

STELUX Holdings International Limited

Incorporated in Bermuda with limited liability

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

Stock Code: 84

INTERIM REPORT 2009/2010

**INTERIM REPORT
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. The condensed consolidated results of the Group for the six months ended 30th September 2009, the condensed consolidated balance sheet as at 30th September 2009, 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 2009, 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 2009**

		Unaudited	
		Six months ended	
		30th September	
		2009	2008
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenues	2,3	1,111,844	1,224,066
Cost of sales		(456,941)	(491,566)
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		(11,297)	(12,731)
Operating profit		26,067	65,464
Finance costs		(6,542)	(7,966)
Profit before income tax	6	19,525	57,498
Income tax expense	7	(14,645)	(20,815)
Profit for the period		4,880	36,683
Attributable to:			
Equity holders of the Company		4,644	36,407
Minority interests		236	276
		4,880	36,683
Dividend	8	9,513	–
		<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	0.49	3.83

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

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

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

		Unaudited 30th September 2009	31st March 2009
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	10	200,412	205,195
Investment properties	10	35,000	35,000
Prepayment of lease premium	10	183,856	186,298
Intangible assets	10	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	11	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>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	12	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>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		1,468	1,312
Borrowings	14	128,840	116,312
		<u>130,308</u>	<u>117,624</u>
Current liabilities			
Creditors and accruals	13	380,101	422,078
Income tax payable		26,564	16,704
Borrowings	14	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>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009**

	Unaudited	
	Six months ended	
	30th September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	49,930	13,335
Net cash used in investing activities	(30,884)	(82,047)
Net cash from financing activities	26,414	92,201
	<hr/>	<hr/>
Net increase in cash and cash equivalents	45,460	23,489
Cash and cash equivalents at 1st April	117,386	166,567
Effect of foreign exchange rate changes	9,362	(13,264)
	<hr/>	<hr/>
Cash and cash equivalents at 30th September	<u>172,208</u>	<u>176,792</u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	<u>172,208</u>	<u>176,792</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009**

	Unaudited								
	Attributable to equity holders of the Company							Minority interest HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000			
At 1st April 2008	95,134	1,977	12,859	29,950	702,830	842,750	4,751	847,501	
Profit for the period	-	-	-	-	36,407	36,407	276	36,683	
Other comprehensive income:									
Currency translation differences	-	-	-	(26,369)	-	(26,369)	(354)	(26,723)	
Total comprehensive income for the period ended 30th September 2008	-	-	-	(26,369)	36,407	10,038	(78)	9,960	
Dividends paid	-	-	-	-	-	-	(418)	(418)	
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>852,788</u>	<u>4,255</u>	<u>857,043</u>	
At 1st April 2009	<u>95,134</u>	<u>1,977</u>	<u>13,824</u>	<u>(29,006)</u>	<u>707,444</u>	<u>789,373</u>	<u>4,253</u>	<u>793,626</u>	
Profit for the period	-	-	-	-	4,644	4,644	236	4,880	
Other comprehensive income:									
Currency translation differences	-	-	-	36,933	-	36,933	231	37,164	
Total comprehensive income for the period ended 30th September 2009	-	-	-	36,933	4,644	41,577	467	42,044	
Dividends paid	-	-	-	-	-	-	(158)	(158)	
At 30th September 2009	<u>95,134</u>	<u>1,977</u>	<u>13,824</u>	<u>7,927</u>	<u>712,088</u>	<u>830,950</u>	<u>4,562</u>	<u>835,512</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 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			Watch wholesale trading	Property	Group Total
	Hong Kong, Macau and Mainland China	Rest of Asia	Hong Kong, Macau and Mainland China	Rest of Asia	HKS'000			
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Revenues								
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>	
Segment results	<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>	
Unallocated income								50
Net corporate expenses								(16,084)
Operating profit								26,067
Finance costs								(6,542)
Profit before income tax								19,525
Income tax expense								(14,645)
Profit after income tax								<u>4,880</u>

