lease liabilities is as follows:

Within 1 year	489	435
Between 1 and 2 years	517	434
Between 2 and 5 years	749	632
Over 5 years	91	123
	<u>1,846</u>	<u>1,624</u>

13. 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
	<u>-</u>	<u>1,382</u>

14. RELATED PARTY TRANSACTIONS

The ultimate holding company of the Group is Yee Hing Company Limited (“Yee Hing”) (incorporated in Hong Kong).

The following is a summary of the significant related party transactions carried out in the normal course of the Group's business:

- (i) Sales of goods and services/advances to related companies

	Six months ended 30th September	
	2007	2006
	HK\$'000	HK\$'000
Interest income from a related company (note 1)	727	917
Service income from a related company (note 2)	<u>1,020</u>	<u>1,020</u>

Note 1 Interest income is charged at 3% per annum on the balance owned by Bangkok Land Public Company Limited (“Bangkok Land”). The chairman of the Company, Mr. Wong Chong Po, is also the chairman of Bangkok Land. The balance was fully repaid in August 2007.

Note 2 Stelux Properties Agency Limited (“SPAL”), a wholly-owned subsidiary of the Group entered into agreement (the “Services Agreement”) with Mengiwa Property Investment Limited (“MPIL”) a wholly-owned subsidiary company of Yee Hing, for the provision of the following services (“Services”):

- (a) contract administration with respect to contracts entered into between MPIL and third parties from time to time;
- (b) property agency liaison and tenancy management;
- (c) management of the property manager of Stelux House; and
- (d) other miscellaneous administrative services.

Duration of the Services Agreement is from 30th March 2006 to 31st March 2008. The fee was agreed at HK\$170,000 per calendar month during the duration of the Services Agreement.

On 19th December 2007, SPAL entered into a renewal services agreement (the “Renewal Services Agreement”) with MPIL for the provision of the Services for the period from 1st April 2008 to 31st March 2010. A separate announcement about the Renewal Services Agreement was published on 19th December 2007.

14. RELATED PARTY TRANSACTIONS (continued)

- (ii) Purchases of goods and services/advances from related companies

	Six months ended 30th September	
	2007 HK\$'000	2006 HK\$'000
Purchases of goods from related companies	4,001	4,848
Interest expense to a related company	–	1,498
Rental expense to related companies (note a)	<u>4,165</u>	<u>3,450</u>

Note:

- (a) On 3rd August 2005, Thong Sia Company (Singapore) Ptd Limited, as tenant has entered into a tenancy agreement with Mengiwa Pte Ltd for the lease of office premises and showroom in Singapore for a period of 3 years from 1st July 2005 up to and including 30th June 2008 at a monthly rental of HK\$181,300 (SGD35,000). Rental expense for the six months ended 30th September 2007 amounted to HK\$1,088,000 (2006: HK\$1,029,000).

On 30th March 2006, Stelux Holdings Limited, as tenant has entered into a tenancy agreement with MPIL, which is the landlord of Stelux House, to lease certain units and car-parking spaces of Stelux House (“Premises A”) for the period from 30th March 2006 to 31st March 2008 at an aggregate monthly rental of HK\$373,000. Rental expense for the six months ended 30th September 2007 amounted to HK\$2,055,000 (2006: HK\$2,055,000).

On 25th April 2007, Stelux Holdings Limited, as tenant has entered into a tenancy agreement with MPIL, which is the landlord of Stelux House, to lease additional office and storeroom of Stelux House (“Premises B”) for the period from 1st May 2007 to 31st March 2008 at an aggregate monthly rental of HK\$36,500. Rental expense for the six months ended 30th September 2007 amounted to HK\$183,000 (2006: Nil).

On 19th December 2007, Stelux Holdings Limited entered into tenancy agreements (the “Tenancy Agreements”) with MPIL to record the terms of the renewal lease of Premises A and Premises B for the period from 1st April 2008 to 31st March 2010 and the new lease of certain additional office and storeroom of Stelux House for the period from 19th December 2007 to 31st March 2010. A separate announcement about the Tenancy Agreements was published on 19th December 2007.

On 19th July 2006, Thong Sia Watch Company Limited, as tenant has entered into a tenancy agreement with MPIL to lease certain units and car-parking spaces of Stelux House for the period from 19th July 2006 to 31st March 2009 at an aggregated monthly rental of HK\$139,790. Rental expense for the six months ended 30th September 2007 amounted to HK\$839,000 (2006: HK\$366,000).

14. RELATED PARTY TRANSACTIONS (continued)

(iii) Period/year-end balances arising from rental income, interest income and purchases of goods

	30th September 2007 HK\$'000	31st March 2007 HK\$'000
Interest receivable from a related company	–	35,440
Trading balances receivable from a related company	7,632	4,745
Trading balances payable to related companies	<u>10,390</u>	<u>6,589</u>

(iv) Key management compensation

	Six months ended 30th September	
	2007 HK\$'000	2006 HK\$'000
Salaries and other short-term employee benefits	7,394	7,818
Other long-term benefits	<u>114</u>	<u>152</u>
	<u>7,508</u>	<u>7,970</u>

15. 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.

