STELUX Holdings International Limited

Incorporated in Bermuda with limited liability

http://www.stelux.com

Stock Code: 84

INTERIM REPORT 2013/2014

“He who tills his land will be satisfied with bread,
But he who follows frivolity is devoid of understanding.”

Proverbs 12:11

INTERIM REPORT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2013

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 2013. The condensed consolidated results of the Group for the six months ended 30th September 2013, the condensed consolidated balance sheet as at 30th September 2013, 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 2013, 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 2013

		Unaudited Six months ended 30th September	
		2013	2012
	Note	***HK$'000***	*HK$'000*
Revenues	*4,5*	**1,894,546**	1,740,914
Cost of sales		**(727,966)**	(663,728)
Gross profit		**1,166,580**	1,077,186
Other (losses)/gains, net	*6*	**(4,235)**	22,304
Other income	*7*	**13,254**	10,540
Selling expenses		**(819,418)**	(762,486)
General and administrative expenses		**(192,767)**	(161,402)
Other operating expenses		**(12,021)**	(21,099)
Operating profit		**151,393**	165,043
Finance costs		**(17,067)**	(5,734)
Share of post-tax profits of associate		**244**	–
Profit before income tax	*8*	**134,570**	159,309
Income tax expense	*9*	**(29,613)**	(34,381)
Profit for the period		**104,957**	124,928
Attributable to:			
Equity holders of the Company		**104,706**	124,587
Non-controlling interests		**251**	341
		104,957	124,928
Dividends	*10*	**37,673**	37,673
		HK cents	*HK cents*
Earnings per share for profit attributable to the equity holders of the Company	*11*		
– Basic		**10.01**	11.91
– Diluted		**9.40**	11.91

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2013

	Unaudited Six months ended 30th September 2013 *HK$'000*	2012 *HK$'000*
Profit for the period	**104,957**	124,928
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences	**(22,329)**	8,564
Other comprehensive income for the period, net of tax	**(22,329)**	8,564
Total comprehensive income for the period	**82,628**	133,492
Attributable to:		
Equity holders of the Company	**82,873**	133,083
Non-controlling interests	**(245)**	409
Total comprehensive income for the period	**82,628**	133,492

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2013

	Note	**Unaudited 30th September 2013** *HK$'000*	31st March 2013 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*12*	**507,571**	511,416
Prepayment of lease premium	*12*	**52,733**	60,079
Intangible assets	*12*	**62,911**	60,497
Investment in associate	*13*	**51,452**	–
Deferred tax assets		**60,430**	60,416
Available-for-sale financial assets		**15,617**	15,617
Debtors, deposits and prepayments	*15*	**123,818**	183,580
		874,532	891,605
Current assets			
Stocks	*14*	**1,158,437**	1,167,029
Debtors, deposits and prepayments	*15*	**433,816**	314,565
Bank balances and cash		**453,611**	388,330
		2,045,864	1,869,924
Total assets		**2,920,396**	2,761,529
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	*16*	**104,647**	104,647
Reserves		**1,336,498**	1,292,345
Shareholders' funds		**1,441,145**	1,396,992
Non-controlling interests		**7,934**	8,179
Total equity		**1,449,079**	1,405,171
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**2,343**	2,337
Borrowings	*18*	**129,172**	143,364
Convertible bonds	*19*	**322,348**	316,419
		453,863	462,120
Current liabilities			
Creditors and accruals	*17*	**623,089**	518,147
Income tax payable		**38,494**	24,811
Borrowings	*18*	**355,871**	351,280
		1,017,454	894,238
Total liabilities		**1,471,317**	1,356,358
Total equity and liabilities		**2,920,396**	2,761,529
Net current assets		**1,028,410**	975,686
Total assets less current liabilities		**1,902,942**	1,867,291

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2013

	Unaudited Six months ended 30th September	
	2013	2012
	HK$'000	*HK$'000*
Net cash from operating activities	**204,772**	8,597
Net cash used in investing activities	**(102,583)**	(59,297)
Net cash (used in)/from financing activities	**(52,850)**	96,161
Net increase in cash and cash equivalents	**49,339**	45,461
Cash and cash equivalents at 1st April	**388,330**	220,855
Effect of foreign exchange rate changes	**15,942**	6,641
Cash and cash equivalents at 30th September	**453,611**	272,957
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	**453,611**	272,957

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2013

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital	Share premium	Revaluation reserve	Exchange reserve	Convertible bonds reserve	Retained earnings	Total	Non–controlling interest	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April 2012	95,134	1,977	13,339	45,189	–	1,017,146	1,172,785	8,656	1,181,441
Profit for the period	–	–	–	–	–	124,587	124,587	341	124,928
Other comprehensive income:									
Exchange differences	–	–	–	8,496	–	–	8,496	68	8,564
Total comprehensive income for the period ended 30th September 2012	–	–	–	8,496	–	124,587	133,083	409	133,492
Bonus issue	9,513	–	–	–	–	(9,513)	–	–	
Dividends paid	–	–	–	–	–	(52,324)	(52,324)	(179)	(52,503)
At 30th September 2012	104,647	1,977	13,339	53,685	–	1,079,896	1,253,544	8,886	1,262,430
At 1st April 2013	**104,647**	**1,977**	**13,366**	**48,928**	**77,090**	**1,150,984**	**1,396,992**	**8,179**	**1,405,171**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**104,706**	**104,706**	**251**	**104,957**
Other comprehensive income:									
Exchange differences	**–**	**–**	**–**	**(21,833)**	**–**	**–**	**(21,833)**	**(496)**	**(22,329)**
Total comprehensive income for the period ended 30th September 2013	**–**	**–**	**–**	**(21,833)**	**–**	**104,706**	**82,873**	**(245)**	**82,628**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(38,720)**	**(38,720)**	**–**	**(38,720)**
At 30th September 2013	**104,647**	**1,977**	**13,366**	**27,095**	**77,090**	**1,216,970**	**1,441,145**	**7,934**	**1,449,079**

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 2013 annual financial statements, which have been prepared in accordance with HKFRS.

