

# STELUX Holdings International Limited

(incorporated in Bermuda with limited liability)  
(Website: <http://www.irasia.com/listco/hk/stelux>)

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH 2002

### RESULTS

The audited consolidated results were as follows:

	For the year ended		2001				
	31st March		Investment	Property	Retail and trading	Eliminations	Group
	2002	2001	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	1,217,563	1,243,273	13,260	94,487	1,149,603	(14,077)	1,243,273
Cost of sales	(463,769)	(520,889)	3,409	72,660	42,686	-	118,755
Gross profit	753,794	722,384	-	-	-	-	14,847
Other income	25,387	25,097	-	-	-	-	6,248
Selling expenses	(500,520)	(480,268)	-	-	-	-	(36,659)
General and administrative expenses	(157,602)	(170,645)	-	-	-	-	103,191
Other operating expenses	(76,508)	(57,789)	-	-	-	-	(44,709)
(Deficit)/net surplus on revaluation of investment properties	(26,900)	25,517	-	-	-	-	58,482
Forfeiture of deposit received on disposal of land and buildings	14,133	-	-	-	-	-	(3,084)
Write back of provision for construction cost payable	20,570	-	-	-	-	-	55,398
Provision for impairment in value of land and buildings	(12,154)	-	-	-	-	-	-
(Loss)/net profit on disposals of land and buildings	(5,621)	18,083	-	-	-	-	55,398
Profit on repurchase of convertible notes	-	14,847	-	-	-	-	-
Foreign exchange gain on convertible notes	-	6,248	-	-	-	-	-
Net unrealised loss on marketable securities	-	(283)	-	-	-	-	-
Operating profit before financing	34,579	103,191	-	-	-	-	55,398
Finance costs	(36,234)	(44,709)	-	-	-	-	-
(Loss)/profit before taxation	(1,655)	58,482	-	-	-	-	-
Taxation	(8,079)	(3,084)	-	-	-	-	-
(Loss)/profit after taxation	(9,734)	55,398	-	-	-	-	-
Minority interests	-	-	-	-	-	-	-
(Loss)/profit attributable to shareholders	(9,734)	55,398	-	-	-	-	-
(Loss)/earnings per share	HK cents	HK cents	-	-	-	-	-
- Basic	(1.04)	5.92	-	-	-	-	-
- Diluted	N/A	5.89	-	-	-	-	-

### Notes:-

#### 1. 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").

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised)	: Events after the balance sheet date
SSAP 14 (revised)	: Leases
SSAP 26	: Segment reporting
SSAP 28	: Provisions, contingent liabilities and contingent assets
SSAP 29	: Intangible assets
SSAP 30	: Business combinations
SSAP 31	: Impairment of assets
SSAP 32	: Consolidated financial statements and accounting for investments in subsidiaries

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

- Goodwill arising on acquisition of subsidiary companies on or after 1st April 2001 is included in the balance sheet as a separate asset and amortised using the straight line method over its estimated useful life of not more than 20 years. In prior years, goodwill on acquisition was taken directly to reserve. This change in accounting policy has no effect on the accounts for the year.
- In prior years, the Group capitalised an internally generated trademarks and patents amounting to HK\$1,000,000. Upon the adoption of SSAP 29, this internally generated trademarks and patents did not meet the recognition criteria prescribed in the new accounting standard. In accordance with the transitional provision of SSAP 29, this change in accounting policy has been applied retrospectively and as a result, trademarks and patents and reserves of the Group as at 31st March 2001 and 31st March 2000 have decreased by HK\$1,000,000.

#### 2. Segment information

By business segment

	2002				
	Investment	Property	Retail and trading	Eliminations	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	1,988	51,722	1,176,306	(12,453)	1,217,563
Segment results	1,971	17,842	43,293	-	63,106
Net corporate expenses	-	-	-	-	(28,527)
Operating profit before financing	-	-	-	-	34,579
Finance costs	-	-	-	-	(36,234)
Loss before taxation	-	-	-	-	(1,655)
Taxation	-	-	-	-	(8,079)
Loss after taxation	-	-	-	-	(9,734)
Minority interests	-	-	-	-	-
Loss attributable to shareholders	-	-	-	-	(9,734)

	2001				
	Investment	Property	Retail and trading	Eliminations	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	13,260	94,487	1,149,603	(14,077)	1,243,273
Segment results	3,409	72,660	42,686	-	118,755
Profit on repurchase of convertible notes	-	-	-	-	14,847
Foreign exchange gain on convertible notes	-	-	-	-	6,248
Net corporate expenses	-	-	-	-	(36,659)
Operating profit before financing	-	-	-	-	103,191
Finance costs	-	-	-	-	(44,709)
Profit before taxation	-	-	-	-	58,482
Taxation	-	-	-	-	(3,084)
Profit after taxation	-	-	-	-	55,398
Minority interests	-	-	-	-	-
Profit attributable to shareholders	-	-	-	-	55,398
By geographical segment	-	-	-	-	-
	2002	2001	2001	2001	2001
	Turnover	Segment results	Turnover	Segment results	Turnover
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	745,659	13,875	795,873	90,932	90,932
South East and Far East Asia	277,787	10,403	252,608	(948)	(948)
Europe	167,830	38,211	160,355	27,216	27,216
North America	14,118	(887)	19,275	(918)	(918)
PRC Mainland	12,169	1,504	15,162	2,473	2,473
	1,217,563	63,106	1,243,273	118,755	118,755

