

STELUX Holdings International Limited

Incorporated in Bermuda with limited liability

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

Stock Code: 84

INTERIM REPORT 2008/2009

**INTERIM REPORT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2008**

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 2008. The condensed consolidated results of the Group for the six months ended 30th September 2008, the condensed consolidated balance sheet as at 30th September 2008, 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 2008, 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 2008**

		Unaudited	
		Six months ended	
		30th September	
		2008	2007
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenues	2, 3	1,224,066	1,021,008
Cost of sales		(491,566)	(406,629)
Gross profit		732,500	614,379
Other loss	4	(5,570)	(975)
Other income	5	10,298	9,867
Selling expenses		(533,058)	(447,196)
General and administrative expenses		(125,863)	(104,538)
Other operating (expenses)/income		(12,843)	4,559
Operating profit		65,464	76,096
Finance costs		(7,966)	(9,066)
Profit before income tax	6	57,498	67,030
Income tax expense	7	(20,815)	(16,884)
Profit for the period		<u>36,683</u>	<u>50,146</u>
Attributable to:			
Equity holders of the Company		36,407	49,911
Minority interests		276	235
		<u>36,683</u>	<u>50,146</u>
Dividend	8	–	11,416
		<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>3.83</u>	<u>5.25</u>

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2008**

		Unaudited 30th September 2008	31st March 2008
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	<i>10</i>	225,903	228,328
Investment properties	<i>10</i>	40,694	2,100
Prepayment of lease premium	<i>10</i>	194,468	205,489
Intangible assets	<i>10</i>	24,556	24,884
Deferred tax assets		39,089	36,831
Available-for-sale financial assets		17,158	17,158
		<hr/> 541,868 <hr/>	<hr/> 514,790 <hr/>
Current assets			
Stocks		822,870	741,391
Debtors and prepayments	<i>11</i>	380,939	406,247
Bank balances and cash		176,792	166,567
		<hr/> 1,380,601 <hr/>	<hr/> 1,314,205 <hr/>
Total assets		<hr/> 1,922,469 <hr/>	<hr/> 1,828,995 <hr/>

CONDENSED CONSOLIDATED BALANCE SHEET (continued)
AS AT 30TH SEPTEMBER 2008

	Unaudited	31st March
	30th September	2008
<i>Note</i>	2008	2008
	HK\$'000	HK\$'000
EQUITY		
Capital and reserves attributable to the equity holders of the Company		
Share capital	12 95,134	95,134
Reserves	<u>757,654</u>	<u>747,616</u>
Shareholders' funds	852,788	842,750
Minority interests	<u>4,255</u>	<u>4,751</u>
Total equity	<u>857,043</u>	<u>847,501</u>
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	1,286	1,456
Borrowings	14 <u>165,786</u>	<u>144,952</u>
	<u>167,072</u>	<u>146,408</u>
Current liabilities		
Creditors and accruals	13 465,573	476,667
Income tax payable	36,007	32,979
Borrowings	14 <u>396,774</u>	<u>325,440</u>
	<u>898,354</u>	<u>835,086</u>
Total liabilities	<u>1,065,426</u>	<u>981,494</u>
Total equity and liabilities	<u>1,922,469</u>	<u>1,828,995</u>
Net current assets	<u>482,247</u>	<u>479,119</u>
Total assets less current liabilities	<u>1,024,115</u>	<u>993,909</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2008**

	Unaudited	
	Six months ended	
	30th September	
	2008	2007
	HK\$'000	HK\$'000
Net cash from operating activities	13,335	104,420
Net cash used in investing activities	(82,047)	(11,132)
Net cash from/(used in) financing activities	92,201	(81,196)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	23,489	12,092
Cash and cash equivalents at 1st April	166,567	103,259
Effect of foreign exchange rate changes	(13,264)	975
	<hr/>	<hr/>
Cash and cash equivalents at 30th September	<u>176,792</u>	<u>116,326</u>
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	<u>176,792</u>	<u>116,326</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2008**

