

STELUX Holdings International Limited

(incorporated in Bermuda with limited liability)

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

INTERIM REPORT 2002/2003

**INTERIM REPORT AND ACCOUNTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002**

The Directors present the Group's interim report and accounts for the six months ended 30th September 2002. The Group reported a loss attributable to shareholders of HK\$4.8 million for the period under review. The consolidated results of the Group for the six months ended 30th September 2002, the consolidated balance sheet as at 30th September 2002, the consolidated cash flow statement and the consolidated statement of changes in equity of the Group for the six months ended 30th September 2002, all of which are unaudited, along with the relevant explanatory notes, are set out below.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002**

		Unaudited Six months ended 30th September	
	<i>Note</i>	2002 HK\$'000	2001 HK\$'000
Turnover	2	572,210	584,493
Cost of sales		(219,444)	(224,527)
Gross profit		352,766	359,966
Other income		10,681	14,508
Selling expenses		(260,068)	(252,760)
General and administrative expenses		(69,712)	(81,951)
Other operating expenses		(22,294)	(26,909)
Forfeiture of deposit received on disposal of land and buildings		—	18,000
Operating profit before financing	3	11,373	30,854
Finance costs		(15,633)	(21,598)
(Loss)/profit before taxation		(4,260)	9,256
Taxation	4	(506)	(490)
(Loss)/profit after taxation		(4,766)	8,766
Minority interests		—	—
(Loss)/profit attributable to shareholders		(4,766)	8,766
(Loss)/earnings per share	6	<i>HK cents</i>	<i>HK cents</i>
– basic		(0.51)	0.94
– diluted		N/A	0.93

CONSOLIDATED BALANCE SHEET
AT 30TH SEPTEMBER 2002 AND 31ST MARCH 2002

		Unaudited 30th September 2002	31st March 2002
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed assets		886,494	890,097
Investment securities		4,299	4,299
Trademarks and patents		22,185	23,134
		<hr/>	<hr/>
Non-current assets		<u>912,978</u>	<u>917,530</u>
Current assets			
Stocks		376,966	355,042
Debtors and prepayments	7	295,102	286,317
Marketable securities		72	65
Cash and bank balances		34,424	55,865
		<hr/>	<hr/>
		<u>706,564</u>	<u>697,289</u>
Current liabilities			
Bank overdrafts and short term loans			
Secured		191,078	191,066
Unsecured		21,007	23,703
Creditors and accruals	8	307,241	288,872
Current portion of other long term liabilities	10	55,729	26,330
Taxation payable		10,867	14,500
		<hr/>	<hr/>
		<u>585,922</u>	<u>544,471</u>
Net current assets		<u>120,642</u>	<u>152,818</u>
Employment of funds		<u>1,033,620</u>	<u>1,070,348</u>
Financed by:			
Share capital	9	93,634	93,634
Reserves		650,236	652,265
		<hr/>	<hr/>
Shareholders' funds		743,870	745,899
Minority interests		1,457	1,461
Loans from shareholders		3,892	3,892
Other long term liabilities	10	284,401	319,096
		<hr/>	<hr/>
Funds employed		<u>1,033,620</u>	<u>1,070,348</u>

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002**

	Unaudited Six months ended 30th September	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operating activities	(4,414)	(20,284)
Net cash outflow from investing activities	(20,399)	(15,760)
Net cash (outflow)/inflow from financing	(4,011)	16,885
	<hr/>	<hr/>
Decrease in cash and cash equivalents	(28,824)	(19,159)
Cash and cash equivalents at 1st April	32,839	30,031
Effect of foreign exchange rate changes	5,350	1,389
	<hr/>	<hr/>
Cash and cash equivalents at 30th September	<u>9,365</u>	<u>12,261</u>
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	34,424	41,008
Short term bank loans repayable within three months from date of advance	(25,059)	(28,747)
	<hr/>	<hr/>
	<u>9,365</u>	<u>12,261</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002**

	Share capital	Share premium	Unaudited Contributed surplus	Accumulated loss	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st April 2002	93,634	443	2,848,462	(2,196,640)	745,899
Loss for the period	–	–	–	(4,766)	(4,766)
Exchange translation	–	–	–	2,737	2,737
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30th September 2002	<u>93,634</u>	<u>443</u>	<u>2,848,462</u>	<u>(2,198,669)</u>	<u>743,870</u>