Except as mentioned below, 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 2013.

The following amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1st April 2013. The adoption of these amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

HKFRS 1 (Amendment)	Government loans
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosures of interests in other entities
HKFRS 13	Fair value measurement
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment)	Consolidated financial statements, Joint arrangements and Disclosure of interests in other entities: Transition Guidance
HKAS 1 (Amendment)	Presentation of financial statements
HKAS 19 (2011)	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint ventures
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine

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 2014.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

2. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st March 2013.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk and liquidity risk.

The condensed interim consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31st March 2013.

There have been no changes in the risk management policies since year end.

3.2 Fair value estimation

The Group's financial instruments carried at fair value is analysed by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's available-for-sale financial assets and liability components of convertible bonds are measured at fair value and are classified as level 3.

There were no movements in the available-for-sale financial assets during the period.

There was no transfer of financial instruments into or out of level 3 during the period.

The Group's level 3 instruments are determined by using valuation techniques including discount cash flow analysis, with reference to inputs such as dividend stream, discount rates and other specific input relevant to those particular financial instruments.

There were no changes in valuation techniques during the period.

3.3 Group's valuation process

The Group's finance department reviews the valuations of the Group's financial instruments that are stated at fair value for financial reporting purposes, including level 3 fair values. These valuation results are then reported to the chief financial officer and group senior management for discussions in relation to the valuation processes and the reasonableness of the valuation results.

3.4 Fair value of financial assets and liabilities measured at amortised cost

The carrying amounts of the Group's financial assets including cash and cash equivalents, deposits in approved financial institutions and debtors and financial liabilities including creditors and short-term borrowings, approximate their fair values due to their short maturities.

4. 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 the 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 2013						
	Watch retail		Optical retail				
	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*	Wholesale trading *HK$'000*	Other segment *HK$'000*	Group Total *HK$'000*
Revenues							
Gross segment	792,924	233,216	489,337	153,748	405,058	8,459	2,082,742
Inter-segment	–	–	–	–	(179,737)	(8,459)	(188,196)
	792,924	233,216	489,337	153,748	225,321	–	1,894,546
Segment results	121,056	(10,157)	21,288	4,327	52,078	(2,683)	185,909
Unallocated income							–
Net corporate expenses							(34,516)
Operating profit							151,393
Finance costs							(17,067)
Share of post-tax profits of associate							244
Profit before income tax							134,570
Income tax expense							(29,613)
Profit after income tax							104,957

4. SEGMENT INFORMATION (Continued)

	Six months ended 30th September 2012						
	Watch retail		Optical retail				
	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*	Wholesale trading *HK$'000*	Other segment *HK$'000*	Group Total *HK$'000*
Revenues							
Gross segment	676,550	253,820	438,939	154,298	437,554	8,049	1,969,210
Inter-segment	–	–	–	–	(221,027)	(7,269)	(228,296)
	676,550	253,820	438,939	154,298	216,527	780	1,740,914
Segment results	87,906	1,991	26,957	10,929	57,442	15,654	200,879
Unallocated income							13
Net corporate expenses							(35,849)
Operating profit							165,043
Finance costs							(5,734)
Profit before income tax							159,309
Income tax expense							(34,381)
Profit after income tax							124,928

There has been no material changes in total assets and total liabilities from the amount disclosed in the last annual financial statements.

5. REVENUES

	Six months ended 30th September	
	2013	2012
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**1,894,546**	1,740,134
Gross rental income	**–**	780
	1,894,546	1,740,914

6. OTHER (LOSSES)/GAINS, NET

	Six months ended 30th September	
	2013	2012
	HK$'000	*HK$'000*
Loss on disposal of property, plant and equipment, net	**(855)**	(713)
Fair value gain of an investment property	–	17,000
Exchange (loss)/gain, net	**(3,380)**	6,017
	(4,235)	22,304

7. OTHER INCOME

	Six months ended 30th September	
	2013	2012
	HK$'000	*HK$'000*
Building management fee income	**1,170**	1,071
Interest income	**460**	280
Sundries	**11,624**	9,189
	13,254	10,540

8. EXPENSES BY NATURE

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

	Six months ended 30th September	
	2013	2012
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment		
– Owned	**58,943**	54,366
– Leased	**140**	207
Amortisation of prepayment of lease premium	**3,671**	3,676
Operating leases	**340,971**	300,914
Provision for stocks	**1,610**	10,089
Donation	**5,000**	5,000
Employee benefit expense	**337,084**	311,337

9. 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 2013 (2012: 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 2013 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	
	2013	2012
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	**19,355**	20,600
Overseas profits tax	**10,878**	12,161
Over provisions in respect of prior years	**(367)**	(287)
	29,866	32,474
Deferred income tax	**(253)**	1,907
Income tax expense	**29,613**	34,381

10. DIVIDENDS

	Six months ended 30th September	
	2013	2012
	HK$'000	*HK$'000*
Interim, declared, of HK$0.036 (2012: HK$0.036) per ordinary share	**37,673**	37,673

At a meeting held on 28th November 2013, the directors declared an interim dividend of HK$0.036 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 2014.