	Unaudited						
	Share capital	Share premium	Revaluation reserve	Exchange reserve	Retained earnings	Minority interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2007	95,134	1,977	8,953	18,487	613,130	4,587	742,268
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Exchange difference	-	-	-	467	-	(97)	370
Profit for the period	-	-	-	-	49,911	235	50,146
Dividends paid	-	-	-	-	(27,589)	(328)	(27,917)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
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>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1st April 2008	95,134	1,977	12,859	29,950	702,830	4,751	847,501
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Exchange difference	-	-	-	(26,369)	-	(354)	(26,723)
Profit for the period	-	-	-	-	36,407	276	36,683
Dividends paid	-	-	-	-	-	(418)	(418)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30th September 2008	<u>95,134</u>	<u>1,977</u>	<u>12,859</u>	<u>3,581</u>	<u>739,237</u>	<u>4,255</u>	<u>857,043</u>

2. SEGMENT INFORMATION (continued)

Primary reporting format – business segments (continued)

	Six months ended 30th September 2007			
	Retail and trading		Property	Group Total
	Watch HK\$'000	Optical HK\$'000	HK\$'000	HK\$'000
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>

Secondary reporting format – geographical segments

	Six months ended 30th September			
	Revenues		Segment Results	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Hong Kong	627,966	552,278	55,203	67,040
Mainland China	82,871	58,385	(16,692)	(16,393)
Rest of Asia	503,964	404,440	55,845	51,068
Outside Asia	<u>9,265</u>	<u>5,905</u>	<u>(5,672)</u>	<u>(6,997)</u>
	<u>1,224,066</u>	<u>1,021,008</u>	<u>88,684</u>	<u>94,718</u>

3. REVENUES

	Six months ended 30th September	
	2008	2007
	HK\$'000	HK\$'000
Turnover		
Sales of goods	1,223,892	1,019,756
Gross rental income	<u>174</u>	<u>1,252</u>
	<u>1,224,066</u>	<u>1,021,008</u>

4. OTHER LOSS

	Six months ended 30th September	
	2008	2007
	HK\$'000	HK\$'000
Exchange loss, net	<u>(5,570)</u>	<u>(975)</u>

5. OTHER INCOME

	Six months ended 30th September	
	2008	2007
	HK\$'000	HK\$'000
Building management fee income	1,071	1,410
Interest income	1,226	1,917
Sundries	<u>8,001</u>	<u>6,540</u>
	<u>10,298</u>	<u>9,867</u>

6. EXPENSES BY NATURE

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

	Six months ended 30th September	
	2008	2007
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment		
– Owned	42,163	31,523
– Leased	705	196
Amortisation of prepayment of lease premium	5,704	4,774
Loss on disposal of property, plant and equipment	112	858
Provision for stocks	3,570	3,087
Reversal of bad debts provision	(123)	(18,584)
Impairment of debtors and bad debts written off	<u>742</u>	<u>1,041</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 2008 (2007: 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 2008 at the rates of taxation prevailing in the territories in which the Group operates.

7. INCOME TAX EXPENSE (continued)

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

	Six months ended 30th September	
	2008	2007
	HK\$'000	HK\$'000
Current tax		
Hong Kong profits tax	10,587	9,829
Overseas profits tax	12,985	11,978
Under/(over) provisions in respect of prior years	431	(333)
	<u>24,003</u>	<u>21,474</u>
Deferred income tax	<u>(3,188)</u>	<u>(4,590)</u>
Income tax expense	<u>20,815</u>	<u>16,884</u>

8. DIVIDEND

	Six months ended 30th September	
	2008	2007
	HK\$'000	HK\$'000
No interim dividend for 2008 (2007: HK\$0.012 per ordinary share)	<u>-</u>	<u>11,416</u>

At a meeting held on 17th December 2008, the directors did not propose the payment of interim dividend for the six months ended 30th September 2008 (2007: HK\$0.012 per ordinary share).

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.

	Six months ended 30th September	
	2008	2007
	HK\$'000	HK\$'000
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>36,407</u>	<u>49,911</u>
Basic earnings per share (HK cents)	<u>3.83</u>	<u>5.25</u>

Diluted

There were no dilutive potential ordinary shares in existence during the six months ended 30th September 2008 and 2007.

