

**STELUX**  
**Holdings International Limited**

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寶光實業(國際)有限公司

Annual Report 2005

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**FINANCIAL SUMMARY**

	2001	2002	2003	(As restated) 2004	2005
	<i>HK\$'M</i>	<i>HK\$'M</i>	<i>HK\$'M</i>	<i>HK\$'M</i>	<i>HK\$'M</i>
Consolidated profit and loss account for the year ended 31st March					
Turnover	1,243.3	1,217.6	1,198.1	1,218.0	<b>1,421.6</b>
Profit/(loss) attributable to shareholders	55.4	(9.7)	(32.1)	82.7	<b>171.0</b>
Interim dividend paid	–	–	–	–	<b>9.5</b>
Final dividend proposed	–	–	–	18.9	<b>23.8</b>
Consolidated balance sheet as at 31st March					
Assets	1,718.9	1,614.8	1,576.0	1,677.3	<b>1,830.6</b>
Less: Liabilities and minority interests	962.6	868.9	857.8	854.8	<b>867.2</b>
Shareholders' funds	756.3	745.9	718.2	822.5	<b>963.4</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Per share data					
Earnings/(loss)	0.059	(0.010)	(0.034)	0.088	<b>0.181</b>
Proposed dividends	–	–	–	0.020	<b>0.025</b>
Net assets	0.808	0.797	0.767	0.872	<b>1.013</b>

The financial information for the years 2001 to 2003 has not been adjusted in respect of the changes in accounting policies for investment properties and deferred taxation.

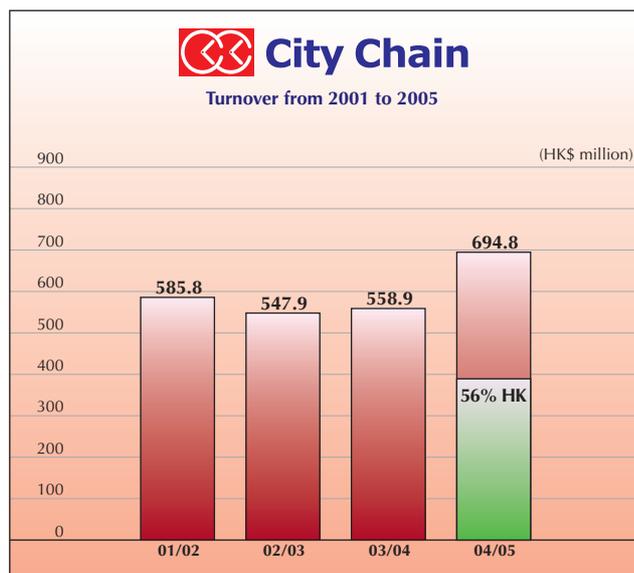
The Group reported a 16% increase in turnover, from HK\$1,218 million last year compared to HK\$1,421 million this year. This year the Group is pleased to announce a profit attributable to shareholders of HK\$171 million compared to a profit of HK\$83 million last year (as restated), a year on year increase of 107%.

The Directors recommend the payment of a final dividend of HK\$0.025 (2004: HK\$0.02) per ordinary share. Total dividends paid and proposed for the financial year ended 31st March 2005 was HK\$0.035 (2004: HK\$0.02).

**WATCH BUSINESS**

**Retailing – City Chain**

Our watch retailing business reported a 61% increase in pre-tax profits, from HK\$49 million last year to HK\$78 million before provision for adidas stocks of HK\$9 million this year. Turnover was also up by 24% to HK\$695 million.



\* Excluding impairment of land and buildings of HK\$2,000,000.

Several factors contributed to these pleasing results.

- Improving gross margins. Successful marketing of the Group’s high margin watch brands, together with an effective sales staff incentive scheme helped to drive turnover and improve gross margins.
- Expansion in the region.
- Improved Asian economies, and in particular, the strong recovery in the Hong Kong retail sector.