11. 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 2013	2012
Weighted average number of ordinary shares in issue (thousands)	**1,046,474**	1,046,474
Profit attributable to equity holders of the Company (HK$'000)	**104,706**	124,587
Basic earnings per share (HK cents)	**10.01**	11.91

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group's dilutive potential ordinary shares in existence represent convertible bonds. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the expense relating to the convertible bonds less the tax effect.

	Six months ended 30th September 2013	2012
Number of ordinary shares in issue throughout the year (thousands)	**1,046,474**	1,046,474
Effect of conversion of convertible bonds (thousands)	**190,268**	–
Weighted average number of ordinary shares adjusted for effect of dilution (thousands)	**1,236,742**	1,046,474
Profit attributable to equity holders of the Company (HK$'000)	**104,706**	124,587
Borrowing cost on convertible bonds (HK$'000)	**12,579**	–
Tax relief thereon (HK$'000)	**(1,071)**	–
Adjusted profit attributable to equity holders of the Company (HK$'000)	**116,214**	124,587
Diluted earnings per share (HK cents)	**9.40**	11.91

There were no dilutive potential ordinary shares in existence during the six months ended 30th September 2012.

12. CAPITAL EXPENDITURE

	Goodwill *HK$'000*	Trademarks *HK$'000*	Total intangible assets *HK$'000*	Property, plant and equipment *HK$'000*	Investment property *HK$'000*	Prepayment of lease premium *HK$'000*
Opening net book amount as at 1st April 2013	**10,182**	**50,315**	**60,497**	**511,416**	**–**	**60,079**
Additions	**–**	**1,553**	**1,553**	**63,209**	**–**	**–**
Exchange differences	**129**	**732**	**861**	**(7,029)**	**–**	**(3,675)**
Disposals	**–**	**–**	**–**	**(942)**	**–**	**–**
Depreciation/amortisation	**–**	**–**	**–**	**(59,083)**	**–**	**(3,671)**
Closing net book amount as at 30th September 2013	**10,311**	**52,600**	**62,911**	**507,571**	**–**	**52,733**
Opening net book amount as at 1st April 2012	9,706	50,617	60,323	376,728	66,000	64,477
Additions	–	–	–	64,481	–	–
Exchange differences	680	(606)	74	1,483	–	867
Disposals	–	–	–	(4,719)	–	–
Depreciation/amortisation	–	–	–	(54,573)	–	(3,676)
Fair value gain	–	–	–	–	17,000	–
Closing net book amount as at 30th September 2012	10,386	50,011	60,397	383,400	83,000	61,668
Additions	–	496	496	98,650	–	–
Transfer from investment property to property, plant and equipment	–	–	–	96,000	(96,000)	–
Exchange differences	(204)	(192)	(396)	4,556	–	2,208
Disposals	–	–	–	–	–	–
Depreciation/amortisation	–	–	–	(61,666)	–	(3,797)
(Impairment)/fair value gain	–	–	–	(9,524)	13,000	–
Closing net book amount as at 31st March 2013	10,182	50,315	60,497	511,416	–	60,079

13. INVESTMENT IN ASSOCIATE

	30th September 2013 *HK$'000*	31st March 2013 *HK$'000*
Opening balance	**–**	–
Acquisition of associate	**51,208**	–
Share of profit	**244**	–
Closing balance	**51,452**	–

The Group's share of the results in Catena SA and its aggregated assets, liabilities and revenues are shown below:

	Six months ended 30th September 2013 *HK$'000*
Assets	**54,479**
Liabilities	**18,216**
Revenues	**23,772**
Share of profit	**244**
Percentage held	**30%**

14. STOCKS

	30th September 2013 *HK$'000*	31st March 2013 *HK$'000*
Raw materials	**67,391**	58,481
Work-in-progress	**4,159**	634
Finished goods	**1,086,887**	1,107,914
	1,158,437	1,167,029

15. DEBTORS, DEPOSITS AND PREPAYMENTS

	30th September 2013 HK$'000	31st March 2013 HK$'000
Trade debtors, gross	**205,233**	171,580
Provision for impairment of trade debtors	**(712)**	(630)
Trade debtors, net	**204,521**	170,950
Deposits, prepayments and other debtors	**353,113**	327,195
	557,634	498,145
Less: non-current portion		
Deposits and prepayments	**(123,818)**	(183,580)
Current portion	**433,816**	314,565
Trade debtors analysed by invoice date (note):		
Below 60 days	**97,151**	63,393
Over 60 days	**108,082**	108,187
	205,233	171,580

Note:

The Group allows an average credit period of 60 days from the invoice date to its trade debtors.

16. SHARE CAPITAL

	Note	Number of shares of HK$0.1 each
Issued and fully paid:		
At 30th September 2012, 1st April 2013 and 30th September 2013		1,046,474,025

Note:

No share options were exercised, granted or lapsed during the six months ended 30th September 2013 and the year ended 31st March 2013.

17. CREDITORS AND ACCRUALS

	30th September 2013 HK$'000	31st March 2013 HK$'000
Trade creditors analysed by invoice date:		
Below 60 days	**259,790**	194,783
Over 60 days	**25,357**	47,573
	285,147	242,356
Other creditors and accruals	**337,942**	275,791
	623,089	518,147

18. BORROWINGS

	Note	30th September 2013 HK$'000	31st March 2013 HK$'000
Bank borrowings	*(a)*	**484,660**	493,965
Obligations under finance leases	*(b)*	**383**	679
		485,043	494,644
Amount repayable within one year included in current liabilities		**(355,871)**	(351,280)
		129,172	143,364

Note:

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

	30th September 2013 HK$'000	31st March 2013 HK$'000
Within 1 year	**355,488**	350,727
Between 1 and 2 years	**22,024**	22,696
Between 2 and 5 years	**49,696**	52,908
Over 5 years	**57,452**	67,634
	484,660	493,965

Included in bank borrowings as at 30th September 2013 are secured borrowings amounted to HK$321,252,000 (31st March 2013: HK$300,795,000), which are secured by land and buildings and prepayment of lease premium of the Group.

