

# STELLUX Holdings International Limited

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

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH 2003

### RESULTS

The audited consolidated results were as follows:

	For the year ended 31st March	
	2003 HK\$'000	2002 HK\$'000
Turnover ( <i>Note 2</i> )	1,198,122	1,217,563
Cost of sales	(455,976)	(463,769)
Gross profit	742,146	753,794
Other income	20,386	25,387
Selling expenses	(505,471)	(500,520)
General and administrative expenses	(156,592)	(157,602)
Other operating expenses	(71,491)	(76,508)
Deficit on revaluation of investment properties	(33,230)	(26,900)
Provision for impairment in value of land and buildings	(4,800)	(12,154)
Gain/(loss) on disposal of land and buildings	110	(5,621)
Forfeiture of deposit received on disposal of land and buildings	–	14,133
Write back of provision for construction cost payable	–	20,570
Operating (loss)/profit before financing ( <i>Note 3</i> )	(8,942)	34,579
Finance costs	(29,040)	(36,234)
Loss before taxation	(37,982)	(1,655)
Taxation ( <i>Note 4</i> )	(3,234)	(8,079)
Loss after taxation	(41,216)	(9,734)
Minority interests	–	–
Loss attributable to shareholders	(41,216)	(9,734)

HK cents

HK cents

Loss per share (*Note 6*)

– basic	(4.40)	(1.04)
– diluted	N/A	N/A

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 2002:

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

The adoption of these new and revised SSAPs has no material effect on the Group’s results other than presentational changes in respect of the presentation of consolidated statement of changes in equity and consolidated cash flow statement. Certain comparative figures have been reclassified to conform with the current year’s presentation.

## 2. Segment information

*By business segments*

	2003				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					(3,234)
Loss after taxation					(41,216)
Minority interests					–
Loss attributable to shareholders					(41,216)

	<b>2002</b>				
	<b>Investment</b> <i>HK\$'000</i>	<b>Property</b> <i>HK\$'000</i>	<b>Retail and trading</b> <i>HK\$'000</i>	<b>Eliminations</b> <i>HK\$'000</i>	<b>Group</b> <i>HK\$'000</i>
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)

*By geographical segments*

	<b>2003</b>		<b>2002</b>	
	<b>Turnover</b> <i>HK\$'000</i>	<b>Segment results</b> <i>HK\$'000</i>	<b>Turnover</b> <i>HK\$'000</i>	<b>Segment results</b> <i>HK\$'000</i>
Hong Kong	702,719	(40,346)	745,659	13,875
South East and Far East Asia	278,482	19,245	277,787	10,403
Europe	197,911	37,364	167,830	38,211
North America	9,213	490	14,118	(887)
PRC Mainland	9,797	581	12,169	1,504
	<b>1,198,122</b>	<b>17,334</b>	<b>1,217,563</b>	<b>63,106</b>

**3. Operating (loss)/profit before financing**

	<b>For the year ended</b> <b>31st March</b>	
	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Operating (loss)/profit before financing is stated after charging:		
Depreciation		
Owned fixed assets	50,757	53,120
Leased fixed assets	603	398
Amortisation of trademarks and patents	1,850	2,351
Loss on disposal of fixed assets	463	1,721
Loss on sales of marketable securities	-	17
Legal expenses written off	10,842	-

and after crediting:		
Dividend income	1,946	1,456
Interest income	6,988	7,300
	<u>          </u>	<u>          </u>

#### 4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profit for the year less relief for available tax losses. 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 to the audited consolidated results represents:

	<b>For the year ended</b>	
	<b>31st March</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax		
Current taxation	(62)	(29)
Under provision in respect of prior years	—	(4,325)
	<u>          </u>	<u>          </u>
	----- (62)	----- (4,354)
Overseas profits tax		
Current taxation	(3,249)	(4,794)
Over provision in respect of prior years	77	1,069
	<u>          </u>	<u>          </u>
	----- (3,172)	----- (3,725)
	<u>          </u>	<u>          </u>
	<u>          </u> (3,234)	<u>          </u> (8,079)

#### 5. Final dividends

The directors do not recommend the payment of a dividend for the year (2002: Nil).

#### 6. Loss per share

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$41,216,000 (2002: HK\$9,734,000) and on the weighted average number of 936,340,023 shares (2002: 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 both years.

#### 7. Contingent liabilities

The status of the Group's arbitration for Stelux House was fully disclosed in the Annual Report 2002. There was no significant change during the year except that the arbitration hearing for the claims took place in the fourth quarter of 2002. To date, the arbitration award has not been handed down. In the opinion of the directors, the Group is not required to make any provisions for the claims by the contractor.

## MANAGEMENT DISCUSSION AND ANALYSIS

Group turnover this year was HK\$1,198 million slightly lower than the previous year's turnover of HK\$1,217 million. This year the Group reported a larger loss attributable to shareholders of HK\$41 million compared to HK\$10 million last year. Losses this year were due primarily to a provision of HK\$38 million on the revaluation on investment properties and provision for the impairment in value of land and buildings.

### **Retail and Trading Division**

Our core retail and trading businesses posted a drop in profit to HK\$18 million this year, compared to a profit of HK\$27 million reported last year. Turnover dropped marginally by less than 2%. Strategies implemented so far, like selective expansion in some Asian countries, operational improvements to better margins and effective cost controls contributed to the positive performance. However, the smaller profit posted was due to the joint impact of SARS and uncertainty stemming from the Iraqi War.

