

**Hong Kong Stock Exchange Listing Code**  
**0084.HK**

web site

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

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## FINANCIAL SUMMARY

	2000	2001	2002	(As restated) 2003	2004
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
Consolidated profit and loss account for the year ended 31st March					
Turnover	1,136.6	1,243.3	1,217.6	1,198.1	<b>1,218.0</b>
Profit/(loss) attributable to shareholders	93.3	55.4	(9.7)	(32.1)	<b>84.7</b>
Proposed dividend	–	–	–	–	<b>18.9</b>
Consolidated balance sheet as at 31st March					
Assets	1,838.0	1,718.9	1,614.8	1,576.0	<b>1,677.3</b>
Less: Liabilities and minority interests	1,114.1	962.6	868.9	857.8	<b>857.0</b>
Shareholders' funds	723.9	756.3	745.9	718.2	<b>820.3</b>
	HK\$	HK\$	HK\$	HK\$	HK\$
Per share data					
Earnings/(loss)	0.10	0.06	(0.01)	(0.03)	<b>0.09</b>
Proposed dividend	–	–	–	–	<b>0.02</b>
Net assets	0.77	0.81	0.80	0.77	<b>0.87</b>

The financial information for the years 2000 to 2002 has not been adjusted in respect of the changes in accounting policies for deferred taxation.

**REVIEW OF GROUP OPERATIONS**

The Group reported a slightly higher turnover this year of HK\$1,218 million compared to HK\$1,198 million last year. This year the Group is pleased to announce a profit attributable to shareholders of HK\$85 million compared to a loss last year of HK\$32 million representing a turnaround from last year.

**Retail and Trading**

This Division includes the Group's 3 core retail chains, "City Chain", "Optical 88", "Hipo.fant" and its export trading arm. Although, this Division's performance was hard hit by SARS in the first quarter, our operations in Hong Kong and region wide recovered quickly in the latter six months of the year. Our Hong Kong operations, in particular benefited from the mainland's solo visitor policy. An advertising campaign for "Solvil et Titus" was successfully launched during the year to strengthen the brand's image. As a result, we saw increased watch sales and consistently higher margins.

As of 30th June 2004, the Group was operating 454 shops and counters, an increase of 53 from the previous year. These additional shops and counters were opened in Thailand, Singapore, Malaysia and Mainland China.

*City Chain*

City Chain Hong Kong doubled profits, reporting profits of nearly HK\$21 million compared to HK\$10 million last year.

Overall City Chain operations in Thailand, Singapore, Malaysia, Macau and Taiwan recorded profits of HK\$30 million doubling the previous year's profits of approximately HK\$15 million. Operations in these countries also generally reported improved turnovers compared to last year, with Malaysia and Thailand reporting the largest increases in turnover of 45% and 22% respectively.

*Optical 88*

Stronger demand in the latter 6 months of the year enabled our operations in Hong Kong and the rest of Asia to generally report increases in turnover. New shops also added to increased turnovers. Singapore and Thailand reported increased turnovers from the previous year of 19% and 34% respectively.

Our Hong Kong operations reported profits of nearly HK\$6 million this year compared to breakeven results last year. Likewise, operations in the rest of Asia excluding Mainland China, recorded profits of HK\$5 million compared to HK\$4 million last year. The positive results were largely attributable to steadily increasing gross margins.

*Hipo.fant*

It continued to be a tough year for Hipo.fant. Although our operations in Hong Kong and Asia managed to report a slight 2% increase in turnover to about HK\$81 million up from HK\$79 million the previous year, losses widened to HK\$15 million this year. Despite the recovery in the general retail market, our customers continued to look for discounts. This impacted on gross margins. Six non-performing shops have been shut upon their lease expirations and we will continue to close non-performing shops upon their lease expirations. During the year, counters (including through licensing arrangements) were opened in major cities in Mainland China.

*Export and Trading*

Our export subsidiary saw an increase in turnover of 16%, from HK\$98 million to HK\$114 million this year. A profit of nearly HK\$14 million was reported compared to a profit of HK\$6 million last year. The weak US currency and special promotional projects with our European distributors boosted sales. Some markets like Japan and Korea performed better than expected.

Our UK trading subsidiary saw a drop in turnover of 10% from last year of HK\$110 million to HK\$100 million this year. Profits were down to HK\$2 million this year compared to HK\$7 million last year.

For cost control reasons, we closed our USA subsidiary during the year. Sales to the USA are now made through our export arm in Hong Kong.

As for Universal Geneve, there will be a shift in brand positioning and product development. There are plans to concentrate future product development on automatic/mechanical watches. Therefore, in the current year, a provision of HK\$7 million has been made for lower priced inventory. This has increased losses for the year to HK\$13 million compared to about HK\$5 million last year.

### **Property Investment**

Stelux House continues to contribute stable income to the Group. Rental income for the year was approximately HK\$30 million (2003: HK\$33 million). The average floor area occupied during the year was 85.49% (2003: 92.15%).

Surplus on revaluation of investment properties was HK\$26 million compared to the previous year's deficit of HK\$33 million.

Compensation of HK\$30 million relating to the arbitration with respect to the construction of Stelux House was recognised this year. An additional HK\$18 million has been paid by the contractor as reimbursement towards the rectification costs for the exterior cladding of Stelux House.

### **FINANCE**

The Group's bank borrowings at balance sheet date were HK\$503 million (2003: HK\$529 million), out of which, HK\$253 million (2003: HK\$264 million) were repayable within 12 months. The Group's gearing ratio at balance sheet date was 0.61 (2003: 0.74 as restated), which was calculated based on the Group's bank borrowings and shareholders' funds of HK\$820 million (2003: HK\$718 million as restated).

Of the Group's bank borrowings, 4% (2003: 3%) were denominated in foreign currencies. The Group's bank borrowings denominated in Hong Kong Dollars were on a floating rate basis at either bank prime lending rates or short term inter-bank offer rates.

The Group does not engage in speculative derivative trading.

### **STAFF**

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 31st March 2004, the Group had 2,048 (2003: 1,773) employees.

I express my most sincere thanks and gratitude to colleagues and staff members for their commitment, hard work and loyalty to the Group during the year.

### **PROSPECTS**

Given the better trading environment in many of the countries which we operate in and based on the Group's performance in the first quarter of the financial year 2004/2005, we expect to see positive results in the next financial year. However, with the strong recovery, we also expect to see adjustment pressures on shop rentals and other costs and this will impact on margins.

In the next 6 months, material investments will be made as we continue to expand our operations in Thailand, Malaysia, Singapore and Mainland China. It is expected that funds for such investments will come from internal funds and bank borrowings.

On behalf of the Board

**Joseph C. C. Wong**

*Vice Chairman and Chief Executive Officer*

Hong Kong, 15th July 2004

## REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts for the year ended 31st March 2004.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiary companies are shown on pages 47 to 50.

### RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st March 2004 are set out in the consolidated profit and loss account on page 13.

The directors recommend the payment of a final dividend of HK\$0.02 per ordinary share totaling HK\$18,867,000.

### RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 25 to the accounts.

### DONATIONS

During the year, the Group made charitable and other donations of HK\$17,000.

### FIXED ASSETS

Details of the movements in fixed assets are shown in note 14 to the accounts.

### PRINCIPAL PROPERTIES

Details of the principal properties held for own use and for investment purposes are set out on page 51 to 55.

### SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company are set out in note 24 to the accounts.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there is no restriction against such rights under the laws in Bermuda.

### DIRECTORS AND INTERESTS IN CONTRACTS

The directors during the year and at the date of this report were:

<b>Wong</b> Chue Meng	(deceased on 15th June 2003)
<b>Wong</b> Chong Po	
Joseph C. C. <b>Wong</b>	
<b>Chu</b> Kai Wah, Anthony	
Sakorn <b>Kanjanapas</b>	
<b>Lee</b> Shu Chung, Stan	
<b>Wong</b> Yuk Woon	
<b>Kwong</b> Yiu Chung	(independent non-executive)
<b>Chu</b> Chun Keung, Sydney	(independent non-executive)

**DIRECTORS AND INTERESTS IN CONTRACTS** *(Continued)*

In accordance with Clause 110(A) of the Company's Bye-laws, Mr Wong Yuk Woon and Mr Kwong Yiu Chung will retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

The independent non-executive directors do not have specific terms of appointment, but are subject to retirement by rotation at periodic intervals pursuant to the Bye-laws of the Company.

No director has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

During the year, Mr Wong Chong Po, Mr Joseph C. C. Wong, Mr Anthony Chu Kai Wah, Mr Stan Lee Shu Chung and Mr Wong Yuk Woon were 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 year ended 31st March 2004 amounted to HK\$6,442,000 (2003: Nil).

Apart from the foregoing, no other contracts of significance in relation to the Company's business to which the Company, its subsidiary companies or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

**SHARE OPTIONS**

On 25th June 1997, a share option scheme for the executive directors and employees of the Company and its subsidiary companies (the "Scheme") was approved and adopted by the shareholders pursuant to which the directors were authorised to grant options to executive directors and employees of the Company or its subsidiary companies to subscribe for shares of the Company for a period of ten years. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 5% of the total issued share capital of the Company as at the date of the report. No option may be granted to any eligible person which if exercised in full would result in the total number of shares already issued or to be issued to him exceeding 25% of the maximum aggregate number of shares to be issued under the Scheme. An offer of the grant of options must be accepted within 28 days from the commencement date of the relevant options. The purpose of the Scheme is to provide incentives or rewards for the contribution to the Group from the senior executives. The consideration payable on acceptance of the offer for the grant of an option is HK\$1. The exercise price is determined by the directors at the time of grant of the relevant option and shall be the higher of the nominal value of the Company's share and 80% of the average of the closing prices of the shares for the five trading days immediately before the options are granted. No option was granted during the year.

Further share options will only be granted subject to compliance with the Listing Rules.

The details of share options granted to the directors and employees outstanding as at 31st March 2004 are as follows:

	Number of share options		Total outstanding at 31st March 2004
	2nd lot <i>(note 1)</i>	3rd lot <i>(note 2)</i>	<i>(note 2)</i>
Directors			
Mr Joseph C. C. Wong	3,000,000	5,000,000	5,000,000
Mr Chu Kai Wah, Anthony	1,000,000	1,000,000	1,000,000
Mr Lee Shu Chung, Stan	1,000,000	1,000,000	1,000,000
Mr Wong Yuk Woon	1,000,000	1,000,000	1,000,000
Employees	2,000,000	–	–

**SHARE OPTIONS** (Continued)

Notes:

1. 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. 1,000,000 share options have lapsed. 7,000,000 share options were exercised during the year with details as follows:

Number of share options	Exercise date	Closing price of the Company's shares immediately prior to the exercise date
1,000,000	25th September 2003	HK\$0.300
1,000,000	2nd October 2003	HK\$0.280
5,000,000	3rd October 2003	HK\$0.295

The Board of Directors of the Company resolved on 9th October 2003 to issue the shares. All the share certificates were approved and issued on 14th October 2003.

2. 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.

Total number of ordinary shares available for issue under the Scheme	46,817,001
Total number of ordinary shares issued during the year	(7,000,000)

Total number of ordinary shares available for issue in the remaining life of the Scheme	39,817,001
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As at 31st March 2004, the total number of ordinary shares available for issue in the remaining life of the Scheme represented 4.22% (2003: 5.00%) of the issued share capital of the Company.