2. SEGMENT INFORMATION (Continued)

	Six months ended 30th September 2008							Group Total HK\$ '000
	Watch retail		Optical retail		Watch wholesale trading HK\$ '000	Property HK\$ '000		
	Hong Kong, Macau and Mainland China HK\$ '000	Rest of Asia HK\$ '000	Hong Kong, Macau and Mainland China HK\$ '000	Rest of Asia HK\$ '000				
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>		88,684
Unallocated income								52
Net corporate expenses								<u>(23,272)</u>
Operating profit								65,464
Finance costs								<u>(7,966)</u>
Profit before income tax								57,498
Income tax expense								<u>(20,815)</u>
Profit after income tax								<u>36,683</u>

3. REVENUES

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

4. OTHER GAINS/(LOSSES), NET

	Six months ended 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 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 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>77</u>	<u>619</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:

	Six months ended 30th September	
	2009	2008
	HK\$'000	HK\$'000
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

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

	Six months ended 30th September	
	2009	2008
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>

Diluted

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

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 2009	6,400	17,051	23,451	205,195	35,000	186,298
Additions	–	–	–	31,221	–	–
Exchange differences	1,305	201	1,506	5,573	–	3,201
Disposals	–	–	–	(227)	–	–
Depreciation/amortisation	–	–	–	(41,350)	–	(5,643)
Closing net book amount as at 30th September 2009	7,705	17,252	24,957	200,412	35,000	183,856
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
Additions	–	–	–	37,975	–	–
Exchange differences	(1,006)	(99)	(1,105)	(4,422)	–	(2,649)
Disposals	–	–	–	(2,783)	–	–
Depreciation/amortisation	–	–	–	(45,348)	–	(5,521)
Impairment/fair value losses	–	–	–	(6,130)	(5,694)	–
Closing net book amount as at 31st March 2009	6,400	17,051	23,451	205,195	35,000	186,298

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

12. SHARE CAPITAL

	Number of shares of HK\$0.1 each
Issued and fully paid:	
At 30th September 2008, 1st April 2009 and 30th September 2009	<u>951,340,023</u>

Note:

No share options were exercised, granted or lapsed during the six months ended 30th September 2009 and the year ended 31st March 2009.

13. CREDITORS AND ACCRUALS

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

14. BORROWINGS

	30th September 2009	31st March 2009
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings	(a) 550,331	522,183
Obligations under finance leases	(b) 1,353	1,617
	551,684	523,800
Amount repayable within one year included in current liabilities	(422,844)	(407,488)
	128,840	116,312

Note:

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

	30th September 2009	31st March 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	422,193	406,839
Between 1 and 2 years	31,545	20,865
Between 2 and 5 years	59,361	45,712
Over 5 years	37,232	48,767
	550,331	522,183

Included in bank borrowings as at 30th September 2009 are secured borrowings amounted to HK\$253,932,000 (31st March 2009: HK\$248,237,000), which are secured by land and buildings and an investment property of the Group.

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

	30th September 2009	31st March 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	729	739
Between 1 and 2 years	718	794
Between 2 and 5 years	36	264
	1,483	1,797
Future finance charges on finance leases	(130)	(180)
Present value of finance lease liabilities	1,353	1,617

The present value of finance lease liabilities is as follows:

Within 1 year	651	649
Between 1 and 2 years	667	737
Between 2 and 5 years	35	231
	1,353	1,617

15. COMMITMENTS

	30th September 2009 HK\$'000	31st March 2009 HK\$'000
Capital commitments for property, plant and equipment:		
Contracted but not provided for	–	596
Authorised but not contracted for	–	–
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>596</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 to related companies

	Six months ended 30th September	
	2009 HK\$'000	2008 HK\$'000
Service income from a related company (<i>note</i>)	<u>1,071</u>	<u>1,071</u>

Note A wholly-owned subsidiary of the Group entered into agreement with Mengiwa Property Investment Limited (“MPIL”), a wholly-owned subsidiary company of Yee Hing, for the provision of the following services for the period from 1st April 2008 to 31st March 2010:

- (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.