10. CAPITAL EXPENDITURE

	Goodwill <i>HKS '000</i>	Trademarks <i>HKS '000</i>	Total intangible assets <i>HKS '000</i>	Property, plant and equipment <i>HKS '000</i>	Investment properties <i>HKS '000</i>	Prepayment of lease premium <i>HKS '000</i>
Opening net book amount as at 1st April 2008	7,677	17,207	24,884	228,328	2,100	205,489
Additions	–	–	–	44,881	38,594	–
Exchange differences	(271)	(57)	(328)	(4,315)	–	(5,317)
Disposals	–	–	–	(123)	–	–
Depreciation/amortisation	–	–	–	(42,868)	–	(5,704)
Closing net book amount as at 30th September 2008	7,406	17,150	24,556	225,903	40,694	194,468
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	6,439	16,938	23,377	202,367	1,300	144,851
Additions	–	–	–	74,977	–	63,400
Exchange differences	1,238	269	1,507	7,797	–	5,940
Disposals	–	–	–	(13,689)	–	(3,735)
Depreciation/amortisation	–	–	–	(43,124)	–	(4,967)
Fair value gains	–	–	–	–	800	–
Closing net book amount as at 31st March 2008	7,677	17,207	24,884	228,328	2,100	205,489

11. 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 2008 <i>HKS '000</i>	31st March 2008 <i>HKS '000</i>
Trade debtors		
Below 60 days	70,372	58,482
Over 60 days	100,429	140,161
	170,801	198,643
Deposits, prepayments and other debtors	210,138	207,604
	380,939	406,247

12. SHARE CAPITAL

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

Issued and fully paid:

At 30th September 2007, 1st April 2008 and 30th September 2008	<u><u>951,340,023</u></u>
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Note:

No share options were exercised, granted or lapsed during the six months ended 30th September 2008 and the year ended 31st March 2008.

13. CREDITORS AND ACCRUALS

	30th September 2008 HK\$'000	31st March 2008 HK\$'000
Trade creditors		
Below 60 days	164,990	121,880
Over 60 days	138,336	170,665
	<u>303,326</u>	<u>292,545</u>
Other creditors and accruals	162,247	184,122
	<u>465,573</u>	<u>476,667</u>

14. BORROWINGS

	30th September 2008 HK\$'000	31st March 2008 HK\$'000
	<i>Note</i>	
Bank loans	<i>(a)</i> 560,481	467,983
Obligations under finance leases	<i>(b)</i> 2,079	2,409
	<u>562,560</u>	<u>470,392</u>
Amount repayable within one year included in current liabilities	(396,774)	(325,440)
	<u>165,786</u>	<u>144,952</u>

14. BORROWINGS (continued)

Note:

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

	30th September 2008	31st March 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	396,066	324,689
Between 1 and 2 years	65,440	54,980
Between 2 and 5 years	40,791	41,507
Over 5 years	58,184	46,807
	<u>560,481</u>	<u>467,983</u>

Included in bank loans as at 30th September 2008 are secured borrowings amounted to HK\$243,587,000 (31st March 2008: HK\$204,007,000), which are secured by land and buildings of the Group and corporate guarantees provided by the Company and certain subsidiaries.

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

	30th September 2008	31st March 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	823	884
Between 1 and 2 years	767	739
Between 2 and 5 years	737	1,067
Over 5 years	8	29
	<u>2,335</u>	<u>2,719</u>
Future finance charges on finance leases	(256)	(310)
	<u>2,079</u>	<u>2,409</u>

The present value of finance lease liabilities is as follows:

Within 1 year	708	751
Between 1 and 2 years	690	649
Between 2 and 5 years	678	986
Over 5 years	3	23
	<u>2,079</u>	<u>2,409</u>

15. COMMITMENTS

Capital commitments for property, plant and equipment:

	30th September 2008	31st March 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for	2,911	907
Authorised but not contracted for	-	612
	<u>2,911</u>	<u>1,519</u>

16. 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	
	2008	2007
	HK\$’000	HK\$’000
Interest income from a related company (<i>note 1</i>)	–	727
Service income from a related company (<i>note 2</i>)	<u>1,071</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 (“MPII”) 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 MPII 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 was 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 MPII for the provision of the Services for the period from 1st April 2008 to 31st March 2010. The fee was agreed at HK\$178,500 per calendar month during the duration of the Renewal Services Agreement.