#### 3. Operating profit before financing

Operating profit before financing is stated after charging:

	2002		2001	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	-	-	-	-
Owned fixed assets	-	53,120	-	51,347
Leased fixed assets	-	398	-	841
Amortisation of trademarks and patents	-	2,351	-	3,087
Loss on disposal of fixed assets	-	1,721	-	2,047
Loss on sales of marketable securities	-	17	-	9,851
and after crediting:	-	-	-	-
Dividend income	-	1,456	-	1,180
Interest income	-	7,300	-	8,052
Taxation	-	-	-	-
Hong Kong profits tax	-	-	-	-
Current taxation	-	(29)	-	(28)
Under provision in respect of prior years	-	(4,325)	-	(46)
Overseas profits tax	-	-	-	-
Current taxation	-	(4,794)	-	(4,465)
Over provision in respect of prior years	-	1,069	-	1,306
Deferred taxation	-	-	-	149
	-	(3,725)	-	(3,010)
	-	(8,079)	-	(3,084)

The amount of taxation charged to the audited consolidated results represents:

	For the year ended	
	2002	2001
	HK\$'000	HK\$'000
Hong Kong profits tax	-	-
Current taxation	(29)	(28)
Under provision in respect of prior years	(4,325)	(46)
Overseas profits tax	-	-
Current taxation	(4,794)	(4,465)
Over provision in respect of prior years	1,069	1,306
Deferred taxation	-	149
	(3,725)	(3,010)
	(8,079)	(3,084)

#### 5. Final dividends

The directors do not recommend the payment of a dividend for the year (2001: nil).

#### 6. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the Group's loss attributable to shareholders of HK\$9,734,000 (2001: profit of HK\$55,398,000) and on the weighted average number of 936,340,023 shares (2001: 936,340,023 shares) in issue during the year.

The exercise of the share options granted by the Group would have an anti-dilutive effect on the loss per share for the year ended 31st March 2002.

#### 7. Contingent liabilities

The status of the Group's arbitration for Stelux House was fully disclosed in the Annual Report 2001. There was no significant change during the year except that determination of this arbitration is scheduled in the last quarter of the year 2002.

#### MANAGEMENT DISCUSSION AND ANALYSIS

Group turnover this year was HK\$1,217 million slightly lower than the previous year's turnover of HK\$1,243 million. This year the Group reported a loss attributable to shareholders of HK\$10 million compared to a profit of HK\$55 million last year due primarily to a provision of HK\$39 million on the revaluation of fixed assets and investment properties.

#### Retail and Trading Division

Overall this year, our core retail and trading businesses maintained a profit level similar to last year at HK\$24 million albeit amidst the extremely weak retail sentiment in Asia. Continued improvements last year in key areas like product development, quality, mix and shop location contributed to the results.

#### Hong Kong Retail

The difficult conditions in Hong Kong continued to impact on our three retail chains. City Chain recorded a drop in profit to HK\$11 million compared to HK\$19 million last year. Both Optical 88 and Hipo.fant reported losses. Promotions, packaged services and customer loyalty programmes at competitive prices helped to maintain turnover which remained almost unchanged but lower margins continued to drag down the results of these three chains. Efforts to better profit margins will continue by increasing products with healthier margins through change of product mix and improvements on sourcing.

#### Asian Retail

Retail operations in South East Asia and Macau recorded significant growth in both turnover and profit compared to last year with the exception of Hipo.fant in Singapore where investment in brand building continues. Operating profit for this year, after taking into account a write off of HK\$6 million for closing down operations in Indonesia, was HK\$8 million compared to a slight loss last year. Thailand, Singapore and Macau contributed mainly to the improved results. Our marketing efforts and effective cost controls boosted profitability. Losses in Taiwan were also reduced on closing down non-performing shops and restructuring of operations.

#### Export and Trading

Turnover of our watch export and overseas trading subsidiaries was maintained at a similar level compared to last year. An overall profit of HK\$14 million was reported compared to a profit of HK\$9 million last year. Results would have been generally better but for the strong US currency during the period, the September 11th events and a less than expected response to some new watch models. Our U.K. subsidiary, in particular, reported double digit growth in both turnover and profit.

#### Property Investment

Stelux House continues to contribute stable income and leases due for renewal have been renewed at satisfactory rents. At the year end, a deficit on revaluation of Stelux House amounted to HK\$23 million while a deficit on revaluation of other investment properties amounted to HK\$4 million. In addition, impairment charge for a shop property amounting to HK\$12 million was provided for in the year. A shop property was disposed for HK\$21 million at a slight loss. Presently, the Group still owns 2 shops in Hong Kong and 5 shops in Macau.