The fee for the provision of the above services was agreed at HK\$178,500 per calendar month during the duration of the agreement.

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

	Six months ended 30th September	
	2009 HK\$'000	2008 HK\$'000
Purchases of goods (<i>note a</i>)	5,781	6,177
Rental expense to related companies (<i>note b</i>)	<u>6,457</u>	<u>6,014</u>

Note:

- (a) During the period, certain subsidiaries of the Company purchased optical products from the Vision Pro Group and International Optical Manufacturing Company Limited, indirectly owned subsidiaries of Yee Hing, in accordance with the terms of written agreements for the Group’s retail and trading operations.

16. RELATED PARTY TRANSACTIONS (continued)

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

- (b) During the period, certain subsidiaries of the Company have entered into tenancy agreements with the following related parties for office premises, warehouses, showroom and car-parking spaces:

	Rental paid for the six months ended 30th September	
	2009	2008
	HK\$'000	HK\$'000
Mengiwa Property Investment Limited	3,427	3,143
Mengiwa Private Ltd	2,100	1,970
Other related parties	930	901
	<u>6,457</u>	<u>6,014</u>

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

	30th September 2009	31st March 2009
	HK\$'000	HK\$'000
Trading balances receivable from related companies	2,296	5,359
Trading balances payable to related companies	<u>12,693</u>	<u>12,580</u>

- (iv) Key management compensation

	Six months ended 30th September	
	2009	2008
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	4,283	6,746
Other long-term benefits	104	120
	<u>4,387</u>	<u>6,866</u>

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 "C²" 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.

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 2009. No option was granted during the period and there was no option outstanding as at 30th September 2009. As at 30th September 2009, 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 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.

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 2009 amounted to HK\$337,000 (2008: HK\$2,638,000).

As at 30th September 2009, 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	-	300,378,959 <i>(Note 1)</i>	309,079,884 <i>(Note 2)</i>	310,294,884	32.62
Mr Joseph C. C. Wong	200,592,091	10,000	300,378,959 <i>(Note 1)</i>	-	500,981,050	52.66
Mr Chu Kai Wah, Anthony	2,000,000	-	-	-	2,000,000	0.21
Mr Sakorn Kanjanapas	47,452,056	-	300,378,959 <i>(Note 1)</i>	-	347,831,015	36.56
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 300,378,959 shares of the Company as at 30th September 2009. 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 300,378,959 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 2009, the Estate directly held 8,700,925 shares and is also deemed to be interested in those 300,378,959 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 300,378,959 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) City Chain (Thailand) Company Limited – Preference shares ⁽¹⁾					
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) Stelux Watch (Thailand) Company Limited – Preference shares ⁽²⁾					
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) Optical 88 (Thailand) Company Limited – Preference shares ⁽³⁾					
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 subsidiary of the Company. Each preference share carries a right to vote and a right to an annual fixed dividend but not to any other profit sharing. 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 subsidiary of the Company. Each preference share carries a right to vote and a right to an annual fixed dividend but not to any other profit sharing.
- (3) Optical 88 (Thailand) Company Limited is a subsidiary of the Company. Each preference share carries a right to vote and a right to an annual fixed dividend but not to any other profit sharing. 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 2009:

Name	Number of shares	Nature of interest	Approximate percentage of interests (%)
Yee Hing Company Limited	73,693,105	Beneficial owner Interest of controlled corporation	
	<u>226,685,854</u>		
Total:	300,378,959		31.57
Dragon Master Investment Limited	300,378,959	Interest of controlled corporation (<i>Note 1</i>)	31.57
Klayze Holdings Limited	300,378,959	Interest of controlled corporation (<i>Note 2</i>)	31.57
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.

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 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 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)