With the exception of the Scheme of the Company, at no time during the year was the Company, its subsidiary companies or its holding company a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

**DIRECTORS' INTERESTS**

As at 31st March 2004, the interests and short positions of the directors, chief executive and their associates in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") (including interests which they are deemed or taken to have under such provisions of the SFO)) as recorded in the register maintained under Section 352 of the SFO or as otherwise notified to the Company were as follows:

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

**(a) The Company – Ordinary shares**

	Number of shares			Total	Approximate percentage of issued share capital as at 31st March 2004
	Personal interests	Family interests	Corporate interests		
Mr Wong Chong Po	3,600,000	–	552,037,741 <sup>(1)</sup>	555,637,741	58.90
Mr Joseph C. C. Wong	8,181,211	10,000	–	8,191,211	0.87
Mr Chu Kai Wah, Anthony	1,000,000	–	–	1,000,000	0.11
Mr Sakorn Kanjanapas	391,056	–	–	391,056	0.04
Mr Lee Shu Chung, Stan	1,000,000	–	–	1,000,000	0.11
Mr Wong Yuk Woon	1,000,000	–	–	1,000,000	0.11

**DIRECTORS' INTERESTS** (Continued)

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

	Number of options				Approximate percentage of issued share capital as at 31st March 2004
	Personal interests	Family interests	Corporate interests	Total	
Mr Joseph C. C. Wong	5,000,000	–	–	5,000,000	0.53
Mr Chu Kai Wah, Anthony	1,000,000	–	–	1,000,000	0.11
Mr Lee Shu Chung, Stan	1,000,000	–	–	1,000,000	0.11
Mr Wong Yuk Woon	1,000,000	–	–	1,000,000	0.11

**(c) Subsidiary companies**

	Number of shares				Approximate percentage of preference shares as at 31st March 2004
	Personal interests	Family interests	Corporate interests	Total	
(i) City Chain (Thailand) Company Limited – Preference shares <sup>(2)</sup>					
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 <sup>(3)</sup>					
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 <sup>(4)</sup>					
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) This includes the duplication of corporate interests of 552,037,741 shares through Yee Hing Company Limited, Active Lights Company Limited and Yee Hing International Limited in which Mr Wong Chong Po is deemed to have corporate interests. Active Lights Company Limited and Yee Hing International Limited are wholly owned subsidiary companies of Yee Hing Company Limited. Mr Wong Chong Po indirectly holds 10% of the issued ordinary shares of Yee Hing Company Limited.
- (2) City Chain (Thailand) Company Limited is a wholly-owned subsidiary of the Company. The preference shares held by certain directors represent preference shares issued by City Chain (Thailand) Company Limited which do not carry any voting rights and which are not entitled to any profit sharing but are only entitled to annual fixed dividends. The corporate interests of each of Mr Wong Chong Po, Mr Joseph C.C. Wong and Mr Sakorn Kanjanapas in 208,800 preference shares duplicate with each other.

**DIRECTORS' INTERESTS** (Continued)

**(c) Subsidiary companies** (Continued)

Notes: (Continued)

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

Save as disclosed above, no directors, chief executive of the Company or their associates have any interest or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

**SUBSTANTIAL SHAREHOLDERS**

As at 31st March 2004, the following companies (other than directors of the Company as disclosed above) had interests in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Number of shares	Percentage of shareholding	Note
Yee Hing Company Limited	415,031,771	44.00	(a)
Active Lights Company Limited	135,653,636	14.38	(b)
Thong Sia Company Limited	91,032,218	9.65	(c)

Notes:

- (a) These shares are held by Yee Hing Company Limited as beneficial owner and duplicate part of the corporate interests held by Mr Wong Chong Po in the Company.
- (b) These shares are held by Active Lights Company Limited as beneficial owner and duplicate part of the corporate interests held by Mr Wong Chong Po in the Company.
- (c) These shares are held by Thong Sia Company Limited as beneficial owner. The estate of Mr Wong Chue Meng (deceased on 15th June 2003 and former Chairman of the Company), holds 38% of the issued shares of Thong Sia Company Limited.

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

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 5% or more of the nominal value of the share capital of the Company as at 31st March 2004 as recorded in the register required to be kept by the Company under Section 336 of the SFO.

**PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

**MAJOR CUSTOMERS AND SUPPLIERS**

During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers and sold less than 30% of its goods and services to its 5 largest customers.

**MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

**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 Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange throughout the year except that the independent non-executive directors of the Company are not appointed for a specific term but subject to retirement by rotation in accordance with the Company's Bye-laws.

**MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("MODEL CODE")**

The Company has adopted Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by directors of the Company. The Company confirms that after having made specific enquiry of all its directors, its directors have confirmed that they have complied with the Model Code from 31st March 2004 up to and including 15th June 2004, the latest practicable date prior to the printing of this Annual Report.

**CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company has received confirmations of independence from its independent non-executive directors, who have confirmed their independence as of 31st March 2004 up to and including 15th June 2004, the latest practicable date prior to the printing of this Annual Report. The Company considers its independent non-executive directors to be independent.

**CONNECTED TRANSACTIONS**

- (1) During the year, the Group purchased timepieces from Thong Sia Company Limited, Thong Sia Watch Company Limited, Thong Sia Company (Singapore) Private Limited and Thong Sia Sdn Bhd, collectively referred to as Thong Sia Companies; and optical products from Vision PRO Trading Company Limited (formerly known as PRO Vision Trading Company Limited) ("Vision Pro"), and Thong Sia Company (Singapore) Private Limited. The estate of Mr Wong Chue Meng is interested in approximately 70% of the issued share capital of the Company and holds more than 30% of the equity in each of the Thong Sia Companies. Vision Pro is a 60% indirectly owned subsidiary of Yee Hing Company Limited ("Yee Hing") which is a substantial shareholder of the Company holding 44% of its issued share capital. Accordingly, Thong Sia Companies and Vision Pro are associates of a connected person to the Company and the transactions constitute connected transactions under the Listing Rules. The total purchases during the year amounted to HK\$31,330,000 (2003: HK\$31,512,000).

The Company has been granted waivers from the Stock Exchange from strict compliance with the disclosure requirements under Chapter 14 of the Listing Rules. The independent non-executive directors, Messrs Kwong Yiu Chung and Dr Chu Chun Keung, Sydney have reviewed the above transactions and confirm that the transactions were:

- (a) entered into in the usual and ordinary course of business of the Company;
- (b) conducted on either (i) on normal commercial terms or (ii) where there is no available comparison on terms that are fair and reasonable so far as the shareholders are concerned;
- (c) entered into either (i) in accordance with the terms of the agreements governing such transactions or (ii) where there is no such agreements on terms no less favourable than terms available to or from independent third parties; and
- (d) within the maximum amounts as agreed with the Stock Exchange.

The auditors have also reviewed the above transactions and confirmed that the transactions have received the approval of the directors of the Company and were undertaken in accordance with notes (c) and (d) above.

**CONNECTED TRANSACTIONS** *(Continued)*

- (2) The Group entered into a tenancy agreement with International Optical Manufacturing Company Limited (“IOM”) to lease certain units in Stelux House to IOM for a period of three years from 15th August 2001 at a monthly rental of HK\$95,040. The Group also entered into a tenancy agreement with Yee Hing to lease certain units in Stelux House to Yee Hing for a period of three years from 15th August 2001 at a monthly rental of HK\$55,900.

Yee Hing ultimately holds 58.52% of the issued share capital of the Company. Thong Sia Company Limited (“Thong Sia”) holds 9.65% of the issued share capital of the Company. Yee Hing holds 60% and Thong Sia holds 40% respectively of the issued share capital in IOM. Both tenancy agreements were entered into on normal commercial terms as stated in the connected transaction press announcement dated 19th July 2001.

The above transactions also constitute related party transactions and are disclosed in note 31 to the accounts.

**AUDIT COMMITTEE**

Pursuant to the Listing Rules, an audit committee, comprising two independent non-executive directors, namely Mr Kwong Yiu Chung and Dr Chu Chun Keung, Sydney, was established on 26th February 1999 (“Audit Committee”). By reference to “A Guide for The Formation of An Audit Committee” published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted by the Board of the Company on the same date. The principal responsibilities of the Audit Committee include the review and supervision of the Group’s financial reporting process and internal controls. The Company will appoint one more independent non-executive director by the end of September 2004 as an additional member of the Audit Committee.

**SUBSEQUENT EVENT**

On 15th July 2004, the board of directors proposed to transfer the credit balance of the contributed surplus account to the profit and loss appropriation account of the Company subject to the approval of the shareholders at the upcoming Special General Meeting to be held on 6th September 2004.

**AUDITORS**

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Joseph C. C. Wong**

*Vice Chairman and Chief Executive Officer*

Hong Kong, 15th July 2004

# REPORT OF THE AUDITORS

## TO THE SHAREHOLDERS OF STELUX HOLDINGS INTERNATIONAL LIMITED

*(incorporated in Bermuda with limited liability)*

We have audited the accounts on pages 13 to 50 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### **Respective responsibilities of directors and auditors**

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Basis of opinion**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st March 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 15th July 2004

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2004

	Note	2004 HK\$'000	(As restated) 2003 HK\$'000
Turnover	3	1,218,024	1,198,122
Cost of sales		(441,344)	(455,976)
Gross profit		776,680	742,146
Other income	5	18,342	20,386
Selling expenses		(516,906)	(505,471)
General and administrative expenses		(156,559)	(156,592)
Other operating expenses		(60,599)	(71,491)
Write-back of/(deficit on) revaluation of investment properties		25,500	(33,230)
Write-back of impairment/(impairment) of land and buildings		2,800	(4,800)
Compensation received from arbitration	6	30,080	–
Gain on disposal of land and buildings		–	110
Operating profit/(loss) before financing	6	119,338	(8,942)
Finance costs	7	(27,120)	(29,040)
Profit/(loss) before taxation		92,218	(37,982)
Taxation (charge)/credit	10	(7,556)	5,908
Profit/(loss) after taxation		84,662	(32,074)
Minority interests		–	–
Profit/(loss) attributable to shareholders	11 & 25	84,662	(32,074)
Dividends	12	18,867	–
Earnings/(loss) per share	13	HK cents	HK cents
– basic		9.01	(3.43)
– diluted		9.01	N/A

**CONSOLIDATED BALANCE SHEET**

At 31st March 2004

		2004	(As restated)
	Note	HK\$'000	2003 HK\$'000
<b>Non-current assets</b>			
Fixed assets	14	879,659	845,388
Investment securities	16	4,299	4,299
Trademarks	17	19,160	21,284
Deferred tax assets	27	26,910	25,019
		<b>930,028</b>	895,990
<b>Current assets</b>			
Stocks	18	349,385	356,208
Debtors and prepayments	19	344,794	282,656
Marketable securities	20	74	4,364
Bank balances and cash	21	53,037	36,775
		<b>747,290</b>	680,003
<b>Current liabilities</b>			
Creditors and accruals	22	277,181	246,146
Loans from shareholders	23	3,892	3,892
Taxation payable		11,616	11,894
Current portion of long term liabilities	26	57,278	26,049
Bank overdrafts and short term loans			
Secured		185,089	202,110
Unsecured		49,280	40,797
		<b>584,336</b>	530,888
<b>Net current assets</b>		<b>162,954</b>	149,115
<b>Total assets less current liabilities</b>		<b>1,092,982</b>	1,045,105
<b>Financed by:</b>			
Share capital	24	94,334	93,634
Reserves	25	707,158	624,592
Proposed final dividend	25	18,867	–
Shareholders' funds		<b>820,359</b>	718,226
Minority interests		1,606	1,473
Long term liabilities	26	250,269	308,407
Deferred tax liabilities	27	20,748	16,999
<b>Funds employed</b>		<b>1,092,982</b>	1,045,105