#### Prospects

Tough retail conditions in Hong Kong will persist but based on the performance of the first quarter ending 30th June 2002, we nevertheless expect to see improved results from the three chains in the next year.

With the South East Asian economies picking up, we will continue with our strategy of growth in countries like Thailand, Malaysia and Singapore by selectively opening shops.

Optimism is high for the Group's flagship brand Universal Geneve which has been remodelled to attract younger customers. Initial sales have been good. With a focused marketing team in place, we expect sales to contribute to the performance of our major export and watch trading subsidiaries next year.

In summary, for the next year, we will continue with the strategies which we have implemented so far. Firstly, selective growth in some countries by developing market share through opening more shops and closing non-performing shops when their leases expire. Secondly, continued improvements in key operational areas, like product development, product mix and sourcing. Thirdly, effective cost controls to reduce operational costs.

Barring unforeseen circumstances, we expect our core businesses to report positive results next year.

#### FINANCE

The Group's bank borrowings at balance sheet date were HK\$511 million (2001: HK\$511 million), out of which, HK\$235 million (2001: HK\$203 million) were repayable within 12 months. The Group's gearing ratio at balance sheet date was 0.68 (2001: 0.68), which was calculated based on the Group's bank borrowings and shareholders' funds of HK\$746 million (2001: HK\$757 million).

Of the Group's bank borrowings, 3% (2001: 4%) 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.

#### CAPITAL STRUCTURE OF THE GROUP

There was no change in the capital structure of the Group during the year except that 3,000,000 share options previously held by Mrs. Sudarat Sagarinno have lapsed upon her resignation from the board on 23rd August 2001. Details of outstanding share options will be disclosed in the Group's Annual Report 2002.

#### CHANGES IN THE COMPOSITION OF THE GROUP DURING THE YEAR

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

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

The Group's remuneration policies are reviewed on a regular basis and remuneration packages are in line with market practices in the relevant countries where the Group operates. As of 31st March 2002, the Group had 1,817 (2001: 1,853) employees.

#### DETAILS OF THE CHARGES ON GROUP ASSETS

At 31st March 2002, certain of the Group's land and buildings amounting to HK\$176 million (2001: HK\$238 million), investment properties amounting to HK\$565 million (2001: HK\$592 million) and equipment amounting to HK\$1.7 million (2001: HK\$2 million) were pledged to secure banking facilities granted to the Group.

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

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

#### 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 on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year except that the independent non-executive directors of the Company are not appointed for a specific term.

**DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE**  
A detailed announcement of annual results of the Group for the year ended 31st March 2002 containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange (<http://www.hkex.com.hk>) in due course.

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

HONG KONG, 19th July 2002

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Stelux Holdings International Limited (the "Company") will be held at 5/F., Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong on Friday, 6th September, 2002 at 11:30 a.m. for the following purposes:-

- To receive and consider the audited financial statements of the Company and the reports of the Directors and Auditors thereon for the year ended 31st March, 2002;
- To elect Directors and to authorise the Board to fix the remuneration of the Directors for the ensuing year;
- To consider and, if thought fit, re-appoint PricewaterhouseCoopers as Auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next annual general meeting of the Company and to authorise the Directors to fix their remuneration;
- As special businesses:

#### ORDINARY RESOLUTIONS

To consider and, if thought fit, adopt with or without amendments, the following ordinary resolutions:-

- (A) "THAT:
- subject to paragraph (ii) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase shares of the Company be and it is hereby generally and unconditionally approved;
  - the aggregate nominal amount of shares which may be purchased on The Stock Exchange of Hong Kong Limited or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (i) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution, and the said approval shall be limited accordingly; and
  - for the purpose of this resolution "Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:
    - the conclusion of the next annual general meeting of the Company;
    - the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or The Companies Act 1981 of Bermuda (as amended) to be held; and
    - the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders in general meeting."
- (B) "THAT:
- subject to paragraph (iii) below and subject to the consent of the Bermuda Monetary Authority, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and it is hereby generally and unconditionally approved;
  - the approval in paragraph (i) shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
  - the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (i), otherwise than pursuant to (a) a Rights Issue, (b) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the

- (iv) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

- the conclusion of the next annual general meeting of the Company;
- the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company or the Companies Act 1981 of Bermuda (as amended) to be held; and
- the revocation or variation of the approval given by this resolution by ordinary resolution of the shareholders in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong)."

- (C) "THAT the Directors of the Company be and they are hereby authorised to exercise the powers of the Company referred to in paragraph (i) of the resolution set out as resolution (B) in the notice of the meeting of which this resolution forms a part in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (iii) of such resolution."

By order of the Board  
**Caroline Chong**  
Company Secretary

Hong Kong, 19th July, 2002

Principal Office:  
27/F., Stelux House  
698 Prince Edward Road East  
San Po Kong  
Kowloon  
Hong Kong

Notes:-

- A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company.
- The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, shall be delivered to the Company's Hong Kong registrar, Computershare Hong Kong Investor Services Limited, 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjourned meeting.