	Share capital	Share premium	Unaudited Contributed surplus	Accumulated loss	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st April 2001	93,634	443	2,848,462	(2,186,206)	756,333
Profit for the period	–	–	–	8,766	8,766
Exchange translation	–	–	–	3,313	3,313
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30th September 2001	<u>93,634</u>	<u>443</u>	<u>2,848,462</u>	<u>(2,174,127)</u>	<u>768,412</u>

NOTES TO INTERIM ACCOUNTS

1. Principal accounting policies

These unaudited consolidated interim accounts ("interim accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants ("HKSA") and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

These interim accounts should be read in conjunction with the Annual Report 2002.

The accounting policies adopted in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31st March 2002 except that the Group has changed certain of its accounting policies following the adoption of the new or revised SSAPs issued by the HKSA which are effective for the accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34	:	Employee benefits

The adoption of these new or revised SSAPs has had no material effect to the results for the current period.

The changes to the Group's accounting policies and the major effect of adopting revised SSAP 11 are set out below:

SSAP 11 (revised): Foreign currency translation

The balance sheets of subsidiary companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at average rates. Exchange differences are dealt with as a movement in reserves.

In prior periods, the profit and loss accounts of foreign subsidiary companies were translated at closing rates. This is a change in accounting policy, however, the adoption of SSAP 11 (revised) has not been applied retrospectively to the prior periods as it is impractical to calculate its effect to the prior periods and the effect of the adoption is not material to the current period.

2. Segment information

Primary reporting format – business segments

	Unaudited Six months ended 30th September 2002				
	Investment HK\$'000	Property HK\$'000	Retail and trading HK\$'000	Eliminations HK\$'000	Group HK\$'000
Turnover	<u>56</u>	<u>25,400</u>	<u>552,379</u>	<u>(5,625)</u>	<u>572,210</u>
Segment results	<u>56</u>	<u>13,816</u>	<u>12,871</u>		26,743
Net corporate expenses					<u>(15,370)</u>
Operating profit before financing					11,373
Finance costs					<u>(15,633)</u>
Loss before taxation					(4,260)
Taxation					<u>(506)</u>
Loss after taxation					(4,766)
Minority interests					<u>–</u>
Loss attributable to shareholders					<u>(4,766)</u>

2. Segment information (Continued)

Primary reporting format – business segments (Continued)

	Unaudited				
	Six months ended 30th September 2001				
	Investment HK\$'000	Property HK\$'000	Retail and trading HK\$'000	Eliminations HK\$'000	Group HK\$'000
Turnover	473	25,875	564,606	(6,461)	584,493
Segment results	457	28,808	19,074		48,339
Net corporate expenses					(17,485)
Operating profit before financing					30,854
Finance costs					(21,598)
Profit before taxation					9,256
Taxation					(490)
Profit after taxation					8,766
Minority interests					—
Profit attributable to shareholders					8,766

Secondary reporting format – geographical segments

	Turnover Unaudited Six months ended 30th September		Segment results Unaudited Six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	337,113	354,729	(2,738)	27,094
South East and Far East Asia	128,487	128,811	10,157	3,620
Europe	94,516	86,525	19,176	17,198
North America	6,496	8,096	(299)	(395)
PRC Mainland	5,598	6,332	447	822
	572,210	584,493	26,743	48,339

3. Operating profit before financing

	Unaudited Six months ended 30th September	
	2002 HK\$'000	2001 HK\$'000
Operating profit before financing is stated after charging/(crediting):		
Depreciation		
Owned fixed assets	25,600	26,413
Leased fixed assets	280	179
Amortisation of trademarks and patents	1,225	1,229
(Gain)/loss on disposal of fixed assets	(62)	211
Loss on sales of marketable securities	–	17
Net provision/(written back of provision) for stock obsolescence and stocks written off	1,875	(1,259)
Provision for doubtful debts and bad debts written off	2,849	3,248

4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the period less relief for available tax losses. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Unaudited Six months ended 30th September	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax		
Under provision in respect of prior years	–	(726)
Overseas profits tax		
Current taxation	(506)	(491)
Over provision in respect of prior years	–	727
	<u>(506)</u>	<u>(490)</u>

5. Interim dividends

The Directors do not recommend the payment of an interim dividend for the period (2001: nil).

6. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the Group's loss attributable to shareholders of HK\$4,766,000 (2001: profit of HK\$8,766,000) and on the weighted average number of 936,340,023 shares (2001: 936,340,023 shares) in issue during the period.

The exercise of the share options granted by the Group would have an anti-dilutive effect on the loss per share for the period ended 30th September 2002.

7. 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 provision for doubtful debts) with the following aging analysis:

	Unaudited 30th September 2002	31st March 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors		
Below 60 days	23,659	11,934
Over 60 days	14,636	19,511
	<u>38,295</u>	<u>31,445</u>
Deposits, prepayments and other debtors	256,807	254,872
	<u>295,102</u>	<u>286,317</u>

8. Creditors and accruals

Included in creditors and accruals are trade creditors with the following aging analysis:

	Unaudited 30th September 2002 HK\$'000	31st March 2002 HK\$'000
Trade creditors		
Below 60 days	82,202	63,478
Over 60 days	63,555	45,733
	<hr/>	<hr/>
	145,757	109,211
Other creditors and accruals	161,484	179,661
	<hr/>	<hr/>
	307,241	288,872
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9. Share capital

There was no change in the Company's share capital during the half year ended 30th September 2002.

During the period, no further share options were granted by the Company and no share options outstanding as at 31st March 2002 were exercised by the option holders except that 6,000,000 share options which were exercisable at HK\$1.3632 per share during the period from 6th August 1997 to 5th August 2002 have lapsed.

10. Other long term liabilities

	Unaudited 30th September 2002 HK\$'000	31st March 2002 HK\$'000
	<i>Note</i>	
Bank loans, unsecured	(a) 455	737
Bank loans, secured	(a) 285,712	295,327
Loan from a related company	(b) 35,500	33,000
Loan from a director	(c) 17,103	15,245
Obligations under finance leases	(d) 1,360	1,117
	<hr/>	<hr/>
	340,130	345,426
Amount payable within one year included under current liabilities	55,729	26,330
	<hr/>	<hr/>
	284,401	319,096
	<hr/> <hr/>	<hr/> <hr/>

(a) The bank loans are repayable as follows:

Not exceeding 1 year	19,631	19,824
More than 1 year, but not exceeding 2 years	19,390	254,799
More than 2 years, but not exceeding 5 years	247,146	20,600
More than 5 years	—	841
	<hr/>	<hr/>
	286,167	296,064
	<hr/> <hr/>	<hr/> <hr/>

(b) The loan payable is unsecured, carries interest at prime rate and has no fixed terms of repayment.

(c) The loan payable is unsecured, carries interest at 2.875% per annum above the prevailing Swiss interbank cost of funds and is extended to be wholly repayable on 30th April 2004.

10. Other long term liabilities (Continued)

(d) The obligations under finance leases are repayable as follows:

	Minimum lease payments		Present value	
	Unaudited		Unaudited	
	30th September	31st March	30th September	31st March
	2002	2002	2002	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Not exceeding 1 year	685	582	598	506
More than 1 year, but not exceeding 2 years	406	489	348	436
More than 2 years, but not exceeding 5 years	522	221	414	175
	<u>1,613</u>	<u>1,292</u>	<u>1,360</u>	<u>1,117</u>
Future finance charges on finance leases	(253)	(175)		
Present value of finance lease liabilities	<u>1,360</u>	<u>1,117</u>		

11. Contingent liabilities

	Unaudited	
	30th September	31st March
	2002	2002
	HK\$'000	HK\$'000
(a) Bills discounted	<u>8,110</u>	<u>6,396</u>
(b) The status of the Group's arbitration in respect of the claims by the contractor for the Stelux House development was fully disclosed in the Annual Report 2002. We are awaiting delivery of the award.		

12. Commitments

	Unaudited	
	30th September	31st March
	2002	2002
	HK\$'000	HK\$'000
Commitments in respect of expenditure on fixed assets		
Contracted but not provided for	<u>6,259</u>	<u>557</u>

13. Related party transactions

	Unaudited	
	Six months ended	
	30th September	
	2002	2001
	HK\$'000	HK\$'000
Purchases of goods from related companies	17,654	18,795
Rental income received from related companies	906	957
Interest income received from a related company	2,377	2,308
Interest expense paid to a related company	893	1,001
Interest expense paid to a director	<u>413</u>	<u>401</u>

The terms of these related party transactions have not changed from those disclosed in the Annual Report 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF GROUP OPERATIONS

The Group reported a loss attributable to shareholders of HK\$4.8 million for the six months ended 30th September 2002 compared to a profit of HK\$8.8 million during the same period last year.