18. BORROWINGS (Continued)

Note: (Continued)

(b) Movement in bank loans during the period is analysed as follows:

	Six months ended 30th September	
	2013	2012
	HK$'000	*HK$'000*
Opening balance	**493,965**	508,064
Drawdown of bank loans	**325,278**	489,376
Repayment of bank loans	**(333,023)**	(340,664)
Exchange differences	**(1,560)**	86
Closing balance	**484,660**	656,862

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

	30th September 2013	31st March 2013
	HK$'000	*HK$'000*
Within 1 year	**406**	584
Between 1 and 2 years	**–**	134
	406	718
Future finance charges on finance leases	**(23)**	(39)
Present value of finance lease liabilities	**383**	679

The present value of finance lease liabilities is as follows:

	30th September 2013	31st March 2013
	HK$'000	*HK$'000*
Within 1 year	**383**	553
Between 1 and 2 years	**–**	126
	383	679

19. CONVERTIBLE BONDS

The movement of the liability component of the convertible bonds for the period is set out below:

	Six months ended 30th September	
	2013	2012
	HK$'000	*HK$'000*
Liability component at 1st April	**316,419**	–
Changes in fair value included in finance costs	**12,579**	–
Interest incurred/accrued	**(6,650)**	–
Liability component at 30th September	**322,348**	–

During the period ended 30 September 2013, none of the bonds were redeemed, converted or purchased and cancelled.

20. COMMITMENTS

	30th September 2013	31st March 2013
	HK$'000	*HK$'000*
Capital commitments for property, plant and equipment:		
Contracted but not provided for	**15,411**	22,256
Authorised but not contracted for	–	24,420
	15,411	46,676

21. RELATED PARTY TRANSACTIONS

As at 30th September 2013, the Company is controlled by the Kanjanapas family (including Mr. Joseph C.C. Wong and Mr. Sakorn Kanjanapas), which collectively controlled approximately 57.84% of the Company's issued shares. The remaining shares are widely held.

Yee Hing Company Limited ("Yee Hing"), directly and indirectly through its subsidiary held 0.46% of the Company's issued ordinary shares as at 30th September 2013. 55% of the total issued ordinary shares of Yee Hing is held by Klayze Holdings Limited, which is the trustee of a discretionary trust (the "Trust"). Mr. Joseph C.C. Wong and Mr. Sakorn Kanjanapas, directors of the Company, are the beneficiaries of the Trust.

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	
	2013	2012
	HK$'000	*HK$'000*
Service income from a related company (note)	**1,170**	1,071

Note A wholly-owned subsidiary of the Group entered into an agreement with Mengiwa Property Investment Limited ("MPIL"), a wholly-owned subsidiary company of Yee Hing, for the provision of the following 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.

The fee for the provision of the above services was agreed at HK$195,000 (2012: HK$178,500) per calendar month during the duration of the agreement.

21. RELATED PARTY TRANSACTIONS (Continued)

(ii) Purchases of goods and services from related companies

	Six months ended 30th September	
	2013	2012
	HK$'000	*HK$'000*
Purchases of goods (note a)	**1,780**	888
Rental expense to related companies (note b)	**6,584**	4,117

Note:

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

(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	
	2013	2012
	HK$'000	*HK$'000*
Mengiwa Property Investment Limited	**5,593**	3,650
Other related parties	**991**	467
	6,584	4,117

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

	30th September	31st March
	2013	2013
	HK$'000	*HK$'000*
Trading balances receivable from related companies	**4,022**	3,423
Trading balances payable to related companies	**1,359**	2,265

(iv) Key management compensation

	Six months ended 30th September	
	2013	2012
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**9,917**	12,522
Other long-term benefits	**126**	116
	10,043	12,638

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of directors (the "Board") of Stelux Holdings International Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2013.

BUSINESS REVIEW

- *Group turnover up 8.8%*
- *Adjusted Net Profit up 15.2% to HK$117.0 million*

For the period under review, the Group reported a turnover of HK$1,894.5 million (2012: HK$1,740.9 million), a moderate increase of 8.8% from the corresponding interim period. Group gross profit margin remained stable at 61.6% (2012: 61.9%). Our operations in Greater China contributed nearly 74.0% to the total turnover reported.

The net profit attributable to equity holders posted a decrease of 16.0% to HK$104.7 million (2012: HK$124.6 million).

The Group also reported an Adjusted Net Profit of HK$117.0 million (2012: HK$101.6 million) representing a growth of 15.2% against that of the corresponding six months after excluding the following items:

– the non-cash expenses arising from convertible bonds of HK$8.9 million recognised in the current interim period;

– a fair value gain of an investment property of HK$17.0 million in the last interim period (nil in current interim period); and

– an exchange loss of HK$3.4 million (2012: gain of HK$6.0 million).

DRIVING TRANSFORMATION AND ADDING VALUE

- *Completed key management team building across Group*
- *Group wide ERP system implementation on schedule*
- *Net cash inflow of HK$204.8 million due to improving inventory management*

The Group operates around 650 stores across Asia through its optical and watch retail chains, namely, "CITY CHAIN", "OPTICAL 88" and "eGG". Targeting the middle income consumer, our retail businesses have a prominent presence in the mid-tier lifestyle accessories market.