16. RELATED PARTY TRANSACTIONS (continued)

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

	Six months ended 30th September	
	2008 HK\$'000	2007 HK\$'000
Purchases of goods	6,177	4,001
Rental expenses to related companies (note)	<u>6,014</u>	<u>5,058</u>

Note:

On 22nd July 2008, Thong Sia Company (Singapore) Pte Limited, as tenant has entered into a tenancy agreement with Mengiwa Pte Ltd to record the renewal lease of office premises and showroom in Singapore for the period from 1st July 2008 to 30th June 2010. Rental paid for the six months ended 30th September 2008 amounted to HK\$1,970,000 (2007: HK\$1,088,000).

On 19th December 2007, Stelux Holdings Limited, as tenant has entered into tenancy agreements with MPIL, which is the landlord of Stelux House, to record the terms of the renewal lease and new lease of certain units and car-parking spaces of Stelux House for the period from 19th December 2007 to 31st March 2010. Rental paid for the six months ended 30th September 2008 amounted to HK\$2,401,000 (2007: HK\$2,238,000)

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. Rental paid for the six months ended 30th September 2008 amounted to HK\$742,000 (2007: HK\$839,000)

On 22nd July 2008, certain subsidiaries of the Company in Hong Kong, as tenants have entered into tenancy agreements with Thong Sia Company Limited and Active Lights Company Limited for the period from 1st July 2008 to 31st March 2010 at an aggregated monthly rent of HK\$71,000. Rental paid for the six months ended 30th September 2008 amounted to HK\$430,000 (2007: HK\$430,000).

During the six months ended 30th September 2008, the subsidiaries of the Company in Thailand incurred rental payable of HK\$471,000 (2007: HK\$463,000) to related companies for the lease of office premises and warehouses under the terms mutually agreed between the parties.

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

	30th September 2008 HK\$'000	31st March 2008 HK\$'000
	Trading balances receivable from related companies	4,647
Trading balances payable to related companies	<u>12,440</u>	<u>12,731</u>

- (iv) Key management compensation

	Six months ended 30th September	
	2008 HK\$'000	2007 HK\$'000
Salaries and other short-term employee benefits	6,746	7,394
Other long-term benefits	<u>120</u>	<u>114</u>
	<u>6,866</u>	<u>7,508</u>

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF GROUP OPERATIONS

The Group announces a profit attributable to shareholders after tax and minority interest of HK\$36 million for the first six months ended 30th September 2008 compared to HK\$50 million for the same period last year. Group turnover was up 20% standing at HK\$1.2 billion compared to HK\$1 billion over the corresponding period.

Taking into account the reversal of bad debts provision of HK\$18 million (included in the profit for the first six months of last year) and a one off deduction of exchange loss of HK\$4 million due to the restructuring of an intermediate holding company (included in the profit reported for the first six months of this year), performance for the period under review actually improved by around 25%.

EBIT from the Group's core watch and optical businesses stood at HK\$89 million up by 14%.

The sharp downturn of the overall business environment since October this year has markedly affected retail sentiment. The Directors have therefore adopted a prudent approach and proposed that no interim dividend be payable for the period under review. However should business conditions allow, it is the Board's intention to propose a resumption of dividend payment as soon as possible.

WATCH RETAIL BUSINESS

The Group's watch retail business, namely, "CITY CHAIN", "moments", "CITHARA" and "C2" reported healthy growth in both EBIT and turnover of 28% and 27% respectively.

Operations in Hong Kong and Macau returned an EBIT of HK\$27 million, increasing by 48%, with turnover increasing almost 30% as the momentum brought on by reengineering the "look and feel" of "CITY CHAIN" stores and the introduction of new concept stores took effect.

During the period under review, severe inflationary pressures brought on by high oil prices and exchange rate fluctuations seriously impacted our South East Asian operations and mixed results were reported.

In Singapore, turnover grew by 27% but EBIT was down 21% at HK\$3 million due to the combined effect of higher operating costs and an exchange loss.