Retail and Trading Division

Half yearly profit of this Division, which includes City Chain, Optical 88, Hipo.fant and the Group's export arm fell to HK\$3 million compared to HK\$9 million last year. Turnover was maintained approximately at last year's level. The performance of this Division was dragged down by the results of Hipo.fant.

Hong Kong Retail

With poor consumer sentiment prevailing, both City Chain and Optical 88 reported falls in turnover. Turnover at City Chain fell by 4% and turnover at Optical 88 fell by 5%.

However, efforts made during the previous financial year in changing product mix, improvements on margins and sourcing impacted on results. City Chain reported a smaller loss for the first half compared to the same period last year. Optical 88 reported a small profit compared to breakeven results during the corresponding period last year.

Hipo.fant reported poor results. Turnover fell by 16% while operating loss increased. Poor sentiment and low margins brought about by unloading inventory contributed to the poor showing.

Hong Kong Retail – Overview for the second half year

A strategic change at Hipo.fant will see its way into our shops. Hipo.fant stores in several prime locations will be renovated to facelift the new brand image. More pro-active and sales driven promotional programs will be employed. Together with a shift in product direction, a "new face" to Hipo.fant will be unveiled. These changes will not immediately impact on shorter term performance but rather performance beyond the financial year end 2003.

Improvements to margins, product mix and sourcing will only be fully reflected in the results for the next half year.

Asian Retail

Results of our retailing operations in other Asian countries were more encouraging. Overall, our City Chain operations in Asia recorded an operating profit of HK\$5 million compared to breakeven results over the same period last year. Total turnover however fell by 5% and was affected by the final phase of restructuring activities in City Chain – Taiwan.

On the average, operations in individual countries improved from last year. City Chain – Thailand reported profit. City Chain – Malaysia broke even and turnover increased by 15% over the same period last year.

Retail and Trading Division *(Continued)*

Asian Retail *(Continued)*

Total turnover of our Optical 88 operations increased by 16% compared to last year. A slightly higher profit was reported compared to last year.

Hipo.fant-Singapore which is at its brand building stage achieved a 2 fold increase in turnover.

Asian Retail – Overview for the second half year

We will continue with our strategy of selective expansion in some countries by opening more shops to increase market share. Similarly, as in Hong Kong efforts will continue on improvements in product mix, margins and sourcing.

Export and Trading

This Division's operating profit was reduced from HK\$6 million last year to HK\$4 million this year while turnover improved by 5%. Worldwide economic weakness dampened performance.

Property Investment

Despite the very poor office rental market, Stelux House is still achieving a letting occupancy of 95% and leases have been renewed at prevailing market rentals.

FINANCE

The Group's bank borrowings at balance sheet date were HK\$498 million (at 31st March 2002: HK\$511 million), out of which, HK\$232 million (at 31st March 2002: HK\$235 million) were repayable within 12 months. The Group's gearing ratio at balance sheet date was 0.67 (at 31st March 2002: 0.68), and was calculated based on the Group's bank borrowings and shareholders' funds of HK\$744 million (at 31st March 2002: HK\$746 million).

As at balance sheet date, 3% (at 31st March 2002: 3%) of the Group's bank borrowings were denominated in foreign currencies. The Group's bank borrowings 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.

CAPITAL STRUCTURE OF THE GROUP

There was no change in the capital structure of the Group during the period except that 6,000,000 share options which were exercisable at HK\$1.3632 per share during the period from 6th August 1997 to 5th August 2002 have lapsed.