Generally, our subsidiaries reported double digit growth in turnover and profits either meeting or exceeding our expectations. Shop expansion continued to be in line with our targets, with Malaysia and Thailand growing at the fastest pace.

City Chain Hong Kong was a major profit contributor, reporting pre-tax profits of HK\$44 million, an increase of 106% from last year. As anticipated, Hong Kong landlords sought increased rentals on lease renewals.

The successful advertising campaign for "Solvil et Titus" continued to run during the year, contributing to increased watch sales. Subsequent to the period under review, a leading artiste was signed up to promote the Group's Swiss watch brand, "CYMA", which retails at City Chain stores in Asia.

Our mid-term targets for City Chain are:

- To maintain double digit growth in turnover and profits for the FY 2005/06.
- To accelerate growth of our non-Hong Kong business so that it comprises more than 60% of City Chain's turnover by FY 2007/08.
- To further improve gross margins in order to neutralize the negative effects of escalating rentals and operating costs.

#### **Export & Trading**

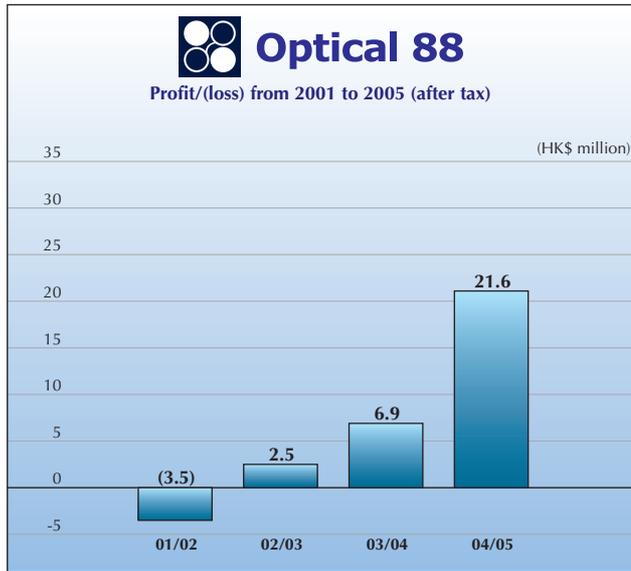
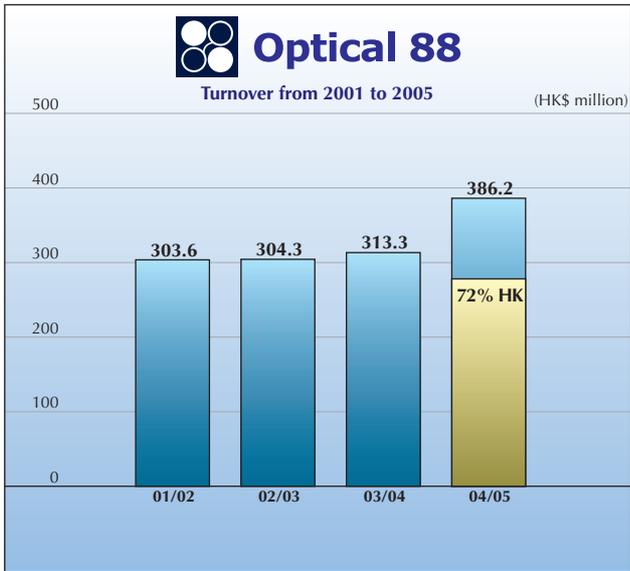
As anticipated, the ending of the adidas watch partnership impacted on Q4 sales dragging down turnovers. Our UK distribution subsidiary reported a small loss and pre-tax profits were down 11% at our HK export subsidiary to HK\$12 million. This was due to the lower turnover and additional investment made in re-building the Group's own brand ellesse. The Everlast watch was launched in Basel 2005 with a good response. Moreover, other watch brand licensing arrangements are under negotiation.