OPTICAL RETAIL BUSINESS *(continued)*

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.

FINANCE (continued)

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.

SHARE OPTIONS

On 9th March 2005, a new share option scheme, replacing the previous scheme, for the employees, officers and directors of the Company and its subsidiary companies (the “Share Option Scheme”) was approved and adopted by the shareholders. Details of the terms of the Share Option Scheme were disclosed in the Group’s Annual Report 2007. No option was granted during the period and there was no option outstanding as at 30th September 2007. As at 30th September 2007, the total number of ordinary shares available for issue in the remaining life of the Share Option Scheme was 95,134,002.

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).

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

Mr Wong Chong Po, Mr Joseph C. C. Wong, Mr Anthony Chu Kai Wah and Mr Vincent Lau Tak Bui are eligible to an annual bonus determinable under the terms of an executive bonus scheme with respect to the management of the Group. Provision for the executive bonus in respect of the directors eligible under the Executive Bonus Scheme for the six months ended 30th September 2007 amounted to HK\$3,617,000 (2006: HK\$3,711,000).

As at 30th September 2007, the interests and short positions of the Directors, and the Company's chief executive in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions as recorded in the register required to be kept under Section 352 the SFO as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(a) The Company – Ordinary shares

(A) Long position in shares and underlying shares of the Company

Name of Director	Number of shares				Total	Approximate percentage of issued share capital
	Personal interest	Family interest	Corporate/trust interest	Other Interest		
Mr Wong Chong Po	1,215,000	–	482,069,959 (Note 1)	510,564,964 (Note 2)	511,779,964	53.80
Mr Joseph C. C. Wong	95,128,011	10,000	482,069,959 (Note 1)	–	577,207,970	60.67
Mr Chu Kai Wah, Anthony	2,000,000	–	–	–	2,000,000	0.21
Mr Sakorn Kanjanapas	7,452,056	–	482,069,959 (Note 1)	–	489,522,015	51.46
Mr Lau Tak Bui, Vincent	819,200	–	–	–	819,200	0.09

Notes:

- Yee Hing Company Limited, directly and indirectly through its subsidiaries including Active Lights Company Limited, Thong Sia Company Limited and Yee Hing International Limited, held 482,069,959 shares of the Company as at 30th September 2007. 55% of the total issued ordinary shares of Yee Hing Company Limited is held by Klayze Holdings Limited, which is the trustee of a discretionary trust (the "Trust"). Mr. Wong Chong Po, Mr. Joseph C.C. Wong and Mr. Sakorn Kanjanapas are the beneficiaries of the Trust and were therefore deemed to be interested in 482,069,959 shares of the Company through the Trust's interest in Yee Hing Company Limited.
- Mr. Wong Chong Po is the executor of the estate of Mr. Wong Chue Meng (the "Estate") and is deemed to be interested in the interests in shares of the Company held by the Estate. As at 30th September 2007, the Estate directly held 28,495,005 shares and is also deemed to be interested in those 482,069,959 shares of the Company held directly or indirectly by Yee Hing Company Limited through the Estate's controlling interest in Dragon Master Investment Limited which owns 45% of the total issued ordinary shares of Yee Hing Company Limited. Mr. Wong Chong Po's deemed interest in such 482,069,959 shares of the Company by virtue of his capacity as the executor of the Estate duplicates his deemed interest through the Trust as described in Note 1 above.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES *(continued)*

(a) The Company – Ordinary shares *(continued)*

(B) Long position in shares and underlying shares of associated corporations

Name of Director	Name of associated corporation	Class of shares	Number of shares	Nature of interest	Approximate percentage of interests (%)
Mr Wong Chong Po	Yee Hing Company Limited	Ordinary	20	See notes to part (A) above	100
	Yee Hing International Limited	Ordinary	78,000	See notes to part (A) above	100
	Active Lights Company Limited	Ordinary	2	See notes to part (A) above	100
	Thong Sia Company Limited	Ordinary	2,730,000	See notes to part (A) above	68.25
	Klayze Holdings Limited	Ordinary	100	See notes to part (A) above	100
Mr Joseph C.C. Wong	Yee Hing Company Limited	Ordinary	11	See notes to part (A) above	55
	Yee Hing International Limited	Ordinary	78,000	See notes to part (A) above	100
	Active Lights Company Limited	Ordinary	2	See notes to part (A) above	100
	Thong Sia Company Limited	Ordinary	2,730,000	See notes to part (A) above	68.25
	Klayze Holdings Limited	Ordinary	100	See notes to part (A) above	100
Mr Sakorn Kanjanapas	Yee Hing Company Limited	Ordinary	11	See notes to part (A) above	55
	Yee Hing International Limited	Ordinary	78,000	See notes to part (A) above	100
	Active Lights Company Limited	Ordinary	2	See notes to part (A) above	100
	Thong Sia Company Limited	Ordinary	2,730,000	See notes to part (A) above	68.25
	Klayze Holdings Limited	Ordinary	100	See notes to part (A) above	100