SHARE OPTION

The details are as follows:

	Number of share options Outstanding as at 1st April 2002			Outstanding as at 30th September 2002
	1st lot (note 1)	2nd lot (note 2)	3rd lot (note 3)	
Director				
Mr Joseph C. C. Wong	3,000,000	3,000,000	5,000,000	8,000,000
Mr Chu Kai Wah, Anthony	1,000,000	1,000,000	1,000,000	2,000,000
Mr Lee Shu Chung, Stan	1,000,000	1,000,000	1,000,000	2,000,000
Mr Wong Yuk Woon	1,000,000	1,000,000	1,000,000	2,000,000
Employees	–	2,000,000	–	2,000,000

Notes:

1. Pursuant to the terms of the share option scheme, these options which are granted on 6th August 1997 and exercisable at HK\$1.3632 per share during the period from 6th August 1997 to 5th August 2002 have lapsed.
2. These options are granted on 26th October 1998 and exercisable at HK\$0.15 per share during the period from 26th October 1998 to 25th October 2003.
3. These options are granted on 17th January 2000 and exercisable at HK\$0.248 per share during the period from 17th January 2000 to 16th January 2005.

CHANGES IN THE COMPOSITION OF THE GROUP DURING THE INTERIM PERIOD

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

SEGMENTAL INFORMATION

An analysis of the Group's segment turnover and segment results by business activities and markets is shown in note 2 to the interim accounts.

NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES, BONUS AND SHARE OPTION SCHEMES 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 2002, the Group had 1,773 (at 30th September 2001: 1,843) employees. Details of the outstanding share options were disclosed in the above section, "Share Option".

DETAILS OF THE CHARGES ON GROUP ASSETS

At 30th September 2002, certain of the Group's land and buildings amounting to HK\$174,384,000 (at 31st March 2002: HK\$175,899,000), investment properties amounting to HK\$564,550,000 (at 31st March 2002: HK\$564,550,000), plant and equipment amounting to HK\$1,494,000 (at 31st March 2002: HK\$1,717,000), bank deposits amounting to HK\$2,575,000 (at 31st March 2002: HK\$1,192,000) and other debtor of HK\$50,000,000 (at 31st March 2002: nil) were pledged to secure banking facilities granted to the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, there was no purchase, sale or redemption by the Company, or any of its subsidiary companies, of the Company's listed securities.

DIRECTORS' INTERESTS

As at 30th September 2002, the interests of the directors and their associates in the shares and options of the Company and its associated corporations as recorded in the register maintained under section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

(a) The Company – Ordinary shares

	Number of shares			Total
	Personal interests	Family interests	Corporate interests	
Mr Wong Chue Meng	12,114,080	527,570,666 ⁽¹⁾	609,471,959 ⁽¹⁾	630,716,964*
Mr Wong Chong Po	3,600,000	–	518,439,741 ⁽²⁾	522,039,741
Mr Joseph C. C. Wong	5,077,211	10,000	–	5,087,211
Mr Sakorn Kanjanapas	391,056	–	–	391,056

(b) The Company – Number of options to subscribe for ordinary shares of HK\$0.1 each

	Number of options			Total
	Personal interests	Family interests	Corporate interests	
Mr Joseph C. C. Wong	8,000,000	–	–	8,000,000
Mr Chu Kai Wah, Anthony	2,000,000	–	–	2,000,000
Mr Lee Shu Chung, Stan	2,000,000	–	–	2,000,000
Mr Wong Yuk Woon	2,000,000	–	–	2,000,000

(c) Subsidiary companies

		Number of shares			Total
		Personal interests	Family interests	Corporate interests	
(i)	City Chain (Thailand) Company Limited – Preference shares ⁽³⁾				
	Mr Wong Chue Meng	–	–	208,800	208,800
	Mr Wong Chong Po	200	–	208,800	209,000
	Mr Joseph C. C. Wong	200	–	208,800	209,000
	Mr Sakorn Kanjanapas	200	–	208,800	209,000
(ii)	Stelux Watch (Thailand) Company Limited – Preference shares ⁽⁴⁾				
	Mr Wong Chong Po	600	–	–	600
	Mr Joseph C. C. Wong	600	–	–	600
	Mr Sakorn Kanjanapas	600	–	–	600

DIRECTORS' INTERESTS (Continued)

(c) Subsidiary companies (Continued)

		Number of shares			Total
		Personal interests	Family interests	Corporate interests	
(iii) Optical 88 (Thailand) Company Limited – Preference shares ⁽⁵⁾					
Mr Wong Chue Meng	–	–	225,000	225,000	
Mr Wong Chong Po	5,000	–	225,000	230,000	
Mr Joseph C. C. Wong	5,000	–	225,000	230,000	
Mr Sakorn Kanjanapas	5,000	–	225,000	230,000	

* Total interests excluding duplication as explained in the respective notes.