Due to the early termination of the adidas licence at the end of December 2005, the stocks have been written down to their net realisable value and a stock provision of HK\$9 million was charged to the profit and loss account this year.

**OPTICAL BUSINESS**

**Retailing – Optical 88**

Our optical retailing business returned much better results with pre-tax profits of HK\$23 million compared to HK\$9 million last year, a year on year increase of nearly 140%. Turnover was also up by 23% to HK\$386 million. Hong Kong and Thailand were major profit contributors reporting profits of HK\$17 million and HK\$7 million respectively. Likewise, the strong recovery in the Hong Kong retail sector, better gross margins and aggressive opening of shops contributed to the positive results.



Optical 88 Hong Kong, continued to increase its market share during the year by opening more shops and improving the performance of existing shops. Staff incentive schemes; enhanced deployment of staff to high volume shops; and bringing in high margin exclusive agency brands all contributed to the increased turnover and profits.

Our mid-term targets for Optical 88 are:

- To maintain a double digit growth in turnover and profits for FY 2005/06.
- To accelerate growth of our non-Hong Kong business so that it comprises no less than 50% of Optical 88’s turnover by FY 2007/08.
- To further improve gross margins in order to neutralize the negative effects of escalating rentals and operating costs.

**HIPO.FANT CHILDREN WEAR**

Although, Hipo.fant Hong Kong and regionally reported improved performances compared to last year, a loss before stock provision of nearly HK\$8 million was still recorded this year. After a re-evaluation of the chain's past performance and prospects for future development, the directors are of the view that the business should be closed. Owing to the closure, in addition to normal provision for obsolete stock of HK\$2 million, an additional provision of HK\$15 million has been made to write down the stocks to their net realisable value for this financial year. A separate announcement containing more details regarding the closure will be published on 15th July 2005.

**PROPERTY INVESTMENT**

Stelux House continues to contribute stable income to the Group. Rental income for the year was approximately HK\$23 million (2004: HK\$30 million). The average floor area occupied during the year was 84.26% (2004: 85.49%). Surplus on revaluation of investment properties was HK\$154 million compared to a surplus of HK\$26 million last year.

**GROUP STRATEGIES**

- We shall focus on what we are best at – the watch and optical businesses. We aim to be Asia's leading watch and optical group – two businesses where the Group now already enjoy competitive advantages. In attaining this goal, resources will be focused on these two core businesses, building retail/wholesale distribution networks in Asia, our home market, in the coming years.
- We look to grow our home market by organic expansion as well as acquisition of businesses which compliment and synergize with our existing businesses.
- We consider Europe, Japan, North America and Middle East as export markets, where we have built a network of distributor partners for adidas watch over the last 10 years.
- We intend to build our watch export business with a portfolio of house and licensed brands for long term growth. Once this is completed in two to three years time, the Group's watch business would become more globalized.
- It is expected that funds for growing our business will come from internal funds and bank borrowings.

**FINANCE**

The Group's bank borrowings at balance sheet date were HK\$495 million (2004: HK\$503 million), out of which, HK\$216 million (2004: HK\$253 million) were repayable within 12 months. The Group's gearing ratio at balance sheet date was 0.51 (2004: 0.61, as restated), which was calculated based on the Group's bank borrowings and shareholders' funds of HK\$963 million (2004: HK\$822 million, as restated).

Of the Group's bank borrowings, 3% (2004: 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.

**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 2005, the Group had 2,259 (2004: 2,048) 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**

With the liberalisation of China's retail markets and the opening of major tourist attraction projects in Hong Kong, Singapore and Macau, we see substantial growth potential for our retail businesses, City Chain and Optical 88, in the next two to three years.

High oil prices, escalating rentals and other operating costs will have some impact on the performance of individual countries but generally, we remain optimistic that our core businesses will continue to perform.

On behalf of the Board

**Joseph C. C. Wong**

*Vice Chairman and Chief Executive Officer*

Hong Kong, 14th July 2005

The directors submit their report together with the audited accounts for the year ended 31st March 2005.

**PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The activities of its principal subsidiary companies are shown on pages 51 to 54.

**RESULTS AND DIVIDENDS**

The results of the Group for the year ended 31st March 2005 are set out in the consolidated profit and loss account on page 17.

The directors declared an interim dividend of HK\$0.01 per ordinary share, totalling HK\$9,513,000, which was paid on 15th February 2005.

The directors recommend the payment of a final dividend of HK\$0.025 (2004: HK\$0.02) per ordinary share totalling HK\$23,784,000.

**RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in note 26 to the accounts.

**DONATIONS**

During the year, the Group made charitable donations of HK\$3,171,000.

**FIXED ASSETS**

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

**PRINCIPAL PROPERTIES**

Details of principal properties held for own use and for investment purposes are set out in page 55 to 59.

**SHARE CAPITAL AND SHARE OPTIONS**

Details of the movements in share capital and share options of the Company are set out in note 25 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 Chong Po</b>	
Joseph C. C. <b>Wong</b>	
<b>Chu Kai Wah</b> , Anthony	
Sakorn <b>Kanjanapas</b>	
<b>Lee Shu Chung</b> , Stan	
<b>Wong Yuk Woon</b>	
<b>Kwong Yiu Chung</b>	(independent non-executive)
<b>Chu Chun Keung</b> , Sydney	(independent non-executive)
<b>Wu Chun Sang</b>	(independent non-executive – appointed on 22nd September 2004)

Dr. Sydney Chu Chun Keung has tendered his resignation as an independent non-executive director on 14th July 2005 effective from 1st August 2005.

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

In accordance with Bye-law 110(A), Mr Anthony Chu Kai Wah and Mr Stan Lee Shu Chung will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Mr Wu Chun Sang's appointment by the Board of Directors in accordance with Bye-law 101 will come to an end at the forthcoming Annual General Meeting and, being eligible, offers himself 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 their 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 2005 amounted to HK\$13,012,000 (2004: HK\$6,442,000).

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 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.

The details of share options granted to the directors are as follows:

	<b>Total outstanding</b>	
	<b>at</b>	<b>at</b>
	<b>31st March</b>	<b>1st April</b>
	<b>2005</b>	<b>2004</b>
	<hr/>	<hr/>
Mr Joseph C. C. Wong	–	5,000,000
Mr Chu Kai Wah, Anthony	–	1,000,000
Mr Lee Shu Chung, Stan	–	1,000,000
Mr Wong Yuk Woon	–	1,000,000

**SHARE OPTIONS** (Continued)

Note:

These options were granted on 17th January 2000 and exercisable at HK\$0.248 per share during the period from 17th January 2000 to 16th January 2005. These options were exercised during the year with the following details:

	Number of share options	Exercise date	Closing price of The Company's shares immediately prior to the exercise date
Mr Joseph C. C. Wong	5,000,000	24th September 2004	HK\$0.560
Mr Chu Kai Wah, Anthony	1,000,000	27th September 2004	HK\$0.540
Mr Lee Shu Chung, Stan	1,000,000	27th September 2004	HK\$0.540
Mr Wong Yuk Woon	1,000,000	30th September 2004	HK\$0.550

The Board of Directors of the Company resolved on 27th September 2004 and 4th October 2004 to issue 6,000,000 shares and 2,000,000 shares respectively. All the share certificates were approved and issued. Share certificates of 6,000,000 shares were issued on 28th September 2004 and share certificates of 2,000,000 shares were issued on 5th October 2004.