In the Group's interim report FY12/13, we stated that a core objective in the near to medium term was to drive improvements in operational efficiencies and financial results within our businesses so as to provide long term sustainable growth for our shareholders.

Starting from May this year, as part of this process for change, key management across the Group, beginning with our watch retail management team on the Mainland, was restructured, and this crucial team building work was completed very recently.

Further in the period under review, we have started developing a Group wide enterprise resource planning (ERP) system with application from SAP. This IT investment is necessary for our future development as it will greatly improve efficiencies and streamline business processes across the Group.

This infrastructure will improve our demand forecasting, inventory management and customer relationship management, which are fundamental for the Group to grow its POS network from the current 650 stores to well beyond 1,000 stores.

This ERP system is also a necessary infrastructure for supporting the Group's planned expansion of its e-commerce businesses.

Further, this planned ERP project is scheduled for completion in early 2016 and will go live in phases. The initial phase comprising of finance and business intelligence in Hong Kong HQ successfully went live in October 2013. To date project implementation is running smoothly and we shall begin to see the initial positive impact from this investment in FY14/15.

Also, we are beginning to see the positive effects from tightened controls in inventory management as net cash inflow from operating activities increased to HK$204.8 million (2012: HK$8.6 million).

INTERIM DIVIDEND

- *Interim dividend HK$0.036*

The Board recommends the payment of an interim dividend of HK$0.036 (2012: HK$0.036) per ordinary share representing a payout of 36.0% to the net profit attributable to equity holders for the six months ended 30 September 2013 (2012: 30.2%).

WATCH RETAIL BUSINESS – "CITY CHAIN"

- *City Chain Group turnover up 10.3%*
- *City Chain Group EBIT up 23.4% to HK$110.9 million*
- *Gross profit margin 62%*

Our watch retail business which accounts for 54.2% of our total Group turnover (2012: 53.4%) recorded a modest increase in turnover of 10.3% to HK$1,026.1 million (2013: HK$930.4 million).

Earnings before interest and tax ("EBIT") of HK$110.9 million, representing a robust increase of 23.4% over the same period last year was posted (2012: HK$89.9 million) as gross profit margin remained unchanged at around 62%.

Hong Kong and Macau – "CITY CHAIN"

- *Turnover up 18.4%*
- *EBIT up 22.6% to HK$148.6 million*

Our "CITY CHAIN" operations in Hong Kong and Macau outperformed the generally soft retail market due to the slowdown in spending by Mainland shoppers. Accounting for around 37.4% of Group turnover, "CITY CHAIN" Hong Kong and Macau saw strong sales driven by improved efficiencies with turnover up 18.4%.

Profitability also improved as EBIT increased by 22.6% to HK$148.6 million (2012: HK$121.2 million) due to several factors like improvements in store leasing strategies, improvements in same store productivity, tightened costs control and the successful marketing strategies adopted for our house brands, in particular, "Solvil et Titus".

So far the new travel regulations implemented by the Mainland authorities have not affected our operations in Hong Kong and Macau. With slowing rental growth in Hong Kong and the continued adoption of effective marketing and other operational strategies, we expect the momentum to carry through into the second half of FY13/14.

As of 30 September 2013, "CITY CHAIN" has 108 stores (2012: 109) in Hong Kong and Macau.

Mainland China – "CITY CHAIN"

- *Turnover up 8.4%*
- *Losses narrowed by 17.1% to HK$27.6 million*
- *Remain committed to break even by FY14/15*

Despite the prolonged slowdown on the Mainland, which sharpened during the reporting period, our "CITY CHAIN" operations recorded a turnover of HK$85.1 million (2012: HK$78.5 million), a rise of 8.4%, that was achieved from a lesser number of stores.

Various initiatives introduced in the current interim period to improve operating efficiencies proved effective as losses narrowed by 17.1% to HK$27.6 million (2012: HK$33.3 million) compared to the corresponding interim period. These measures included:

– appointing a PRC CEO in May this year and strengthening the management team by setting up a PRC CEO office;

– centralised product procurement managed from Hong Kong HQ by a strong and experienced team;

– revised store opening strategies by focusing on second and third tier cities;

– accelerated closure of poorly performing stores with a net reduction of shop months by around 8%;

– improvements in store productivity;

– revised store staff KPI schemes;

– increased sales force training; and

– stringent cost control measures undertaken by the new management team.

We will continue with these and other initiatives and strategies in the second half of FY13/14. Further, marketing campaigns to strengthen the brand value of "CITY CHAIN" and "Solvil et Titus" will be unveiled nationwide.

Our goal to achieve breakeven was set in early 2012, when the external operating environment was much more favourable. However, we do remain committed to achieving breakeven results by FY14/15 although this is more challenging in view of the fragile retail conditions on the Mainland.

Our e-commerce "Solvil et Titus" flagship store on T-Mall went live in August. The response so far has been very encouraging and turnover is up to expectation. As online shopping on the Mainland is proving to be popular, our e-commerce business has a huge potential for growth and will become an important contributor to our watch retail business.

As of 30 September 2013, "CITY CHAIN" has 88 stores (2012: 92) in Mainland China.

South East Asia – "CITY CHAIN"

- *Turnover down 8.1% due to worsening external factors*
- *Transformation accelerated*
- *Expect better performance in 2nd half FY13/14*

During the period under review, our watch retail operations in Singapore, Malaysia and Thailand which constitute an important and integral part of our business faced a difficult operating environment. Slow economic growth, poor retail sentiment owing to higher living costs, removal of government subsidies and the severe haze pollution affecting Singapore and Malaysia contributed to declining sales in these countries.