**Wong Chong Po**  
Chairman

**Joseph C. C. Wong**  
Vice Chairman and  
Chief Executive Officer

**BALANCE SHEET**

At 31st March 2004

	Note	2004 HK\$'000	2003 HK\$'000
Non-current assets			
Subsidiary companies	15	484,047	484,611
<hr/>			
Current assets			
Other debtors and prepayments		9	9
Bank balances and cash	21	2	4
<hr/>			
		11	13
<hr/>			
Current liabilities			
Other creditors and accruals		2,330	1,580
Loans from shareholders	23	3,892	3,892
<hr/>			
		6,222	5,472
<hr/>			
Net current liabilities		(6,211)	(5,459)
<hr/>			
Total assets less current liabilities		477,836	479,152
<hr/>			
Financed by:			
Share capital	24	94,334	93,634
Reserves	25	364,635	385,518
Proposed final dividend	25	18,867	–
<hr/>			
Funds employed		477,836	479,152
<hr/>			

**Wong Chong Po**  
Chairman

**Joseph C. C. Wong**  
Vice Chairman and  
Chief Executive Officer

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the year ended 31st March 2004*

		2004	(As restated)
	<i>Note</i>	<b>HK\$'000</b>	2003 <i>HK\$'000</i>
Total equity as at 1st April, as previously reported		<b>710,206</b>	745,899
Effect of adopting revised SSAP 12 ( <i>Note 2(n)</i> )		<b>8,020</b>	(1,192)
Total equity as at 1st April, as restated		<b>718,226</b>	744,707
Issue of shares		<b>1,050</b>	–
Changes in exchange rates	25	<b>16,421</b>	5,593
Profit/(loss) for the year	25	<b>84,662</b>	(32,074)
Total equity as at 31st March		<b>820,359</b>	718,226

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2004

	Note	2004 HK\$'000	2003 HK\$'000
Cash flows from operating activities			
Cash generated from operations	28(a)	113,304	35,146
Interest paid		(27,525)	(30,140)
Hong Kong profits tax paid		(75)	(2,016)
Hong Kong profits tax refunded		28	25
Overseas tax paid		(5,590)	(4,323)
Overseas tax refunded		57	211
Net cash from/(used in) operating activities		80,199	(1,097)
Cash flows from investing activities			
Purchase of fixed assets		(45,694)	(45,185)
Proceeds from sale of fixed assets		510	3,315
Proceeds from sale of marketable securities		4,290	–
Interest received		2,127	7,668
Dividends received		1,084	1,946
Net cash used in investing activities		(37,683)	(32,256)
Cash flows from financing activities			
Drawdown of new bank loans		183,093	192,807
Repayment of bank loans		(206,871)	(172,778)
Issue of shares		1,050	–
Capital element of finance lease payments		(593)	(789)
Net (decrease)/increase in loans from related companies		(9,670)	1,250
Repayment of loan from a director		–	(5,058)
Increase in restricted bank balances		(10)	(2,014)
Net cash (used in)/from financing activities	28(b)	(33,001)	13,418
Net increase/(decrease) in cash and cash equivalents		9,515	(19,935)
Cash and cash equivalents at beginning of year		14,811	28,549
Effect of foreign exchange rate changes		8,507	6,197
Cash and cash equivalents at end of year		32,833	14,811
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash	21	51,013	34,761
Bank overdrafts		(18,180)	(19,950)
		32,833	14,811

**1 Principal activities**

The principal activity of the Company is investment holding. The activities of its principal subsidiary companies are shown on pages 47 to 50.

**2 Principal accounting policies**

The principal accounting policies adopted in the preparation of the accounts are as follows:

**(a) Basis of preparation**

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”). They have been prepared under the historical cost convention as modified by the revaluation of investment properties and marketable securities.

In the current year, the Group adopted the revised Statement of Standard Accounting Practice No. 12 (“SSAP 12”) “Income Taxes” issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003. As a result, the Group has changed its accounting policy for deferred taxation as detailed in note 2(n) below.

**(b) Consolidation**

The consolidated accounts include the accounts of the Company and its subsidiary companies made up to 31st March. The results of subsidiary companies acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The profit or loss on the disposal of a subsidiary company represents the difference between the proceeds of the sale and the Group’s share of its net assets together with any unamortised goodwill/negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiary companies.

**(c) Goodwill/negative goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

Negative goodwill represents the excess of the fair value of the Group’s share of the net assets acquired over the cost of acquisition. Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group’s plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

**2 Principal accounting policies** *(Continued)***(c) Goodwill/negative goodwill** *(Continued)*

The carrying amount of goodwill is reviewed annually and provision is made where, in the opinion of directors, there is a long term impairment in value.

**(d) Subsidiary companies**

A company is a subsidiary company if the Group, directly or indirectly, controls more than half of the voting power, has the power to govern the financial and operating policies, appoints or removes the majority of the members of the board of directors or casts majority of votes at the meetings of the board of directors. In the Company's balance sheet, the investments in subsidiary companies are stated at cost less provision for impairment losses. Provision is made when, in the opinion of directors, there is a diminution in value other than temporary in nature.

The results of subsidiary companies are accounted for by the Company on the basis of dividend income received and receivable.

**(e) Fixed assets and depreciation**

Fixed assets other than investment properties (note 2(f)) are stated at cost less accumulated depreciation and accumulated impairment losses.

Leasehold land is amortised over the unexpired period of the lease. Buildings are depreciated over the lesser of the unexpired lease term or 40 to 50 years.

Depreciation of other fixed assets is provided at rates calculated to write off their cost over their estimated useful lives or, if shorter, the relevant finance lease periods, using straight line method at the following rates:

Equipment	10 to 33 $\frac{1}{3}$ %
Furniture and fixtures	7 to 33 $\frac{1}{3}$ %
Motor vehicles	20 to 25%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the carrying value of the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

**(f) Investment properties**

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential.

**2 Principal accounting policies** *(Continued)***(f) Investment properties** *(Continued)*

Investment properties are valued annually by independent professional valuers. Increases in valuations are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are charged to the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously charged.

No depreciation is provided on investment properties held on leases of more than twenty years.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

**(g) Assets under leases***(i) Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets, other than legal title, are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated on the basis described in note 2(e).

*(ii) Operating leases*

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Payments made under the operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

**(h) Investment securities**

Investment securities are held for non-trading purpose and long-term. Investment securities are stated at cost less provision for diminution in value other than temporary in nature.

**(i) Trademarks**

Watch brand trademarks are stated at cost less amortisation. Cost is amortised over the estimated useful economic life of 20 years on a straight-line basis.

**(j) Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost includes the cost of direct labour, materials and an appropriate proportion of production overhead expenditure, and is calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

**2 Principal accounting policies** *(Continued)***(k) Marketable securities**

Marketable securities are stated at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in market value of marketable securities are recognised in the profit and loss account. Profits or losses upon the disposals of marketable securities representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

**(l) Accounts receivable**

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

**(m) Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

**(n) Deferred taxation**

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 25 to the accounts, opening accumulated losses at 1st April 2002 have been increased by HK\$1,192,000 and those at 1st April 2003 have been reduced by HK\$8,020,000 respectively, which represent the unprovided net deferred tax liabilities and assets as at such dates. This change has resulted in an increase in deferred tax assets and deferred tax liabilities at 31st March 2003 by HK\$25,019,000 and HK\$16,999,000 respectively. The loss for the year ended 31st March 2003 has been reduced by HK\$9,142,000.

**2 Principal accounting policies** *(Continued)***(o) Recognition of revenue**

Revenue is recognised when it is probable that the economic benefits will accrue to the Group and when the revenue can be measured reliably on the following bases:

- (i) invoiced value of goods net of discounts and allowances, when the goods are delivered to the customers;
- (ii) rental income, on a straight-line basis;
- (iii) sales of marketable securities, when the significant risks and rewards of ownership have been transferred to the purchasers;
- (iv) dividend income, when the shareholder's right to receive payment is established;
- (v) interest income, in proportion to time, taking account of the principal outstanding and the effective interest rate applicable; and
- (vi) building management fee income, when the services are rendered.

**(p) Employee benefit cost**

The Group operates and participates in a number of defined contribution plans and a small defined benefit plan. The assets of the defined contribution plans are held separately from those of the Group in independently administered funds. Contributions under the defined contribution schemes are charged to the profit and loss account in the year to which the contributions relate.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

**(q) Translation of foreign currencies**

Transactions in foreign currencies are converted at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiary companies denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences arising are dealt with as a movement in reserves.

**2 Principal accounting policies** *(Continued)*

**(r) Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

**(s) Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

**3 Turnover**

Turnover represents the following and comprises revenues from:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Sales of goods	<b>1,177,453</b>	1,154,340
Gross rental income	<b>32,454</b>	34,848
Dividend income for unlisted investments	<b>1,084</b>	1,946
Interest income	<b>7,033</b>	6,988
	<b>1,218,024</b>	1,198,122

**4 Segment information**

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated items represent net corporate expenses or income. Segment assets consist primarily of fixed assets, investment securities, trademarks, stocks, debtors and prepayments and exclude deferred tax assets and bank balances and cash. Segment liabilities consist mainly of creditors and accruals and exclude taxation payable, deferred tax liabilities, loans from shareholders, minority interests and corporate borrowings. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales are based on location of its markets and customers. Total assets and capital expenditure are based on where the assets are located.