On 9th March 2005, a new share option scheme, replacing the previous scheme, for the employees, officers and directors of the Company and its subsidiary companies (the "Share Option Scheme") was approved and adopted by the shareholders pursuant to which the Board was authorised to grant options to the employees, officers and directors of the Company or its subsidiary companies to subscribe for shares of the Company for a fixed period. The option period refers to a period which the Board may in its absolute discretion determine and specify, save that (a) for ease of administration, in the absence of a separate Board resolution at the time of grant specifying otherwise, such period should be seven years from the commencement date of the share option and (b) in any event such period shall not expire later than 10 years from the commencement date of the share option. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes must not in aggregate exceed 95,134,002 shares. The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not exceed 30% of the shares in issue from time to time. No options may be granted under any schemes of the Company if this will result in the limit being exceeded. An offer of the grant of options must be accepted within 28 days from the commencement date of the relevant option period. The purpose of the Share Option Scheme is to attract and retain the best quality personnel for the development of the Company's business; to provide additional incentives to the employees, officers and directors of the Company and its subsidiaries and to promote the long term financial success of the Company by aligning the interests of the Option Holder (any employee or a director of the Company or any subsidiary who accepts an offer of the grant of an Option in accordance with the terms of the Share Option Scheme or their legal personal representatives) to shareholders. The consideration payable on acceptance of the offer for the grant of an option is HK\$1. The subscription price is determined by the Board at the time of grant of the relevant option and shall not be less than whichever is the higher of the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange of Hong Kong Limited ("Stock Exchange") on the commencement date of the share option, which must be a business day; the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the commencement date of the share option; and the nominal value of a share. No option was granted during the year.

As at 31st March 2005, the total number of ordinary shares available for issue in the remaining life of the Share Option Scheme was 95,134,002.

With the exception of the Share Option 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 2005, 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 2005
	Personal interests	Family interests	Corporate interests		
Mr Wong Chong Po	3,600,000	–	–	3,600,000	0.38
Mr Joseph C. C. Wong	13,181,211	10,000	–	13,191,211	1.39
Mr Chu Kai Wah, Anthony	2,000,000	–	–	2,000,000	0.21
Mr Sakorn Kanjanapas	391,056	–	–	391,056	0.04
Mr Lee Shu Chung, Stan	2,000,000	–	–	2,000,000	0.21
Mr Wong Yuk Woon	2,000,000	–	–	2,000,000	0.21

**(b) Subsidiary companies**

	Number of shares			Total	Approximate percentage of preference shares as at 31st March 2005
	Personal interests	Family interests	Corporate interests		
(i) City Chain (Thailand) Company Limited – Preference shares <sup>(1)</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>(2)</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>(3)</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

**DIRECTORS' INTERESTS** (Continued)

**(b) Subsidiary companies** (Continued)

Notes:

- (1) 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.
- (2) 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.
- (3) 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

**SUBSTANTIAL SHAREHOLDERS**

As at 31st March 2005, 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	43.63	(a)
Active Lights Company Limited	135,653,636	14.26	(b)
Thong Sia Company Limited	91,032,218	9.57	(c)

Notes:

- (a) These shares are held by Yee Hing Company Limited as beneficial owner. The estate of Mr Wong Chue Meng has a controlling interest in Yee Hing Company Limited.
- (b) These shares are held by Active Lights Company Limited as beneficial owner. Active Lights Company Limited is a company controlled by Yee Hing Company Limited.
- (c) These shares are held by Thong Sia Company Limited as beneficial owner. The estate of Mr Wong Chue Meng 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 2005 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 1st April 2004 up to and including 31st March 2005.

**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 1st April 2004 up to and including 31st March 2005. The Company considers its independent non-executive directors to be independent.

**CONNECTED TRANSACTIONS**

- (1) During the year, the Group purchased timepieces from Thong Sia Watch Company Limited, Thong Sia Company (Singapore) Private Limited and Thong Sia Sdn Bhd, collectively referred to as Thong Sia Companies. Total purchases during the year amounted to HK\$40,998,000 (2004: HK\$28,831,000). The Company has been granted a waiver by the Stock Exchange from strict compliance with the disclosure requirements under Chapter 14 of the Listing Rules.
- (2) In prior years, the Group purchased 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 Company was granted a waiver from the Stock Exchange.