Exchange loss dragged down the EBIT reported by our Malaysian operations, which otherwise would have seen same period EBIT growth of almost 36%. An EBIT of HK\$7 million close to that of the previous period last year was reported and turnover was up 47%.

Our Thai operations returned a 16% increase in EBIT of almost HK\$13 million managing to maintain turnover, notwithstanding the political turmoil, exchange loss and underlying severe inflation.

Our mainland operations, which have grown significantly over the last few years remain a key market for future growth. We now operate through three strategically located regional offices in Beijing, Shanghai and Guangzhou, with each office overseeing respective operations in Northern China, Central China and Southern China. Overall, turnover grew more than 30%, compared to the corresponding period last year. With our operations in Southern and Central China beginning to mature, performance will continue to improve. For the period under review, a loss of HK\$13 million was reported, about a million more than the same period last year, largely attributable to costs related to the opening of new shops and, particularly, our new regional office in Beijing.

For the next 12 to 18 months, shop numbers in all regions except Mainland China will be maintained at about current levels and non-performing shops will be substituted by new shops with better earning potential. In Mainland China, shop expansion will continue but at a more moderate pace. We do not have plans to add other regional offices in Mainland China until breakeven results are achieved.

OPTICAL RETAIL BUSINESS

The Group's optical retail business posted an EBIT of HK\$23 million with turnover growth of 13%.

Hong Kong and Macau reported a small increase in turnover growth but a fall in EBIT. EBIT stood at around HK\$21 million down almost 29% compared to the same period last year. Intense market competition that saw gross margins slip and the start up costs of our new concept shops were contributing factors.

As it takes a longer time to build an optical concept shop compared to an equivalent watch concept shop and in view of the difficult market conditions, most concept shops have now been changed to "Optical 88" shops. We have since seen significant improvements in performance from these shops.

To a similar extent as our watch retail business, severe inflation spurred by spiraling high oil prices largely affected our customers' purchasing powers thus impacting turnover growth in Singapore, Malaysia and Thailand. Therefore, expected strong turnover growth, particularly from new shops, did not fully materialize. Exchange rate fluctuations also impacted. Due to these factors, mixed results were reported.

Our operations in Singapore returned a turnover growth of 26% and breakeven results.

In Malaysia, where our optical business is still developing and shop numbers nearly doubled compared to the same period last year, a turnover growth of 73% was insufficient to offset related costs and a small loss was reported.

In Thailand, where political instability has been rife, our optical operations returned a 14% increase in turnover and further reported an EBIT of HK\$7 million, a 11% increase.

The turnover of our optical operations in Mainland China (which remains a key market for future growth) grew a robust 80% and losses have narrowed by around HK\$1 million to HK\$3 million.

For shop expansion, we will adopt a similar policy as our watch retail business.

WATCH EXPORT ASSEMBLY AND WHOLESALE TRADING

Our watch export, assembly and wholesale trading operations recorded an EBIT of nearly HK\$29 million, up 62%. Turnover increased by 14%.

Performance of our export arm improved and a small profit was reported. However with the sudden downturn in markets such as US, Europe and Japan, certain cost rationalization measures were recently undertaken.

Improved results were seen at our watch assembly unit that produces watches for the Group.

Delivery problems with the “MICROTOR” movement continued to plague Universal Geneve and a loss of nearly HK\$10 million was made. The results were disappointing. In view of the current global crisis, the Board intends to arrive at a decision with the expectation that the performance of this subsidiary will not continue to affect the Group's future results.

The Thong Sia Division, our wholesale arm operating in Hong Kong, Singapore, Malaysia and Taiwan performed to expectations reporting increases in EBIT and turnover of 24% and 12% respectively. The next six months will be quite challenging for this Division as the credit crunch bites and the recovery of receivables from customers may be affected. As we continue to closely monitor receivables, tighter credit control measures are already in place.

OUTLOOK

With the sharp turnaround in business sentiment around October this year, the momentum from last year carried through into the first three months of the Group's businesses this financial year has slowed down considerably. Since November/December this year, consumer sentiment in China has also slowed down. These difficult market conditions are likely to persist over some period of time.