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES (continued)

(b) Subsidiary companies

	Number of shares			Total	Approximate percentage of preference shares
	Personal interests	Family interests	Corporate interests		
(i) <i>City Chain (Thailand) Company Limited – Preference shares⁽¹⁾</i>					
Mr Wong Chong Po	200	–	208,800	209,000	99.52
Mr Joseph C. C. Wong	200	–	208,800	209,000	99.52
Mr Sakorn Kanjanapas	200	–	208,800	209,000	99.52
(ii) <i>Stelux Watch (Thailand) Company Limited – Preference shares⁽²⁾</i>					
Mr Wong Chong Po	600	–	–	600	16.67
Mr Joseph C. C. Wong	600	–	–	600	16.67
Mr Sakorn Kanjanapas	600	–	–	600	16.67
(iii) <i>Optical 88 (Thailand) Company Limited – Preference shares⁽³⁾</i>					
Mr Wong Chong Po	5,000	–	225,000	230,000	90.20
Mr Joseph C. C. Wong	5,000	–	225,000	230,000	90.20
Mr Sakorn Kanjanapas	5,000	–	225,000	230,000	90.20

Notes:

- (1) City Chain (Thailand) Company Limited is a wholly-owned subsidiary of the Company. The preference shares held by certain directors represent preference shares issued by City Chain (Thailand) Company Limited which do not carry any voting rights and which are not entitled to any profit sharing but are only entitled to annual fixed dividends. The corporate interests of each of Mr Wong Chong Po, Mr Joseph C. C. Wong and Mr Sakorn Kanjanapas in 208,800 preference shares duplicate with each other.
- (2) Stelux Watch (Thailand) Company Limited is a wholly-owned subsidiary of the Company. The preference shares held by certain directors represent preference shares issued by Stelux Watch (Thailand) Company Limited which do not carry any voting rights and which are not entitled to any profit sharing but are only entitled to annual fixed dividends.
- (3) Optical 88 (Thailand) Company Limited is a wholly-owned subsidiary of the Company. The preference shares held by certain directors represent preference shares issued by Optical 88 (Thailand) Company Limited which do not carry any voting rights and which are not entitled to any profit sharing but are only entitled to annual fixed dividends. The corporate interests of each of Mr Wong Chong Po, Mr Joseph C. C. Wong and Mr Sakorn Kanjanapas in 225,000 preference shares duplicate with each other.

Save as disclosed above, none of the Directors or the Company's chief executive, had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which are required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

INTERESTS OF SHAREHOLDERS DISCLOSEABLE PURSUANT TO THE SFO

Save as disclosed below, the Directors are not aware of any other person (other than a Director or chief executive of the Company or his/her respective associate(s)), who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 30th September 2007:

Name	Number of shares	Nature of interest	Approximate percentage of interests (%)
Yee Hing Company Limited	254,031,771 228,038,188	Beneficial owner Interest of controlled corporation	
Total:	482,069,959		50.67
Dragon Master Investment Limited	482,069,959	Interest of controlled corporation <i>(Note 1)</i>	50.67
Klayze Holdings Limited	482,069,959	Trustee of the Trust <i>(Note 2)</i>	50.67
Active Lights Company Limited	135,653,636	Beneficial owner	14.26
Thong Sia Company Limited	91,032,218	Beneficial owner	9.57
Arisaig Greater China Fund Limited	90,000,000	Beneficial owner	9.46
Arisaig Partners (Mauritius) Limited	90,000,000	Investment manager <i>(Note 3)</i>	9.46
Cooper Lindsay William Ernest	90,000,000	Interest of controlled corporation <i>(Note 3)</i>	9.46

Notes:

- (1) Dragon Master Investment Limited holds 45% of the total issued ordinary shares of Yee Hing Company Limited.
- (2) Klayze Holdings Limited holds 55% of the total issued ordinary shares of Yee Hing Company Limited as the trustee of the Trust.
- (3) Cooper Lindsay William Ernest has a controlling interest in Arisaig Partners (Mauritius) Ltd. which is the fund manager of Arisaig Greater China Fund.

All interests disclosed above represent long positions in shares of the Company.

SUBSTANTIAL SHAREHOLDING IN OTHER MEMBERS OF THE GROUP

The Directors are not aware of any other person (other than a Director or chief executive of the Company or his/her respective associate (s)) who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

OTHER DIRECTORS' INTERESTS

None of the Directors or their respective associates had any interest in a business apart from the Company's business which competes or is likely to compete, either directly or indirectly with, the Company's business, or which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder.

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.

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*)