A turnover of HK$233.2 million (2012: HK$253.8 million) down by 8.1% and losses of HK$10.2 million were reported (2012: EBIT of HK$2.0 million).

Owing to the worsening external environment, we accelerated the transformation process in the current interim period identifying structural and operational inefficiencies which we are committed to address.

Therefore during the reporting period, we have restructured and strengthened all three management teams and centralised product buying. Further, relevant measures replicated from our "CITY CHAIN" operations on the Mainland have been adopted. The respective management teams have also developed new strategies to further develop our businesses. At this point in time, we expect this business segment to return a better performance in the second half of FY13/14. However, this will certainly prove more challenging should the political situation in Thailand deteriorate further. We will closely monitor the situation and where necessary implement appropriate measures to minimise any impact on our operations.

In the longer term, these enhanced efficiencies will add to our competitiveness and with our leading position in these countries, we look to gain market share and to see further improved results once market conditions turn favourable.

As of 30 September 2013, "CITY CHAIN" has 192 stores (2012: 199) in South East Asia.

OPTICAL RETAIL BUSINESS – "OPTICAL 88"

- *Optical 88 Group turnover up 5.5%*
- *Optical 88 Group EBIT down 18.8% to HK$35.8 million due to worsening external factors on Mainland and SEA*
- *Gross profit margin 62.6%*

Our "OPTICAL 88" business which accounts for 32.5% of total Group turnover posted a turnover of HK$616.1 million, up by a slight 5.5% (2012: HK$584.0 million). EBIT fell by 18.8% to HK$35.8 million (2012: HK$44.1 million) and gross profit margin fell from 63.3% to 62.6% with the results from our Mainland and South East Asia operations contributing to the decline.

Hong Kong and Macau – "OPTICAL 88"

- *Turnover up 6.6%*
- *EBIT up 5.3% to HK$42.0 million*
- *To implement new business development strategies*

"OPTICAL 88" in Hong Kong and Macau posted a rise in EBIT of 5.3% to HK$42.0 million (2012: HK$39.9 million) whilst turnover edged up by 6.6% to HK$408.5 million (2012: HK$383.2 million).

Our top line performance could have been better if not for the revamping works in certain important shopping malls impacting the performance of some of our major stores.

Further, unlike our watch retail business, "OPTICAL 88" in Hong Kong faces greater rental pressure as turnover growth is driven less by Mainland shoppers and this pressure affected EBIT growth. Strategies have already been formulated to address these issues.

Due to the nature of the optical business, the implementation of a Group wide ERP system will vastly improve the management of our customer data base. This will further differentiate us from our competitors and also enhance the standard of our eye care services. These improvements will strengthen our already leading position in the optical retail market in the longer term.

As of 30 September 2013, "OPTICAL 88" has 96 stores (2012: 95) in Hong Kong and Macau.

Mainland China – "OPTICAL 88"

- *Turnover up 16% despite Mainland slowdown*
- *Losses of HK$10.5 million*
- *Aim to break even in medium term by replicating City Chain Mainland measures*

Our "OPTICAL 88" business on the Mainland operates from three offices located in Guangzhou, Shanghai and Chongqing. In the period under review, turnover rose 16% but was slower than expected owing to deteriorating external conditions. Losses widened to HK$10.5 million (2012: HK$6.8 million) as costs from our new operations in Chongqing and additional stores in Shanghai added to losses already sustained by stores in Guangdong. Further store openings in Eastern China will be frozen until operating efficiencies improve.

We recognise that there are many areas which need improvement. With the aim of achieving breakeven results in the medium term, a raft of measures largely similar to the ones for our watch retail business will be implemented in the second half of FY13/14. Also, a CEO based in Guangzhou has recently been appointed to focus solely on "OPTICAL 88"'s operations on the Mainland.

As of 30 September 2013, "OPTICAL 88" has 48 stores (2012: 36) in Mainland China.

South East Asia – "OPTICAL 88"

- *Turnover stable*
- *EBIT of HK$4.3 million*
- *Expect better performance in 2nd half FY13/14*

Our optical retail operations in Singapore, Thailand and Malaysia were also adversely affected by the slowdown and no turnover growth was recorded. Turnover stood at HK$153.7 million (2012: HK$154.3 million) whilst EBIT was HK$4.3 million (2012: HK$10.9 million). Our optical business in these countries to a similar extent face the same problems as our watch retail business. The Group CEO office will work closely with our respective strengthened management teams in each country to eliminate inefficiencies and to drive change.

And like our watch retail business, baring a further worsening of the political turmoil in Thailand, we expect to see improved results in the second half. Further, appropriate measures will be implemented where necessary to minimise any impact on our business. Looking forward into the longer term, these enhanced efficiencies will add to our competitiveness and yield satisfactory results once market conditions turn favourable.

As of 30 September 2013, "OPTICAL 88" has 92 stores (2012: 94) in South East Asia.

OPTICAL RETAIL BUSINESS – "eGG"

- *HK same store sales up 48%*
- *Focus Mainland store expansion in second/third tier cities in 2nd half FY13/14*
- *Start "eGG" e-commerce in Q4 FY13/14*

Our "eGG" optical retail business performed within expectation with turnover increasing to HK$26.9 million (HK: HK$20.9 million; Mainland China: HK$6.0 million). This turnover growth was driven mainly by the opening of new stores. Whilst a loss of HK$10.2 million (HK: HK$4.6 million; Mainland China: HK$5.6 million) was sustained, the loss in Hong Kong has narrowed by 25.8% compared to the previous interim period as same store sales growth of 48% in Hong Kong was a positive contributing factor. There are now 10 stores (2012: 6) in Hong Kong with another 8 stores (2012: nil) on the Mainland. More stores will be opened in second and third tier cities on the Mainland in the second half of FY13/14 and the pace of expansion will be closely monitored.