*Primary reporting format – business segments*

	2004				Group HK\$'000
	Investment HK\$'000	Property HK\$'000	Retail and trading HK\$'000	Eliminations HK\$'000	
Turnover	1,113	48,097	1,179,551	(10,737)	1,218,024
Segment results	1,113	90,634	60,033		151,780
Net corporate expenses					(32,442)
Operating profit before financing					119,338
Finance costs					(27,120)
Profit before taxation					92,218
Taxation charge					(7,556)
Profit after taxation					84,662
Minority interests					–
Profit attributable to shareholders					84,662
Segment assets	9,600	908,051	679,720		1,597,371
Unallocated assets					79,947
Total assets					1,677,318
Segment liabilities	5,038	30,093	234,688		269,819
Minority interests	–	–	1,606		1,606
Unallocated liabilities					585,534
Total liabilities and minority interests					856,959
Capital expenditure	233	11	45,531		45,775
Depreciation	4,163	3,019	43,100		50,282
Amortisation charge of trademarks	–	–	2,405		2,405
Write-back of impairment of land and buildings	–	(2,800)	–		(2,800)
Write-back of deficit on revaluation of investment properties	–	(25,500)	–		(25,500)
Compensation received from arbitration	–	(30,080)	–		(30,080)
Loss on disposal of other fixed assets	–	–	221		221
Provision for stock obsolescence and stock written off	–	–	20,022		20,022
Provision for doubtful debts and bad debts written off	–	–	2,605		2,605

**NOTES TO THE ACCOUNTS**
**4 Segment information (Continued)**
*Primary reporting format – business segments (Continued)*

	2003 (As restated)				Group HK\$'000
	Investment HK\$'000	Property HK\$'000	Retail and trading HK\$'000	Eliminations HK\$'000	
Turnover	2,042	50,623	1,156,480	(11,023)	1,198,122
Segment results	2,042	(16,247)	31,539		17,334
Net corporate expenses					(26,276)
Operating loss before financing					(8,942)
Finance costs					(29,040)
Loss before taxation					(37,982)
Taxation credit					5,908
Loss after taxation					(32,074)
Minority interests					–
Loss attributable to shareholders					(32,074)
Segment assets	12,053	832,797	669,349		1,514,199
Unallocated assets					61,794
Total assets					1,575,993
Segment liabilities	4,977	12,506	228,663		246,146
Minority interests	–	–	1,473		1,473
Unallocated liabilities					610,148
Total liabilities and minority interests					857,767
Capital expenditure	935	–	45,009		45,944
Depreciation	4,330	3,125	43,905		51,360
Amortisation charge of trademarks	–	–	2,422		2,422
Impairment of land and buildings	–	2,800	2,000		4,800
Deficit on revaluation					
of investment properties	–	33,230	–		33,230
Loss on disposal of other fixed assets	–	–	463		463
Provision for stock obsolescence					
and stock written off	–	–	13,261		13,261
Provision for doubtful debts					
and bad debts written off	34	4,753	4,257		9,044

## NOTES TO THE ACCOUNTS

### 4 Segment information (Continued)

Secondary reporting format – geographical segments

	2004			
	Turnover HK\$'000	Segment results HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	665,768	88,019	1,293,958	16,414
South East and Far East Asia	330,524	42,187	283,503	22,299
Europe	185,737	24,804	75,044	3,832
North America	13,624	(2,803)	259	334
Mainland China	22,371	(427)	24,554	2,896
	<b>1,218,024</b>	<b>151,780</b>	<b>1,677,318</b>	<b>45,775</b>

	2003 (As restated)			
	Turnover HK\$'000	Segment results HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	702,719	(40,346)	1,229,643	14,670
South East and Far East Asia	278,482	19,245	246,434	29,447
Europe	197,911	37,364	73,883	1,199
North America	9,213	490	8,280	26
Mainland China	9,797	581	17,753	602
	<b>1,198,122</b>	<b>17,334</b>	<b>1,575,993</b>	<b>45,944</b>

### 5 Other income

	2004 HK\$'000	2003 HK\$'000
Building management fee income	11,194	11,813
Sundries	7,148	8,573
	<b>18,342</b>	<b>20,386</b>

## NOTES TO THE ACCOUNTS

### 6 Operating profit/(loss) before financing

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Operating profit/(loss) before financing is stated after charging/(crediting):		
Cost of stocks sold	441,344	455,976
Depreciation		
Owned fixed assets	49,633	50,757
Leased fixed assets	649	603
Auditors' remuneration		
Current year	3,867	3,583
Over provision in respect of prior years	(64)	(245)
Operating leases		
Land and buildings	174,906	177,871
Machinery	497	535
Amortisation charge of trademarks	2,405	2,422
Outgoings in respect of investment properties	1,768	1,807
Loss on disposal of fixed assets	221	463
Provision for stock obsolescence and stocks written off	20,022	13,261
Provision for doubtful debts and bad debts written off	2,605	9,044
Legal expenses written off	–	10,842
Net exchange (gains)/losses	(3,292)	977
Compensation received from arbitration	(30,080)	–

As disclosed in note 26(d) to the 2003 Annual Accounts, the Group was entitled to counter-claim liquidated damages and other costs or losses from the contractor for Stelux House. The arbitrator awarded in favour of the Group in March 2004 and compensation received from the contractor of HK\$30,080,000 was recognised this year.

### 7 Finance costs

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest on bank loans and overdrafts wholly repayable within five years	23,920	25,817
Interest on other loans wholly repayable within five years	3,142	3,084
Interest on finance leases	58	139
	27,120	29,040

**8 Staff costs**

The amount of staff costs (including directors' emoluments as disclosed in note 9) charged to the profit and loss account represents:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Salaries and allowances	<b>222,348</b>	212,397
Pension contributions less forfeiture utilised ( <i>note</i> )	<b>11,504</b>	11,191
Unutilised annual leave	–	3,361
Social security costs	<b>2,543</b>	1,829
Other allowances	<b>1,099</b>	183
	<b>237,494</b>	228,961

*Note:*

The Group operated under the Occupation Retirement Scheme Ordinance up to 30th November 2000 for employees in Hong Kong. With effect from 1st December 2000, a mandatory provident fund ("MPF") scheme is set up which is available to eligible employees of the Group, including executive directors. Contributions to the MPF scheme by the Group and employees are calculated at rates specified in the rules of the MPF scheme. The assets of the MPF scheme are held separately from those of the Group in an independently administered fund.

Forfeited contributions totaling HK\$534,000 (2003: HK\$718,000) arising from employees leaving the scheme were utilised to offset contributions during the year. The MPF scheme cost charged to the consolidated profit and loss account represents contributions payable by the Company to the fund.

The Group also operates a number of defined contribution schemes, covering all the main territories in which it operates, the assets of which are held in trustee administered funds. Contributions to these schemes are calculated at rates ranging from 12% to 16% of basic salaries.

The Group also contributes to employee retirement schemes established by municipal governments in respect of certain subsidiaries incorporated in Mainland China. The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the profit and loss account in the year to which the contributions relate.

**9 Directors' and senior management's emoluments**

**(a) Directors' emoluments**

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Fees		
– executive directors	<b>400</b>	400
– non-executive directors	<b>240</b>	340
Salaries, allowances and benefits in kind	<b>8,251</b>	8,900
Pensions contributions	<b>262</b>	274
Executive Bonus Scheme	<b>6,442</b>	–
	<b>15,595</b>	9,914

Emoluments paid to independent non-executive directors for the year include directors' fees amounting to HK\$160,000 (2003: HK\$160,000). During the year, none of the directors waived their directors' fees (2003: Nil).

The emoluments of the directors fell within the following bands:

	<b>Number of directors</b>	
	<b>2004</b>	2003
<b>Emolument bands</b>		
HK\$nil – HK\$500,000	<b>3</b>	4
HK\$1,500,001 – HK\$2,000,000	–	4
HK\$2,000,001 – HK\$2,500,000	<b>3</b>	–
HK\$2,500,001 – HK\$3,000,000	<b>1</b>	1
HK\$5,500,001 – HK\$6,000,000	<b>1</b>	–
	<b>8</b>	9

**(b) Senior management's emoluments**

In addition to the above analysis for directors, there was one (2003: one) employee whose emoluments were among the five highest in the Group. Details of the emoluments paid to this employee were:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	<b>1,698</b>	1,573
Pensions contributions	<b>98</b>	89
Bonuses	<b>1,220</b>	1,151
	<b>3,016</b>	2,813

**10 Taxation (charge)/credit**

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profit for the year less relief for available tax losses. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation (charged)/credited to the consolidated profit and loss account represents:

	<b>2004</b>	(As restated)
	<b>HK\$'000</b>	2003
		<i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	(70)	(62)
Overseas profits tax	(3,875)	(3,249)
(Under)/over provisions in respect of prior years	(1,340)	77
	(5,285)	(3,234)
Deferred taxation ( <i>note 27</i> )	(2,271)	9,142
<b>Taxation (charge)/credit</b>	<b>(7,556)</b>	<b>5,908</b>

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the applicable tax rate, being the weighted average of rates prevailing in the territories in which the Group operates, as follows:

	<b>2004</b>	2003
	<b>HK\$'000</b>	<i>HK\$'000</i>
Profit/(loss) before taxation	<b>92,218</b>	(37,982)
Theoretical tax at weighted average rate of 24.18% (2003: 5.81%)	(22,295)	2,205
Income not subject to taxation	10,769	4,857
Expenses not deductible for taxation purpose	(7,988)	(10,994)
Temporary differences not recognised	(468)	(1,373)
Increase in deferred taxation liabilities due to change in tax rate	–	(795)
Utilisation of previously unrecognised tax losses	20,460	17,086
Tax losses not recognised	(3,976)	(5,066)
Withholding tax	(2,769)	–
(Under)/over provision in prior years	(1,340)	77
Others	51	(89)
<b>Taxation (charge)/credit</b>	<b>(7,556)</b>	<b>5,908</b>

## NOTES TO THE ACCOUNTS

### 11 Profit/(loss) attributable to shareholders

Profit/(loss) attributable to shareholders includes a loss of the Company to the extent of HK\$2,366,000 (2003: HK\$2,491,000).

### 12 Dividends

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Final, proposed, of HK\$0.02 (2003: Nil) per ordinary share	<b>18,867</b>	–

At a meeting held on 15th July, 2004, the directors proposed a final dividend of HK\$0.02 per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st March 2005.

### 13 Earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share are based on the Group's profit attributable to shareholders of HK\$84,662,000 (2003: loss attributable to shareholders of HK\$32,074,000 as restated).

The basic earnings per share is based on the weighted average number of 939,566,798 shares (2003: 936,340,023 shares) in issue during the year. The diluted earnings per share is based on 939,630,798 shares which is the weighted average number of shares in issue during the year plus the weighted average number of 64,000 shares deemed to be issued at no consideration if all outstanding options had been exercised.

No diluted loss per share was presented for the year ended 31st March 2003 as the exercise of the Group's outstanding share options would have an anti-dilutive effect on the loss per share.

**NOTES TO THE ACCOUNTS**
**14 Fixed assets**

	<b>Land and buildings</b> <i>HK\$'000</i>	<b>Investment properties</b> <i>HK\$'000</i>	<b>Equipment and others</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Group</b>				
Cost or valuation				
At 31st March 2003	367,110	532,520	302,638	1,202,268
Changes in exchange rates	14,203	–	8,153	22,356
Additions	2,606	–	43,169	45,775
Disposals	–	–	(28,657)	(28,657)
Revaluation surplus	–	25,500	–	25,500
<b>At 31st March 2004</b>	<b>383,919</b>	<b>558,020</b>	<b>325,303</b>	<b>1,267,242</b>
Accumulated depreciation and impairment				
At 31st March 2003	119,393	–	237,487	356,880
Changes in exchange rates	5,236	–	5,911	11,147
Charge for the year	10,438	–	39,844	50,282
Disposals	–	–	(27,926)	(27,926)
Write-back of impairment	(2,800)	–	–	(2,800)
<b>At 31st March 2004</b>	<b>132,267</b>	<b>–</b>	<b>255,316</b>	<b>387,583</b>
Net book value				
<b>At 31st March 2004</b>	<b>251,652</b>	<b>558,020</b>	<b>69,987</b>	<b>879,659</b>
At 31st March 2003	247,717	532,520	65,151	845,388

**14 Fixed assets (Continued)**

The analysis of cost or valuation of the above assets as at 31st March 2004 is as follows:

	<b>Land and buildings HK\$'000</b>	<b>Investment properties HK\$'000</b>	<b>Equipment and others HK\$'000</b>	<b>Total HK\$'000</b>
At cost	383,919	–	325,303	709,222
At 2004 professional valuation	–	558,020	–	558,020
	<b>383,919</b>	<b>558,020</b>	<b>325,303</b>	<b>1,267,242</b>

The analysis of cost or valuation of the above assets as at 31st March 2003 is as follows:

	Land and buildings HK\$'000	Investment properties HK\$'000	Equipment and others HK\$'000	Total HK\$'000
At cost	367,110	–	302,638	669,748
At 2003 professional valuation	–	532,520	–	532,520
	367,110	532,520	302,638	1,202,268

Investment properties of the Group were valued on the open market value basis at 31st March 2004 by DTZ Debenham Tie Leung Limited, independent property valuer. All other fixed assets are stated at cost less accumulated depreciation and impairment provision, if any.