In response, aggressive cost control and inventory control measures have been put in place. Moreover, the Board's decision not to propose an interim dividend for the period under review so as to conserve cash will also enable us to benefit from this crisis should opportunities arise.

Despite the prevailing gloom, we remain confident of maintaining the Group's competitive edge and its leading market positions in the watch and optical businesses. This, we believe will be done by implementing carefully planned growth strategies – firstly, for longer term brand development continuing to build up our higher profit margin house brands and secondly, moderately growing our businesses on the Mainland market where, in this respect, the recently announced stimulus package by the Chinese Government to encourage domestic consumption will complement our growth strategy.

FINANCE

The Group's gearing ratio at balance sheet date was 45% (at 31st March 2008: 36%), which was calculated based on the Group's net debt of HK\$386 million (at 31st March 2008: HK\$304 million) and shareholders' funds of HK\$853 million (at 31st March 2008: HK\$843 million). The Group's net debt was calculated based on the Group's borrowings of HK\$563 million (at 31st March 2008: HK\$470 million) less the Group's bank balances and cash of HK\$177 million (at 31st March 2008: HK\$166 million). Of the Group's borrowings at balance sheet date, HK\$397 million (at 31st March 2008: HK\$325 million) were repayable within 12 months.

Of the Group's borrowings, 5% (at 31st March 2008: 2%) 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 2008, the Group does not have any significant contingent liabilities.

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

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 2008. No option was granted during the period and there was no option outstanding as at 30th September 2008. As at 30th September 2008, 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

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 2008, the Group had 3,084 (at 30th September 2007: 2,888) employees.

DETAILS OF THE CHARGES ON GROUP ASSETS

At 30th September 2008, certain of the Group's property, plant and equipment amounting to HK\$59 million (at 31st March 2008: HK\$59 million), investment property amounting to HK\$39 million (at 31st March 2008: nil) and leasehold land amounting to HK\$150 million (31st March 2008: HK\$156 million) were pledged to secure banking facilities granted to the Group.

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 2008 amounted to HK\$2,638,000 (2007: HK\$3,617,000).

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES *(continued)*

As at 30th September 2008, 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")) as recorded in the register required to be kept under Section 352 of the SFO or 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

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	–	300,069,959 <i>(Note 1)</i>	308,770,884 <i>(Note 2)</i>	309,985,884	32.58
Mr Joseph C. C. Wong	200,592,091	10,000	300,069,959 <i>(Note 1)</i>	–	500,672,050	52.63
Mr Chu Kai Wah, Anthony	2,000,000	–	–	–	2,000,000	0.21
Mr Sakorn Kanjanapas	47,452,056	–	300,069,959 <i>(Note 1)</i>	–	347,522,015	36.53
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 and Thong Sia Company Limited, held 300,069,959 shares of the Company as at 30th September 2008. 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 300,069,959 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 2008, the Estate directly held 8,700,925 shares and is also deemed to be interested in those 300,069,959 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 300,069,959 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)

(b) Subsidiary companies

	Number of shares			Total	Approximate percentage of preference shares
	Personal interest	Family interest	Corporate interest		
<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
<i>(ii) 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
<i>(iii) 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, no directors, chief executive of the Company or their associates have any interest or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

INTERESTS OF SHAREHOLDERS DISCLOSEABLE PURSUANT TO THE SFO

Save as disclosed below, the Directors are not aware of any 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 2008:

Name	Number of shares	Nature of interest	Approximate percentage of interests (%)
Yee Hing Company Limited	73,384,105 226,685,854	Beneficial owner Interest of controlled corporation	
Total:	300,069,959		31.54
Dragon Master Investment Limited	300,069,959	Interest of controlled corporation (<i>Note 1</i>)	31.54
Klayze Holdings Limited	300,069,959	Interest of controlled corporation (<i>Note 2</i>)	31.54
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
Mr Chaiyasit Kanjanapas	85,303,000	Beneficial owner	8.97

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.
- (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 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.

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 2008, 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 2008 as he was not in Hong Kong.

Audit Committee

On 12th December 2008, 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 2008 before they were presented to the board of directors for approval.

Remuneration Committee

The Remuneration Committee did not meet during the period under review.

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 2008.

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 2008/2009 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 2008

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)