With this planned business growth, the China team was strengthened by the addition of a new CEO based in Beijing to focus solely on the Mainland business.

Plans are in the pipeline to start an "eGG" e-commerce platform on the Mainland in Q4 FY13/14.

SUPPLY CHAIN MANAGEMENT AND WHOLESALE TRADING

- *Turnover up 4.1%*
- *EBIT of HK$52.1 million*

For the reporting period, this business segment accounted for nearly 12% of Group turnover. Turnover edged up slightly by 4.1% to HK$225.3 million (2012: HK$216.5 million) but EBIT fell 9.2% to HK$52.1 million (2012: HK$57.4 million).

Our wholesale trading business, the Thong Sia Group is the sole distributor for "SEIKO" watches and clocks in Hong Kong, Singapore and Malaysia and the distributor for the Group's house brand "CYMA". In the current interim period, the poor sentiment affected turnover, which rose slightly, and EBIT performance which was below expectation.

Our supply chain management unit which engages in product marketing, procurement management and the provision of ancillary value-added services for the Group's watch business performed well as a healthy increase in EBIT was reported.

LOOKING FORWARD

- *Moving in the right direction to achieve long term sustainable growth*

As we move forward to achieve long term sustainable growth for our shareholders, we are committed to raising levels of financial discipline and improving profitability within the Group.

In the past 12 months, we have embraced change in different ways to enhance efficiencies and processes within the Group. However, due to the poor operating environment not all expected operational efficiencies are immediately evident and fully reflected in these set of results, but, we do believe that the changes we have made so far are moving the Group in the right direction.

Baring a further deterioration in external conditions, we expect (i) the momentum for our operations in Hong Kong and Macau to continue and (ii) the performance of our operations in more challenging markets, like the Mainland and South East Asia to improve in the second half of FY13/14.

FINANCE

The Group's gearing ratio at balance sheet date was 25% (at 31st March 2013: 30%), which was calculated based on the Group's net debt of HK$353 million (at 31st March 2013: HK$423 million) and shareholders' funds of HK$1,441 million (at 31st March 2013: HK$1,397 million). The Group's net debt was calculated based on the Group's borrowings of HK$485 million (at 31st March 2013: HK$495 million) and convertible bonds of HK$322 million (at 31st March 2013: HK$316 million) less the Group's bank balances and cash of HK$454 million (at 31st March 2013: HK$388 million). Of the Group's borrowings at balance sheet date, HK$355 million (at 31st March 2013: HK$351 million) were repayable within 12 months.

Of the Group's borrowings, 7% (at 31st March 2013: 9%) 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 use any financial instruments for hedging purposes.

The Group does not engage in speculative derivative trading.

As at 30th September 2013, the Group does not have any significant contingent liabilities.

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

CAPITAL STRUCTURE OF THE GROUP

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

CHANGES IN THE COMPOSITION OF THE GROUP

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

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

The Group's remuneration policies are reviewed on a regular basis and remuneration packages are in line with market practices in the relevant countries where the Group operates. As of 30th September 2013, the Group had 3,612 (at 30th September 2012: 3,578) employees.

DETAILS OF THE CHARGES ON GROUP ASSETS

At 30th September 2013, certain of the Group's freehold land and buildings amounting to HK$312 million (at 31st March 2013: HK$285 million) and leasehold land amounting to HK$6 million (31st March 2013: HK$10 million) were pledged to secure banking facilities granted to the Group.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

Mr Joseph C. C. Wong, Mr Vincent Lau Tak Bui and Mr Wallace Kwan Chi Kin 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 2013 amounted to HK$5,500,000 (2012: HK$8,854,000).

As at 30 September 2013, 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

	Number of shares					Approximate percentage of
Name of Director	**Personal interest**	**Family interest**	**Corporate/ trust interest**	**Other interest**	**Total**	**issued share capital**
Mr Joseph C. C. Wong	600,413,892 *(Note 1)*	11,000	4,830,100 *(Note 2)*	–	605,254,992	57.84
Mr Sakorn Kanjanapas	68,221,078	–	4,830,100 *(Note 2)*	–	73,051,178	6.98
Mr Vincent Lau Tak Bui	9,492,920	–	–	–	9,492,920	0.91

Notes:

(1) These interests include Mr. Joseph C.C. Wong's interest in the 68,221,078 shares of the Company (which are beneficially owned by Mr. Sakorn Kanjanapas) under unlisted physically settled equity derivatives arising from options granted by Mr. Sakorn Kanjanapas to Mr. Joseph C.C. Wong to purchase such shares within a period of 3 years from 27 August 2012.

(2) Yee Hing Company Limited, directly and indirectly through its subsidiary including Active Lights Company Limited, held 4,830,100 shares of the Company as at 30 September 2013. 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. Joseph C.C. Wong and Mr. Sakorn Kanjanapas are the beneficiaries of the Trust and were therefore deemed to be interested in 4,830,100 shares of the Company through the Trust's interest in Yee Hing Company Limited.