- (a) The Group's interests in investment properties and other properties at their net book values, are analysed as follows:

	<b>Group</b>	
	<b>2004 HK\$'000</b>	2003 HK\$'000
Hong Kong:		
Medium term leases (10 – 50 years)	<b>698,122</b>	674,067
Overseas:		
Freehold	<b>52,239</b>	49,644
Medium term leases (10 – 50 years)	<b>49,946</b>	48,762
Short term leases (under 10 years)	<b>9,365</b>	7,764
	<b>809,672</b>	780,237

- (b) At 31st March 2004, certain of the Group's land and buildings amounting to HK\$174,616,000 (2003: HK\$169,155,000) and investment properties amounting to HK\$557,000,000 (2003: HK\$531,500,000) were pledged to secure banking facilities granted to the Group.

## NOTES TO THE ACCOUNTS

### 14 Fixed assets (Continued)

- (c) The carrying amount of the other properties would have been HK\$253,652,000 (2003: HK\$252,517,000) had they been stated at cost less accumulated depreciation.
- (d) At 31st March 2004, the net book value of fixed assets held under finance leases amounted to HK\$925,000 (2003: HK\$1,632,000).

### 15 Subsidiary companies

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares at cost less provision	495,150	495,150
Amounts due from subsidiary companies	116,155	116,155
Amounts due to subsidiary companies	(127,258)	(126,694)
	484,047	484,611

The amounts receivable from and payable to subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

Details of principal subsidiary companies are given on pages 47 to 50.

### 16 Investment securities

	Group	
	2004 HK\$'000	2003 HK\$'000
Unlisted overseas shares, at cost	4,299	4,299

### 17 Trademarks

	Group	
	2004 HK\$'000	2003 HK\$'000
Opening net book amount	21,284	23,134
Changes in exchange rates	281	572
Amortisation charge	(2,405)	(2,422)
	19,160	21,284
Cost	46,434	46,153
Accumulated amortisation	(27,274)	(24,869)
	19,160	21,284

**18 Stocks**

	2004 <i>HK\$'000</i>	Group 2003 <i>HK\$'000</i>
Raw materials	130,342	131,461
Work-in-progress	4,871	6,617
Finished goods	325,669	316,687
	<b>460,882</b>	454,765
Provision	<b>(111,497)</b>	(98,557)
	<b>349,385</b>	356,208

At 31st March 2004, stocks that are carried at net realisable value amounted to HK\$4,411,000 (2003: HK\$4,531,000).

**19 Debtors and prepayments**

	2004 <i>HK\$'000</i>	Group 2003 <i>HK\$'000</i>
Trade debtors ( <i>note a</i> )		
Below 60 days	19,312	14,035
Over 60 days	19,915	18,984
	<b>39,227</b>	33,019
Deposits, prepayments and other debtors ( <i>note b</i> )	<b>305,567</b>	249,637
	<b>344,794</b>	282,656

*Notes:*

- (a) The Group allows an average credit period of 60 days to its trade debtors.
- (b) Included in the balances are amounts due from related companies of HK\$179,223,000 (2003: HK\$174,356,000), of which a balance owing by Bangkok Land Public Company Limited, in which the estate of Mr Wong Chue Meng is a substantial shareholder, is made up as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Property development consultancy fee receivable	147,324	147,294
Interest receivable	28,049	23,144
	<b>175,373</b>	170,438
Less: provision	<b>(24,198)</b>	(24,198)
	<b>151,175</b>	146,240

Of the gross amount receivable, HK\$168,096,000 (2003: HK\$163,191,000) carries interest at 3% per annum and is repayable on demand. In addition, HK\$50,000,000 (2003: HK\$50,000,000) of the balance receivable has been pledged to secure banking facilities granted to the Group.

All other balances due from related companies are unsecured, interest free and have no fixed terms of repayment.

## NOTES TO THE ACCOUNTS

### 20 Marketable securities

	2004 HK\$'000	Group 2003 HK\$'000
Overseas listed shares, at market value	74	74
Quoted bonds, at market value	–	4,290
	74	4,364

### 21 Bank balances and cash

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Restricted balances	2,024	2,014	–	–
Unrestricted balances	51,013	34,761	2	4
	53,037	36,775	2	4

The restricted balances have been pledged to secure banking facilities granted to the Group.

### 22 Creditors and accruals

	2004 HK\$'000	Group 2003 HK\$'000
Trade creditors		
Below 60 days	81,622	67,546
Over 60 days	63,151	67,354
	144,773	134,900
Other creditors and accruals ( <i>note</i> )	132,408	111,246
	277,181	246,146

*Note:*

Included in other creditors and accruals are amounts due to related companies of HK\$7,373,000 (2003: HK\$7,842,000) which are unsecured, interest free and have no fixed terms of repayment.

### 23 Loans from shareholders

The loans, which were provided by the estate of Mr Wong Chue Meng and are unsecured, interest free and have no fixed terms of repayment.

**24 Share capital**

	<b>Number of shares of HK\$0.1 each</b>	<b>Amount HK\$'000</b>
Authorised:		
At 31st March 2003 and 2004	1,600,000,000	160,000
Issued and fully paid:		
At 1st April 2002 and 31st March 2003	936,340,023	93,634
At 1st April 2003	936,340,023	93,634
Issue of shares ( <i>note (i)</i> )	7,000,000	700
<b>At 31st March 2004</b>	<b>943,340,023</b>	<b>94,334</b>

On 25th June 1997, a share option scheme for the executive directors and employees of the Company and its subsidiary companies (the "Scheme") was approved and adopted by the shareholders pursuant to which the directors were authorised to grant options to executive directors and employees of the Company or its subsidiary companies to subscribe for shares of the Company for a period of ten years. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 5% of the total shares in issue. Movements in the number of share options outstanding during the year are as follows:

	<b>Number of options</b>	
	<b>2004</b>	<b>2003</b>
At the beginning of the year	<b>16,000,000</b>	22,000,000
Exercised ( <i>note (i)</i> )	<b>(7,000,000)</b>	–
Lapsed	<b>(1,000,000)</b>	(6,000,000)
At the end of the year ( <i>note (ii)</i> )	<b>8,000,000</b>	16,000,000

**24 Share capital (Continued)**

- (i) Options exercised on 25th September 2003, 2nd October 2003 and 3rd October 2003 resulted in 1,000,000, 1,000,000 and 5,000,000 shares being issued at HK\$0.15 each, yielding the following proceeds, before transaction costs of HK\$8,000:

	2004 HK\$'000	2003 HK\$'000
Ordinary share capital – at par	700	–
Share premium	350	–
<b>Proceeds</b>	<b>1,050</b>	–
Fair value of shares issued at exercise date of:		
– 25th September 2003 (note a)	330	–
– 2nd October 2003 (note b)	295	–
– 3rd October 2003 (note b)	1,425	–

Note:

- (a) An employee of the Group in aggregate exercised options for 1,000,000 shares at an exercise price of HK\$0.15 per share.
- (b) Certain directors of the Group in aggregate exercised options for 6,000,000 shares at an exercise price of HK\$0.15 per share.
- (ii) Share options outstanding at the end of the year have the following terms:

Expiry date	Exercise price HK\$	Number of options		Vested percentage	
		2004	2003	2004	2003
Directors					
25th October 2003	0.150	–	6,000,000	–	100%
16th January 2005	0.248	8,000,000	8,000,000	100%	100%
		8,000,000	14,000,000		
Other employees					
25th October 2003	0.150	–	2,000,000	–	100%
		8,000,000	16,000,000		

**NOTES TO THE ACCOUNTS**
**25 Reserves**

	Contributed surplus <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>(a) Group</b>				
At 31st March 2002, as previously reported	2,848,462	443	(2,196,640)	652,265
Effect of adopting revised SSAP 12 ( <i>note 2(n)</i> )	–	–	(1,192)	(1,192)
At 31st March 2002, as restated	2,848,462	443	(2,197,832)	651,073
Loss for the year	–	–	(32,074)	(32,074)
Changes in exchange rates	–	–	5,593	5,593
At 31st March 2003	2,848,462	443	(2,224,313)	624,592
At 31st March 2003, as previously reported	2,848,462	443	(2,232,333)	616,572
Effect of adopting revised SSAP 12 ( <i>note 2(n)</i> )	–	–	8,020	8,020
At 31st March 2003, as restated	2,848,462	443	(2,224,313)	624,592
Issue of shares	–	350	–	350
Profit for the year	–	–	84,662	84,662
Changes in exchange rates	–	–	16,421	16,421
<b>At 31st March 2004</b>	<b>2,848,462</b>	<b>793</b>	<b>(2,123,230)</b>	<b>726,025</b>
Representing:				
2004 Final dividend proposed				18,867
Others				707,158
<b>Total reserves as at 31st March 2004</b>				<b>726,025</b>
<b>(b) Company</b>				
At 31st March 2002	4,085,186	443	(3,697,620)	388,009
Loss for the year	–	–	(2,491)	(2,491)
At 31st March 2003	4,085,186	443	(3,700,111)	385,518
Issue of shares	–	350	–	350
Loss for the year	–	–	(2,366)	(2,366)
<b>At 31st March 2004</b>	<b>4,085,186</b>	<b>793</b>	<b>(3,702,477)</b>	<b>383,502</b>
Representing:				
2004 Final proposed dividend				18,867
Others				364,635
<b>Total reserves as at 31st March 2004</b>				<b>383,502</b>

Under the laws of Bermuda and the Bye-laws of the Company, the contributed surplus is distributable. At 31st March 2004, the distributable reserves of the Company available for distribution as dividends to shareholders amounted to HK\$382,709,000 (2003: HK\$385,075,000).

**26 Long term liabilities**

	Note	2004 HK\$'000	Group 2003 HK\$'000
Bank loans, unsecured	(a)	–	157
Bank loans, secured	(a)	<b>268,860</b>	285,472
Loan from a related company	(b)	<b>24,580</b>	34,250
Loan from a director	(c)	<b>13,444</b>	13,444
Obligations under finance leases	(d)	<b>663</b>	1,133
		<b>307,547</b>	334,456
Amount repayable within one year included under current liabilities		<b>(57,278)</b>	(26,049)
		<b>250,269</b>	308,407

(a) The bank loans are repayable as follows:

Not exceeding one year	<b>19,025</b>	21,248
More than one year, but not exceeding two years	<b>239,211</b>	16,109
More than two years, but not exceeding five years	<b>10,624</b>	248,272
	<b>268,860</b>	285,629

(b) The related company is Active Lights Company Limited, a subsidiary company of Yee Hing Company Limited, the ultimate holding company. The loan is unsecured, bears interest at prime rate and wholly repayable within one year (2003: HK\$30,000,000 which is not repayable on or before 1st April 2004).