By virtue of the SDI Ordinance and his interests in the ultimate holding company, Yee Hing Company Limited, Thong Sia Company Limited, Active Lights Company Limited and Yee Hing International Limited, Mr Wong Chue Meng is deemed to have family and corporate interests in the shares of the Company and its associated corporations at 30th September 2002 as follows:

- (1) This includes the duplication of corporate interests of 518,439,741 shares through Yee Hing Company Limited, Active Lights Company Limited and Yee Hing International Limited in which Mr Wong Chue Meng is deemed to have both family and corporate interests.

By virtue of the SDI Ordinance, Mr Wong Chong Po is deemed to have corporate interests in the shares of the Company and its associated corporations at 30th September 2002 as follows:

- (2) Mr Wong Chong Po has beneficial interests in Yee Hing Company Limited which has corporate interests in the Company.

By virtue of the SDI Ordinance and their family and corporate interests in the Company stated above, Mr Wong Chue Meng, Mr Wong Chong Po, Mr Joseph C. C. Wong and Mr Sakorn Kanjanapas are deemed to have corporate interests in City Chain (Thailand) Company Limited at 30th September 2002 as follows:

- (3) City Chain (Thailand) Company Limited is deemed to be a wholly owned subsidiary company of the Company as all its ordinary shares carrying voting rights are held by a wholly owned subsidiary of the Company. The interests of these directors in the ordinary shares of City Chain (Thailand) Company Limited are therefore equivalent to their respective personal, family and corporate interests in the Company. The preference shares held by certain directors represent preference shares issued by City Chain (Thailand) Company Limited which do not carry any voting rights and which are not entitled to any profit sharing but are only entitled to annual fixed dividends.

By virtue of the SDI Ordinance and their family and corporate interests in the Company stated above, Mr Wong Chong Po, Mr Joseph C. C. Wong and Mr Sakorn Kanjanapas are deemed to have corporate interests in Stelux Watch (Thailand) Company Limited at 30th September 2002 as follows:

- (4) Stelux Watch (Thailand) Company Limited is deemed to be a wholly owned subsidiary company of the Company as all its ordinary shares carrying voting rights are held by a wholly owned subsidiary of the Company. The interests of these directors in the ordinary shares of Stelux Watch (Thailand) Company Limited are therefore equivalent to their respective personal, family and corporate interests in the Company. The preference shares held by certain directors represent preference shares issued by Stelux Watch (Thailand) Company Limited which do not carry any voting rights and which are not entitled to any profit sharing but are only entitled to annual fixed dividends.

DIRECTORS' INTERESTS *(Continued)*

By virtue of the SDI Ordinance and their family and corporate interests in the Company stated above, Mr Wong Chue Meng, Mr Wong Chong Po, Mr Joseph C. C. Wong and Mr Sakorn Kanjanapas are deemed to have corporate interests in Optical 88 (Thailand) Company Limited at 30th September 2002 as follows:

- (5) Optical 88 (Thailand) Company Limited is deemed to be a wholly owned subsidiary company of the Company as all its ordinary shares carrying voting rights are held by a wholly owned subsidiary of the Company. The interests of these directors in the ordinary shares of Optical 88 (Thailand) Company Limited are therefore equivalent to their respective personal, family and corporate interests in the Company. The preference shares held by certain directors represent preference shares issued by Optical 88 (Thailand) Company Limited which do not carry any voting rights and which are not entitled to any profit sharing but are only entitled to annual fixed dividends.

Save as disclosed above, none of the directors of the Company was interested in the shares and options of the Company or any of the Company's associated corporations as at 30th September 2002.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed in Directors' Interests above, so far as the directors are aware, there are no other parties which were, directly or indirectly, interested in 10 per cent or more of the nominal value of the share capital of the Company as at 30th September 2002 as recorded in the register required to be kept by the Company under section 16(1) of the SDI Ordinance.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the period except that the independent non-executive directors of the Company are not appointed for a specific term.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters related to the preparation of the interim accounts for the six months ended 30th September 2002.

On behalf of the Board
Joseph C. C. Wong
Managing Director

Hong Kong, 19th December 2002