Short position in shares and underlying shares of the Company

Mr. Sakorn Kanjanapas has a short position in 68,221,078 shares of the Company under unlisted physically settled equity derivatives arising from options granted by Mr. Sakorn Kanjanapas to Mr. Joseph C.C. Wong to purchase such shares within a period of 3 years from 27 August 2012.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE (continued)

(b) Subsidiaries

	Number of shares				Approximate percentage of preference share as at
	Personal interest	Family interest	Corporate interest	Total	30th September 2013
(i) City Chain (Thailand) Company Limited – Preference shares [(1)]					
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 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 Joseph C. C. Wong	5,000	–	225,000	230,000	90.20
Mr Sakorn Kanjanapas	5,000	–	225,000	230,000	90.20
(iv) Stelux (Thailand) Limited – Preference shares [(4)]					
Mr Joseph C. C. Wong	5,100	–	–	5,100	100.00

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. 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. Joseph C. C. Wong and Mr. Sakorn Kanjanapas in 225,000 preference shares duplicate with each other.

(4) Stelux (Thailand) Limited is a subsidiary of the Company. Mr. Joseph C. C. Wong is entitled to approximately 8.6% of the voting power of such subsidiary and an annual fixed dividend by virtue of the 5,100 preference shares held by him but not to any other profit sharing.

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

As at 30 September 2013, the following persons had interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in shares and underlying shares of the Company

	Number of shares					Approximate percentage of issued share capital
Name of Director	**Personal interest**	**Family interest**	**Corporate/ trust interest**	**Other interest**	**Total**	
Mr Joseph C. C. Wong	600,413,892 *(Note 1)*	11,000	4,830,100 *(Note 2)*	–	605,254,992	57.84
Mr Sakorn Kanjanapas	68,221,078	–	4,830,100 *(Note 2)*	–	73,051,178	6.98
Boyu Capital Holdings Ltd.	–	–	190,268,000 *(Note 3)*	–	190,268,000	18.18
NT Asian Discovery Master Fund	54,250,000	–	–	–	54,250,000	5.18

Notes:

(1) These interests include Mr. Joseph C.C. Wong's interest in the 68,221,078 shares of the Company (which are beneficially owned by Mr. Sakorn Kanjanapas) under unlisted physically settled equity derivatives arising from options granted by Mr. Sakorn Kanjanapas to Mr. Joseph C.C. Wong to purchase such shares within a period of 3 years from 27 August 2012.

(2) Yee Hing Company Limited, directly and indirectly through its subsidiary including Active Lights Company Limited, held 4,830,100 shares of the Company as at 30 September 2013. 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. Joseph C.C. Wong and Mr. Sakorn Kanjanapas are the beneficiaries of the Trust and were therefore deemed to be interested in 4,830,100 shares of the Company through the Trust's interest in Yee Hing Company Limited.

(3) The Company has issued convertible bonds in an aggregate principal amount of HK$371,022,600 to Sapphire Illuminatus Holdings Limited (the "Convertible Bonds"), all of which were outstanding as at 30 September 2013. The Convertible Bonds are convertible into shares of the Company at the initial conversion price of HK$1.95 per new share. Assuming the exercise in full of the conversion right attaching to the Convertible Bonds at the initial conversion price, a total of 190,268,000 new shares of the Company will be issued. Sapphire Illuminatus Holdings Limited is wholly-owned by Boyu Capital Fund I, L.P., which is wholly-owned by Boyu Capital General Partner I, L.P., which is wholly-owned by Boyu Capital General Partner I, Ltd., which is in turn wholly-owned by Boyu Capital Holdings Ltd.

Save as disclosed above, 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 30 September 2013.

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 6 January 2014 (Monday) to 7 January 2014 (Tuesday) 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 4:30 p.m. on 3 January 2014 (Friday). The interim dividend will be paid on 17 January 2014 (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 year.

CORPORATE GOVERNANCE

During the six months ended 30 September 2013, the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Code"), except for the following deviations:

Code Provision A.2.1

Under Code Provision A.2.1 of the Code, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. Under the current organisation structure of the Group, Mr. Joseph C.C. Wong is both Chairman and CEO of the Group. The Board is of the opinion that vesting the roles of both Chairman and CEO in Mr. Joseph C.C. Wong has the benefit of ensuring consistent leadership within the Group thus enabling more effective and efficient strategic planning and execution for the Group. Under this arrangement, the Board also believes that the balance of power and authority will not be compromised and is adequately ensured by the existing Board which comprises experienced and competent individuals with one-third of the Board being independent non-executive directors.

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 CEO, shall retire from office by rotation at each annual general meeting.

Code Provision B.1.2

This Code deals with the terms of reference of a remuneration committee. The Company has adopted the terms of reference under Code Provision B.1.2(c)(i) 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 their performance.

Audit Committee

On 19 June 2013 and 25 November 2013, the Audit Committee together with the management of the Company reviewed the effectiveness of the systems of internal control throughout the Group for the six months ended 30 September 2013 and discussed auditing and financial reporting matters including review of the Group's results for the year ended 31 March 2013 and for the six months ended 30 September 2013 respectively before they were presented to the Board of directors for approval. The external auditors met with the Audit Committee on 19 June 2013 to discuss the Group's audit service plan during the meeting.

Remuneration Committee

The Remuneration Committee met on 19 June 2013 to conduct a review on the salaries of the 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 30 September 2013.

On behalf of the Board
Joseph C. C. Wong
Chairman and Chief Executive Officer

Hong Kong, 28th November 2013

Directors of the Company as at the date hereof:

Executive directors:
Chumphol Kanjanapas (also known as Joseph C. C. Wong) *(Chairman and Chief Executive Officer)*, Vincent Lau Tak Bui *(Chief Operating Officer)* and Wallace Kwan Chi Kin *(Chief Financial Officer)*

Non-Executive directors:
Sakorn Kanjanapas, Ma Xuezheng (also known as Mary Ma), Wong Yu Tsang Alex (also known as Alex Wong), Wu Chun Sang *(independent)*, Lawrence Wu Chi Man *(independent)* and Agnes Kwong Yi Hang *(independent)*