(c) The loan balance was wholly repaid on 30th April 2004. It was unsecured, and bore interest at 1.5% per annum above US Dollar best lending rate (for the period from 30th March 2001 to 26th March 2003: 2.875% per annum above the prevailing Swiss interbank cost of funds).

**26 Long term liabilities (Continued)**

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

	<b>2004</b>	<b>Group</b>
	<b>HK\$'000</b>	<b>2003</b>
		<b>HK\$'000</b>
Not exceeding one year	<b>270</b>	610
More than one year, but not exceeding two years	<b>166</b>	229
More than two years, but not exceeding five years	<b>320</b>	367
More than five years	<b>40</b>	104
	<b>796</b>	1,310
Future finance charges on finance leases	<b>(133)</b>	(177)
	<b>663</b>	1,133
Present value of finance lease liabilities		
The present value of finance lease liabilities is as follows:		
Not exceeding one year	<b>229</b>	551
More than one year, but not exceeding two years	<b>138</b>	199
More than two years, but not exceeding five years	<b>262</b>	301
More than five years	<b>34</b>	82
	<b>663</b>	1,133

**27 Deferred taxation**

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	<b>2004</b>	<b>2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Deferred tax assets	<b>26,910</b>	25,019
Deferred tax liabilities	<b>(20,748)</b>	(16,999)
	<b>6,162</b>	8,020

**NOTES TO THE ACCOUNTS****27 Deferred taxation** *(Continued)*

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

	Deferred tax assets/(liabilities)			Total HK\$'000
	Tax losses HK\$'000	Accelerated depreciation allowances HK\$'000	Other temporary difference HK\$'000	
At 1st April 2002	9,397	(15,903)	5,314	(1,192)
Transfer to profit and loss account <i>(note 10)</i>	6,103	771	2,268	9,142
Translation differences	31	41	(2)	70
At 31st March 2003	15,531	(15,091)	7,580	8,020
Transfer to profit and loss account <i>(note 10)</i>	861	(5,125)	1,993	(2,271)
Translation differences	478	106	(171)	413
<b>At 31st March 2004</b>	<b>16,870</b>	<b>(20,110)</b>	<b>9,402</b>	<b>6,162</b>

Deferred tax assets are recognised for tax loss to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31st March 2004, the Group has unrecognised tax losses of HK\$369,920,000 (2003: HK\$431,152,000) to carry forward against future taxable income. These tax losses have no expiry date except HK\$10,557,000 (2003: HK\$37,913,000) will be expired on 31st March 2007.

**28 Notes to the consolidated cash flow statement**
**(a) Reconciliation of profit/(loss) before taxation to cash generated from operations**

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit/(loss) before taxation	<b>92,218</b>	(37,982)
Depreciation	<b>50,282</b>	51,360
Gain on disposal of land and buildings	–	(110)
Loss on disposal of other fixed assets	<b>221</b>	463
(Write-back of)/deficit on revaluation of investment properties	<b>(25,500)</b>	33,230
(Write-back of impairment)/impairment of land and buildings	<b>(2,800)</b>	4,800
Compensation received from arbitration	<b>(30,080)</b>	–
Amortisation of trademarks	<b>2,405</b>	2,422
Interest income	<b>(7,033)</b>	(6,988)
Interest expenses	<b>27,120</b>	29,040
Dividend income	<b>(1,084)</b>	(1,946)
Net exchange (gains)/losses	<b>(3,573)</b>	405
<hr/>		
Operating profit before working capital changes	<b>102,176</b>	74,694
Decrease/(increase) in stocks	<b>6,823</b>	(1,166)
(Increase)/decrease in debtors and prepayments	<b>(3,950)</b>	3,244
Increase/(decrease) in creditors and accruals	<b>11,786</b>	(43,798)
(Increase)/decrease in balances with related companies	<b>(3,531)</b>	2,172
<hr/>		
Cash generated from operations	<b>113,304</b>	35,146
<hr/>		

**28 Notes to the consolidated cash flow statement (Continued)**
**(b) Analysis of changes in financing during the year**

	Bank loans and long term loans <i>HK\$'000</i>	Obligations under finance leases <i>HK\$'000</i>	Share capital (including premium) <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Restricted bank balances <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 31st March 2002	536,052	1,117	94,077	1,461	-	632,707
Net cash inflow/(outflow) from financing	16,221	(789)	-	-	(2,014)	13,418
Inception of finance lease	-	759	-	-	-	759
Changes in exchange rates	4,007	46	-	12	-	4,065
Balance at 31st March 2003	556,280	1,133	94,077	1,473	(2,014)	650,949
Net cash (outflow)/inflow from financing	(33,448)	(593)	1,050	-	(10)	(33,001)
Inception of finance lease	-	81	-	-	-	81
Changes in exchange rates	241	42	-	133	-	416
<b>Balance at 31st March 2004</b>	<b>523,073</b>	<b>663</b>	<b>95,127</b>	<b>1,606</b>	<b>(2,024)</b>	<b>618,445</b>

**29 Contingent liabilities**

	Group		Company	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
(a) Guarantees to secure banking facilities for subsidiary companies	-	-	<b>768,910</b>	1,169,637
Other guarantees for subsidiary companies	-	-	<b>2,374</b>	2,246
(b) Bills discounted	<b>5,448</b>	7,262	-	-

**30 Operating lease arrangements**

(a) Lessee

At 31st March 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>2004</b> <i>HK\$'000</i>	<b>Group</b> 2003 <i>HK\$'000</i>
Land and buildings		
Not later than one year	<b>165,607</b>	152,488
Later than one year but not later than five years	<b>132,273</b>	126,706
	<b>297,880</b>	279,194
Machinery		
Not later than one year	–	17
	<b>297,880</b>	279,211

(b) Lessor

At 31st March 2004, the Group had future aggregate minimum lease receivables under non-cancellable operating leases as follows:

	<b>2004</b> <i>HK\$'000</i>	<b>Group</b> 2003 <i>HK\$'000</i>
Land and buildings		
Not later than one year	<b>21,496</b>	29,400
Later than one year but not later than five years	<b>12,841</b>	13,459
	<b>34,337</b>	42,859

**31 Related party transactions**

The following is a summary of significant transactions between the Group and related parties, which were undertaken in the normal course of business during the year:

		<b>2004</b>	2003
		<b>HK\$'000</b>	HK\$'000
Purchases of goods from related companies	(a)	<b>37,753</b>	34,886
Rental income received and receivable from related companies	(b)	<b>1,812</b>	1,811
Interest income receivable from a related company ( <i>note 19(b)</i> )		<b>4,905</b>	4,753
Interest expense paid to a related company ( <i>note 26(b)</i> )		<b>1,450</b>	1,774
Interest expense paid to a director ( <i>note 26(c)</i> )		<b>774</b>	746

- (a) The related companies are companies which are subsidiaries of Yee Hing Company Limited, the ultimate holding company, or controlled by certain substantial shareholders of the Company. Purchases of goods were conducted at prices and terms no less favourable than those available from third party suppliers.
- (b) On 14th August 2001, Stelux Holdings Limited, a wholly owned subsidiary company of the Company, entered into lease agreements with Yee Hing Company Limited and International Optical Manufacturing Company Limited, a 60% owned subsidiary company of Yee Hing Company Limited, the ultimate holding company, for the lease of office premises at Stelux House for a period of up to three years expiring on 14th August 2004 at a monthly rental of HK\$95,040 and HK\$55,900 respectively.

**32 Subsequent event**

On 15th July 2004, the board of directors proposed to transfer the credit balance of the contributed surplus account to the profit and loss appropriation account of the Company, subject to the approval of the shareholders at the upcoming Special General Meeting to be held on 6th September 2004.

**33 Ultimate holding company**

In the opinion of the directors, the ultimate holding company is Yee Hing Company Limited, incorporated in Hong Kong.

**34 Approval of accounts**

The accounts were approved by the board of directors on 15th July 2004.

## PRINCIPAL SUBSIDIARY COMPANIES

As at 31st March 2004

Details of the principal subsidiary companies which materially affect the results and/or assets of the Group are set out below:

	Place of incorporation/ operation	Principal activities	Share capital issued		Percentage of equity capital attributable to the Group	
			Number	Par value	2004	2003
<b>Investment</b>						
Stelux Holdings International (BVI) Limited	British Virgin Islands	Investment holding	2	US\$1	100	100
Stelux Holdings Limited	Hong Kong	Investment holding and property investment	1,000	HK\$1	100 <sup>a</sup>	100 <sup>a</sup>
Stelux Watch Holdings Limited (in members' voluntary liquidation)	Singapore	Investment holding	10,000,000	S\$1	100 <sup>a</sup>	100 <sup>a</sup>
<b>Property</b>						
City Chain Properties Limited	Hong Kong	Property investment	2	HK\$1	100 <sup>a</sup>	100 <sup>a</sup>
King Eagle Investment Limited	Hong Kong	Property investment	4,583,719	HK\$1	100 <sup>a</sup>	100 <sup>a</sup>
Optical 88 Properties Limited	Hong Kong	Property investment	2	HK\$1	100 <sup>a</sup>	100 <sup>a</sup>
Prime Master Limited	Hong Kong	Property investment	2	HK\$1	100 <sup>a</sup>	100 <sup>a</sup>
Stelux Consultants B.V.	The Netherlands	Property development and project consultancy	80	DFL500	100 <sup>a</sup>	100 <sup>a</sup>
Stelux Properties Agency Limited	Hong Kong	Property agency and management	2	HK\$1	100 <sup>a</sup>	100 <sup>a</sup>
Stelux Properties Limited	Hong Kong	Property investment and development	500	HK\$100	100 <sup>a</sup>	100 <sup>a</sup>

## PRINCIPAL SUBSIDIARY COMPANIES

As at 31st March 2004

	Place of incorporation/ operation	Principal activities	Share capital issued		Percentage of equity capital attributable to the Group	
			Number	Par value	2004	2003
<b>Retailing and trading</b>						
City Chain Company Limited	Hong Kong	Watch retailing	250,000	HK\$100	100 <sup>a</sup>	100 <sup>a</sup>
City Chain (M) Sdn Bhd	Malaysia	Watch retailing	3,333,333	RM1	92.5 <sup>a</sup>	92.5 <sup>a</sup>
City Chain (Macau) Company Limited	Macau	Watch retailing	2	MOP5,000	100 <sup>a</sup>	100 <sup>a</sup>
City Chain Stores (S) Pte Limited	Singapore	Watch retailing	1,800,000	S\$1	100 <sup>a</sup>	100 <sup>a</sup>
Titus International Trading (Taiwan) Company Limited	Hong Kong/ Taiwan	Watch retailing/ distribution	1,000	HK\$10	100 <sup>a</sup>	100 <sup>a</sup>
City Chain (Thailand) Company Limited	Thailand	Watch retailing	200,000 210,000 <sup>b</sup>	Baht100 Baht100	100 <sup>a</sup>	100 <sup>a</sup>
Evergreen Fame Sdn Bhd	Malaysia	Watch distribution	320,000	RM1	92.5 <sup>a</sup>	92.5 <sup>a</sup>
Universal Geneve S.A.	Switzerland	Watch assembling and distribution	5,000	SFr1,000	100 <sup>a</sup>	100 <sup>a</sup>
Optical 88 Limited	Hong Kong	Glasses and related optical gears retailing	30,700,000	HK\$1	100 <sup>a</sup>	100 <sup>a</sup>
Optical 88 (Macau) Limited	Macau	Glasses and related optical gears retailing	2	MOP5,000	100 <sup>a</sup>	100 <sup>a</sup>
Optical 88 (S) Pte Limited	Singapore	Glasses and related optical gears retailing	500,000	S\$1	100 <sup>a</sup>	100 <sup>a</sup>
Optical 88 (Thailand) Company Limited	Thailand	Glasses and related optical gears retailing	245,000 255,000 <sup>b</sup>	Baht10 Baht10	100 <sup>a</sup>	100 <sup>a</sup>
Optical 88 Eyecare (M) Sdn Bhd	Malaysia	Glasses and related optical gears retailing	1,000,000	RM1	100 <sup>a</sup>	100 <sup>a</sup>