#### *City Chain*

Our City Chain Hong Kong and Asian operations posted a higher profit of HK\$24 million compared to a profit of HK\$16 million last year. Turnover fell by 6.5%. SARS dragged down Hong Kong's performance in the month of March – a period when seasonal sales traditionally contribute significantly to turnover.

Individual operations in Thailand, Singapore, Malaysia and Macau reported positive results with the exception of Taiwan reporting a loss of HK\$5 million. Restructuring activities have been completed in Taiwan the effect of which is to maintain a minimum retail presence in several key locations.

“adidas”, “Cyma” and “Solvil et Titus” watch brand counters have been established in key locations in China to further enhance brand identity amongst Chinese consumers. Two City Chain shops have also been opened in Guangzhou.

#### *Optical 88*

Our Optical 88 Hong Kong and Asian operations reported a profit of HK\$3 million compared to a loss of HK\$1 million last year. Turnover was maintained. Better gross margins and the closure of non-performing shops contributed to the improved results. Staff enhancement training at all levels has taken place this year in Hong Kong as a means of improving quality of services. We expect to see further improvement in gross margins next year.

Two Optical 88 shops have also been opened in Guangzhou.

## *Hipo.fant*

Our Hipo.fant Hong Kong and Asian operations reported poor results with a loss of HK\$14 million, compared to a loss last year of around HK\$4 million. Turnover was down by 8%. In Hong Kong, weak sentiment and low margins due to heavy discounting contributed to the poor performance. Initial response to the new face of Hipo.fant and new product lines unveiled in February 2003 was positive but much of that impact was whittled away by the SARS outbreak in early March. Cost control measures have now been implemented to improve overall results in the next year.

## *Watch Assembly, Export and Trading*

The profits of our export and overseas trading subsidiaries and watch assembly subsidiaries dropped considerably this year from a profit of HK\$16 million last year to a profit of HK\$5 million this year. The result was affected by uncertainty surrounding the Iraqi War during the year.

## **Property Investment**

Stelux House continues to contribute stable income to the Group. Rental income for the year was approximately HK\$33 million (2002: HK\$32 million). The total floor area occupied was 93.27% (2002: 91.02%).

## **Prospects**

The SARS outbreak has impacted on the first quarter's (2003/2004) retail sales turnover across Hong Kong and Asia. Market conditions in Hong Kong will remain tough. Although the return of visitors over the next few months will help to boost turnover to pre-SARS levels, we do not expect to see a marked improvement from our Hong Kong retail business next year as local purchasing power is still weak. Consolidation will continue with the closure of non-performing shops. Together with better cost control and better margins, we expect our Hong Kong business to remain profitable.

We shall continue to focus on selective expansion in Asian countries for all three chains next year. We expect this region to post improved profits in the next year.

Through the year much preparatory work has been done in China in anticipation of the lifting of retail restrictions in 2004. This preparatory work will continue for all three chains next year. In particular, Hipo.fant will set up brand counters in key cities in China.

## **FINANCE**

The Group's bank borrowings at balance sheet date were HK\$529 million (2002: HK\$511 million), out of which, HK\$264 million (2002: HK\$235 million) were repayable within 12 months. The Group's gearing ratio at balance sheet date was 0.74 (2002: 0.68), which was calculated based on the Group's bank borrowings and shareholders' funds of HK\$710 million (2002: HK\$746 million).

Of the Group's bank borrowings, 3% (2002: 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.

## **CAPITAL STRUCTURE OF THE GROUP**

There was no change in the capital structure of the Group during the year except that 6,000,000 share options have lapsed during the year. Details of outstanding share options will be disclosed in the Group's Annual Report 2003.

## **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 2003, the Group had 1,773 (2002:1,817) employees.

## **DETAILS OF THE CHARGES ON GROUP ASSETS**

At 31st March 2003, certain of the Group's land and buildings amounting to HK\$169 million (2002: HK\$176 million), investment properties amounting to HK\$532 million (2002: HK\$565 million), bank deposits amounting to HK\$2 million (2002: Nil) and other debtor amounting to HK\$50 million (2002: Nil) 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 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 2003 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, 17th July 2003

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## **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, 5th September, 2003 at 11:30 a.m. for the following purposes:–

1. 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, 2003;
2. To elect Directors and to authorise the Board to fix the remuneration of the Directors for the ensuing year;
3. 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;
4. As special businesses:

### **ORDINARY RESOLUTIONS**

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

(A) "THAT:

- (i) 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;

- (ii) 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
- (iii) for the purpose of this resolution “Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:
  - (a) the conclusion of the next annual general meeting of the Company;
  - (b) 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
  - (c) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders in general meeting.”

(B) “THAT:

- (i) 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;
- (ii) 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;
- (iii) 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 Company (c) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the

Company or (d) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company, shall not exceed the aggregate of: (aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution and (bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 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

(iv) for the purposes of this resolution:

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

- (a) the conclusion of the next annual general meeting of the Company;
- (b) 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
- (c) 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, 17th July, 2003

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

*Notes:–*

1. 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.
2. 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.