## PRINCIPAL SUBSIDIARY COMPANIES

As at 31st March 2004

	Place of incorporation/ operation	Principal activities	Share capital issued		Percentage of equity capital attributable to the Group	
			Number	Par value	2004	2003
<b>Retailing and trading (Continued)</b>						
Poco Hippo Company Limited	Hong Kong	Infant wear marketing and retailing	2	HK\$100	100 <sup>a</sup>	100 <sup>a</sup>
Poco Hippo Co (S) Pte Limited	Singapore	Infant wearing marketing and retailing	100,000	S\$1	100 <sup>a</sup>	100 <sup>a</sup>
Pronto Watch S.A.	Switzerland	Watch distribution	100	SFr1,000	100 <sup>a</sup>	100 <sup>a</sup>
Solvil et Titus S.A.	Switzerland	Watch distribution	300	SFr1,000	100 <sup>a</sup>	100 <sup>a</sup>
Stelux International Licensing Limited	Bahamas	Trademark holding and licensing	2	US\$1	100 <sup>a</sup>	100 <sup>a</sup>
Stelux Trading (International) Limited	Hong Kong	Watch distribution	2	HK\$1	100 <sup>a</sup>	100 <sup>a</sup>
Stelux Watch Limited	Hong Kong/ People's Republic of China	Watch assembling	1,000,000	HK\$1	100 <sup>a</sup>	100 <sup>a</sup>
Stelux Watch (UK) Limited	England	Watch distribution	3,041,536	GBP1	100 <sup>a</sup>	100 <sup>a</sup>
Time House (Europe) Limited	Hong Kong	Watch distribution	10,000	HK\$1	100 <sup>a</sup>	100 <sup>a</sup>
Wedmore Limited	Hong Kong	Watch retailing	2	HK\$1	100 <sup>a</sup>	100 <sup>a</sup>

**PRINCIPAL SUBSIDIARY COMPANIES**

As at 31st March 2004

	Place of incorporation/ operation	Principal activities	Registered capital and paid up capital amount	Percentage of equity capital attributable to the Group	
				2004	2003
<b>Retailing and trading</b> <i>(Continued)</i>					
Xiong Teng (Shanghai) Trading Co., Limited	People's Republic of China/ Mainland China (wholly owned foreign enterprise)	Trading and business consultancy	US\$1,000,000	100 <sup>a</sup>	100 <sup>a</sup>

a Held through subsidiary companies

b Preference shares

**PROPERTY PORTFOLIO**

<b>Commercial properties (own use)</b>	<b>Gross floor area (sq. ft.)</b>	<b>Remaining lease term (years)</b>
<i>Kowloon</i>		
Stelux House, Unit No. 502-6, 27/F and portion of 28/F, 698 Prince Edward Road East, San Po Kong, Kowloon	30,704	43
Shop No. 22, 1/F Po Tin Building, 39 Wai Chi Street, Pak Tin, Kowloon	348	43
Portion of G/F, Kam Ling Building, 231 Nathan Road, Kowloon	1,446	23
Shop 5, G/F, Chung King Mansion, 36-44 Nathan Road, Tsimshatsui, Kowloon	699	34
<i>Macau</i>		
Shop D, G/F, Edificio San Vo, 1G, 1H and 1I Rua de S Domingos, A28, Macau	350	Freehold
Shop E, G/F, Edificio San Vo, 1G, 1H and 1I Rua de S Domingos, A28, Macau	190	Freehold
Loja B and C, de Avenida Horta e Costa, de Rua Manuel de Arriage, Macau	475	Freehold
Rua do Arco and Eatrada, da Areia Preta, Loja E, r/c, Macau	442	Freehold
Rua do Arco and Eatrada, da Areia Preta, Loja G, r/c, Macau	442	Freehold
Flat D, 2/F, Edificio San Vo, 1G, 1H and 1I Rua de S Domingos, A28, Macau	400	Freehold

**PROPERTY PORTFOLIO**

<b>Commercial properties (own use)</b>	<b>Gross floor area (sq. ft.)</b>	<b>Remaining lease term (years)</b>
<i>Thailand</i>		
Room 2B-O4, 2/F, Mahboonkhrong Centre, 444 Phayathai Rd., Patumwan, Bangkok 10330	473	17
Room 2B14, 3/F, Mahboonkhrong Ctr., 444 Wangmai Subdistrict, Patumwan, Bangkok 10330	487	17
Room No. 33-34, 5 Ratchadapisek Rd., Huay-kwang, Bangkok 10310	689	8
Room No. B235, 4 Rajdamri Rd Lumpini, Patumwan, Bangkok 10330	398	9
Room No. 115-116, 191 Silom Rd., Bangruk, Bangkok 10500	1,248	8
Rm 54, 2/F, Amarin Plaza, 500 Ploenchit Rd., Patumwan, Bangkok 10330	548	11
Room No. 1C-L22/23, 1/F, The Mall Center, Ramkhumhaeng, 1909 Huamark, Bangkok, Bangkok 10600	915	11
Room No. 147-148, Moo 3, 168 Chaengwattana Rd., Bangkok, Bangkok 10210	1,292	13
Rm No. AG28, 1/F, Imperial World, 999 Sukhumvit Rd., Samrongnua Amphur Muang, Samutprakarn	1,295	14
Room No. 1S-R4B, 30/9 Ngamwongwan Rd, Bangkok, Muang District, Nonthaburi 11000	1,291	16
The Mall 7 Bangkae, Room No. 1S-L8A, 275 Petchakasem Rd., Pasricharoen, Bangkok 10160	943	19
The Mall 8 Bangkok, Room No. IS-C70, 3522 Lardpao Rd., Bangkok, Bangkok 10240	754	19
The Seri Center, Seri Center Room No. 101, 2nd Floor, 12/90 Srinakarin Rd., Nongborn, Pravet, Bangkok 10250	1,672	19
The Seacon Square, Room No. 1098, 904 Srinakarin Rd., Nongborn, Pravet, Bangkok 10250	1,184	21
Central Pinklao, Room No. 126, 7/311 Baromrajchonee Rd., Arunamarin, Bangkokknoi, Bangkok	867	11
Room 2PX-19B2, 1242/2 Mitraparp Rd., Muang District, Nakornrajasima Province	1,356	23
Room 2PX-19B1, 1242/2 Mitraparp Rd., Muang District, Nakornrajasima Province	1,076	23

## PROPERTY PORTFOLIO

Commercial properties (own use)	Gross floor area (sq. ft.)	Remaining lease term (years)
Future Park Rangsit, Room No. G35, 161 Thanyaburi District, Pathumthani	1,254	17
Fashion Island, Room No. 2098/2099, Km. 10.5, Ram Indra Rd, Bangkok	875	19
Kaitak Building, 7962 Amphur Pakkred, Nonthaburi Province, Thailand	106,559	Freehold
Mall 5 Thapa, Room No. 1SL1, 1/F, The Mall Center, Bukkalo, Thonburi, Bangkok	753	16
Room No. 2C-03-04, 2/F, Mahboonkhrong Center, Patumwan, Bangkok 10330	938	17
Central Ramindra, Room No. 114, 1/F, 109/10-100 Ramindra Road, Bangkokhen, Bangkok	998	10
Siam Square I, 430/34, Siam Square 7, Patumwan, Bangkok 10330	603	1
Future Park Bangkae, Room No. G13, 33-35 Soi Petchakasem, Pasecharoen, Bangkok	1,811	17
Central City Bangna, Room No. 134A, 1093 Bangna-Trad Road., Phakhranong, Bangkok	729	20
Jewelry Trade, Room No. 110, 1/F, 919/1 Silom Road, Bangkok 10500	681	21
Imperial Lardplao, Room No. AF-47, 1/F, 119/129 Lardpao Road, Bangkapi, Bangkok	1,453	16
Mall 8 Bangkapi, Room# GS-C13B, G/F, 3522 Ladproa Road, Bangkapi, Bangkok	754	19
Mall 7 Bangkae, Room No. IS-L8B, 1/F, 275 Petchicasem Road, Phasichareon, Bangkok	871	19
The Galleria, 111, Ground Floor at Jewelry Trade Center, 919/1 Silom Road, Bangrak, Bangkok	792	22
7/F Mar Boon Klong Center Building, 444 Phayathai Road, Bangkok	532	7
126 Moo 3, Room G-17 Saiasia Road, Klongsu Anphoo, Sriyuthaya	1,170	15
Siam Square II, 215/450, Soi chula 64, Patumwan, Bangkok 10330	400	2
128 Room 156/1, 1/F, Moo 6, Rama II Road Khwaengsamedam, Khet Bangkhuntien Bangkok	1,079	19

**PROPERTY PORTFOLIO**

<b>Commercial properties (own use)</b>	<b>Gross floor area (sq. ft.)</b>	<b>Remaining lease term (years)</b>
1B 11-12 Mar Boon Klong Center Building 444 Phayathai Road, Bangkok	824	7
128 Room#215, 2/F, Rama 2 Road Bang Khun Tian Bangkok	993	19
Central Ramindra, 118 First Floor at Central Ramindra, 109/25 Ramindra Road, Bangkhen, Bangkok	690	10
Central Pinklao, G-11A First Floor at Central Pinklao, 7/232 Boa-Rom Rachinee Road, Aroon Amarin, Bangkoknoi, Bangkok	1,169	11
Fashion Island, 1008, 1/F, Ramindra K.M. 10.5, Khannayao, Beungkum, Bangkok	1,059	19
Imperial World, AF-09, 1/F, Imperial Ladproa, Sukaphibal 1, Beungkum, Bangkok	777	17
Central Plaza Rachada Rama III, G29/2 G/F; 79/1-2, Sathupradit Road, Bangkok	1,003	19
Central Rama III, G29/1, 1/F, Rama III Road, Bangkok	1,078	19
Udorn, Room# A101, 1/F, Charoensri AR-KET, 277/3 Prachak Road, Udornthani	431	14
Sriracha Town, Room# 120, 1/F, 90 Sukumvit Road, Sriracha, Cholburi	1,009	16
Central Chiang Mai, Room 116-117, G/F, Central Airport Plaza, 2 Mahidol Road, Hai-Ya Distric, Chiang Mai	1,295	19
Room# 135B 1093, Bangna-Trad Road, Bangkok	1,033	20
55/3 Diana Complex, Sri-puvanard Road, Had-Yai Distric, Songkhla	538	10
<i>United Kingdom</i>		
Stelux House, First Avenue, Centrom 100, Burton-On-Trent, Staffordshire, DE14 2WH, England	12,000	Freehold

## PROPERTY PORTFOLIO

### Investment properties

#### *Kowloon*

Stelux House, 698 Prince Edward Road East,  
San Po Kong, Kowloon (exclude the portion for own use) 307,678 43

Shop No. 27, 1/F, Po Tin Building,  
39 Wai Chi Street, Pak Tin, Kowloon 336 43

#### *New Territories*

Unit 3, 1/F, Unit 3, 2/F, Po Yip Building, 62-70 Texaco Road,  
Tsuen Wan, New Territories 24,948 43

Unit No. 9 and 10, 3/F, and roof, Po Wai Building,  
12 Tak Yip Street, Yuen Long, N.T. 3,907 43

**Registered Office**

Canon's Court, 22 Victoria Street  
Hamilton, HM12, Bermuda

**Principal Office**

27th Floor, Stelux House  
698 Prince Edward Road East  
San Po Kong  
Kowloon  
Hong Kong

**Principal Bankers**

Bank of America (Asia) Limited  
DBS Bank (Hong Kong) Limited  
Hang Seng Bank Limited

**Legal Advisers**

Appleby, Spurling & Kempe  
Masons  
Johnson Stokes & Master

**Auditors**

PricewaterhouseCoopers

**Share Registrars**

Butterfield Fund Services (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

**Branch Share Registrars and Transfer Office**

Computershare Hong Kong Investor Services Limited  
Rooms 1901-5  
19th Floor  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

**PROFILE OF DIRECTORS AND SENIOR EXECUTIVES****Chairman**

WONG Chue Meng, Chairman of the Group since 1963 passed away on 15th June 2003. He was 82. Mr. Wong was one of the original founders of the Group.

WONG Chong Po, aged 62, was appointed Chairman of the Group in October 2003. He was the Managing Director of the Group from 1967 to 1995. He is also the Chairman of Bangkok Land Public Company Limited (Thailand).

**Vice Chairman and Chief Executive Officer**

Joseph C. C. WONG, Masters in Science (Operational Research), aged 44, was appointed a director of the Group in 1986. He was appointed Vice Chairman of the Group in October 2003. He is also the Group CEO. He is a brother of the Chairman.

**Directors**

Anthony CHU Kai Wah, BBA, aged 44, was appointed a director of City Chain Company Limited, a wholly owned subsidiary of the Group in 1992. He was also appointed Executive Director for Retail Trading and Property Investment of the Group in 1997. He joined the Group in 1987.

Sydney CHU Chun Keung, B.S. M.S. (Cornell), aged 53, was appointed a director of the Group in 1997. He is a Senior Lecturer with the Department of Mathematics at the University of Hong Kong. He is an independent non-executive director.

Sakorn KANJANAPAS, aged 54, was appointed a director of the Group in 1987. He was previously Managing Director of Bangkok Land Public Company Limited (Thailand). He is a brother of the Chairman. He is a non-executive director.

KWONG Yiu Chung, aged 71, was appointed a director of the Group in 1994 and is Managing Director of his privately owned Excess Trading Company Limited. He is an independent non-executive director.

Stan LEE Shu Chung, BA, aged 44, was appointed a director of City Chain Company Limited, a wholly owned subsidiary of the Group in 1992. He was also appointed Executive Director for Retail Trading and Marketing of the Group in 1997. He joined the Group in 1987.

WONG Yuk Woon, AHKSA, ACIB, aged 58, was appointed an Executive Director of the Group in 1997 and is responsible for the Group's Financial and Corporate Affairs. He joined the Group in 1992.

**Company Secretary**

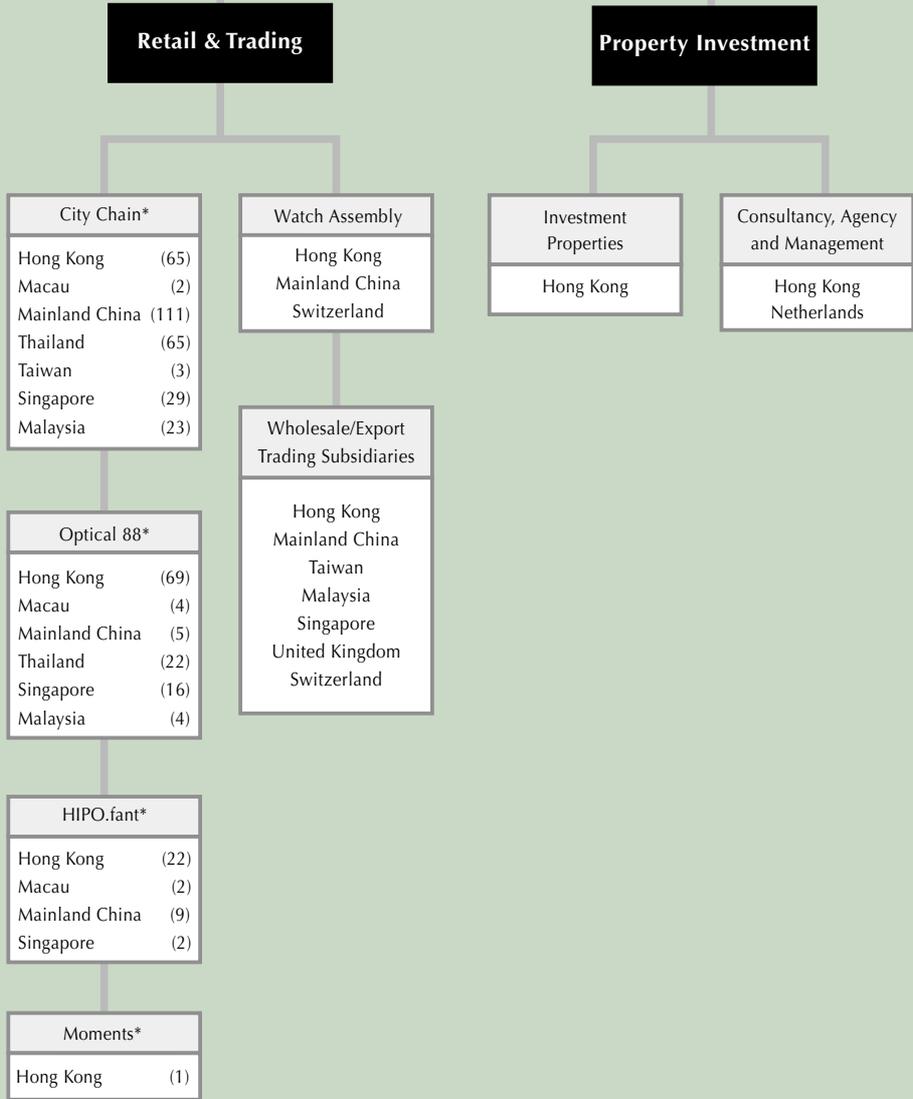
Caroline CHONG Sue Peng, BA (Law) (Hons), admitted as a Barrister in England and Wales, and, Hong Kong, aged 42, is the Group Legal Counsel and Company Secretary. She joined the Group in 1997. She is responsible for the Group's and its subsidiaries' legal and secretarial matters.

**Senior Executives**

TAM Tin Choi, aged 54 has been a director of City Chain Malaysia since 1993. He has more than 31 years experience in the watch industry.

Stuart WOOD, aged 60, is the Managing Director of Stelux Watch (UK) Limited, a wholly owned subsidiary of the Group. He has a marketing and business background and has 30 years of experience in the watch industry. He joined the Group in 1991.

**STELUX HOLDINGS INTERNATIONAL LIMITED**



\* Number of shops as at 30th June, 2004

**CORPORATE CITIZENSHIP**

The Company was presented with the Caring Company Award in February 2004. The Caring Company Scheme is organised by The Hong Kong Council of Social Service. The goal of the Caring Company Scheme is “to build a caring community spirit through cultivating corporate citizenship and strategic partnership between the business and social service sectors.” For more than 10 years, Stelux has been donating to the Hong Chi Association, both in cash and kind. In promoting equal opportunities, Stelux has adopted a policy of Equal Opportunities to eliminate any discrimination in sex, family status and disability in employment and the workplace.

City Chain Hong Kong employs persons with disabilities as watch repairers and also provides them with technical training.



**MAINLAND CHINA AND HONG KONG**

Equity Investment, Property Investment, Retail and Trading and Watch Assembling

- Stelux Holdings International Ltd
- Stelux Holdings Ltd
- Stelux Properties Ltd
- Optical 88 Ltd
- City Chain Co Ltd
- Stelux Watch Ltd
- Stelux Trading (International) Ltd  
27/F., Stelux House,  
698 Prince Edward Road East,  
San Po Kong, Kowloon, HONG KONG  
  
3/F., Kader Building  
22 Kai Cheung Road  
Kowloon Bay  
Kowloon, HONG KONG
- Poco Hippo Co Ltd  
4/F., Wang Fai Industrial Building  
29 Luk Hop Street  
San Po Kong, Kowloon, HONG KONG
- Xiong Teng (Shanghai) Trading Co Ltd  
Room 1402, 6 Ji Long Road  
Shanghai Waigaoqiao Free Trade Zone  
PRC

**TAIWAN**

Retail and Trading

- Titus International Trading (Taiwan) Co Ltd  
19/F., No. 102  
Sung Lung Road  
Taipei (110)  
TAIWAN

**MACAU**

Retail and Trading

- City Chain (Macau) Co Ltd
- Optical 88 (Macau) Ltd  
Edificio Banco Luso International  
Rua Dr Pedro Jose Lobo, nos 1-3  
27 – andar, MACAU

**MALAYSIA**

Retail and Trading

- City Chain (M) Sdn Bhd
- Optical 88 Eyecare (M) Sdn Bhd  
Unit 10.01, 10th Floor  
MCB Plaza, 6 Changkat Raja Chulan  
50200 Kuala Lumpur  
MALAYSIA

**THAILAND**

Retail and Trading

- City Chain (Thailand) Co Ltd
- Optical 88 (Thailand) Co Ltd  
47/543-544, Fl. 6 Jeneva Building  
Moo 3, Chaeng Wattana Road  
Ban-Mai, Pak-Kred  
Nonthaburi 11120  
THAILAND

**SINGAPORE**

Equity Investment, Retail and Trading

- Stelux Watch Holdings Ltd (in member's voluntary liquidation)
- City Chain Stores (S) Pte Ltd
- Optical 88 (S) Pte Ltd
- Poco Hippo Co (S) Pte Ltd  
315 Outram Road #10-03  
Tan Boon Liat Building  
Singapore 169074  
SINGAPORE

**UNITED KINGDOM**

Trading

- Stelux Watch (UK) Ltd  
Stelux House, First Avenue,  
Centrum 100, Burton-On-Trent,  
Staffordshire, DE14 2WH,  
ENGLAND

**SWITZERLAND**

Watch Assembling and Trading

- Universal Geneve S.A.
- Solvil et Titus S.A.
- Pronto Watch S.A.  
6 Route des Acacias  
1227 Les Acacias – Geneve  
SWITZERLAND

\* Status as at 30th June 2004