The waiver expired on 31st March 2004. However, the Group continued to make purchases of optical products from Vision Pro and Thong Sia (Singapore) and began to make purchases of optical products from other members of Vision Pro Group and Thong Sia (Malaysia) in its ordinary course of business (referred to below as the "Continuing Connected Transactions"). The Company announced on 12th June 2004 to set the maximum aggregate annual consideration for the Continuing Connected Transactions at HK\$3.0 million, HK\$3.7 million and HK\$4.5 million for each of the three financial years ended 31st March 2007 (the "Caps"). The Caps were determined on the following basis:

- (a) historical transaction amounts;
- (b) the Group's expansion of its optical wear retailing operations;

**CONNECTED TRANSACTIONS** *(Continued)*

- (c) improved sales owing to improved economies generally; and
- (d) the Company's internal prediction that the expected growth in purchase of optical products by the Group shall not exceed HK\$1,000,000 per annum in view of the pace and size of the Group's expansion in terms of establishment of new stores, possible inclusion of a wider range of products and growth in the economy generally in the next three financial years.

Due to strong growth and better than expected sales in those countries where the Group's optical businesses operate, the Company announced on 15th February 2005 to revise the maximum aggregate annual consideration for the Continuing Connected Transactions to HK\$4 million, HK\$4.8 million and HK\$5.8 million for each of the three financial years ended 31st March 2007 (the "Revised Caps"). If the Revised Caps are exceeded during the term of the Continuing Connected Transactions for the relevant financial year, the Company will re-comply with the announcement requirement under Rule 14A.35 of the Listing Rules. The Revised Caps were determined on the following basis:

- (a) historical transaction amounts for the period from 1st April 2004 up to and including 31st December 2004;
- (b) the Group's expansion of its optical wear retailing operations in terms of establishment of new stores, inclusion of a wider range of products and growth in economies generally in the next three financial years;
- (c) improved sales owing to improved economies generally; and
- (d) the Company's internal projection that the expected growth in purchase of optical products by the Group shall be around 20% per annum in view of the pace and size of the Group's expansion in terms of establishment of new stores, inclusion of a wider range of products and growth in economies generally in the next three financial years.

The total purchases during the year amounted to HK\$3,876,000 (2004: HK\$2,499,000).

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 43.63% of its issued share capital. Accordingly, Thong Sia Companies and Vision Pro Group are associates of a connected person to the Company and transactions as mentioned in (1) and (2) above constitute connected transactions under the Listing Rules.

The independent non-executive directors, Mr Kwong Yiu Chung, Dr Chu Chun Keung, Sydney and Mr Wu Chun Sang have reviewed the above transactions and confirmed 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 agreement governing such transactions or (ii) where there is no such agreement 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 of the Company have also reviewed the transactions as disclosed above.

**CONNECTED TRANSACTIONS** *(Continued)*

- (3) 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. The leases were renewed on 9th August 2004 for lease terms expiring on 31st March 2007 at a monthly rental of HK\$85,536 and HK\$49,450 respectively.

Yee Hing ultimately holds 58.03% of the issued share capital of the Company. Thong Sia Company Limited (“Thong Sia”) holds 9.57% 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 9th August 2004.

The above transactions also constitute related party transactions and are disclosed in note 33 to the accounts.

**CLOSURE OF HIPO.FANT BUSINESS**

The directors announced on 14th July 2005 to close the HIPO.fant business. Given the chain’s past performance and prospects for future development, the directors believe that it may not be in the commercial interest of the Group to focus on infant and children’s wear in the longer term. The closure is also in line with the Group’s strategy to focus on its watch and optical business where the Group enjoys strong competitive advantages. There are currently 36 stores and counters in Mainland China, Hong Kong and Macau.

**AUDIT COMMITTEE**

Pursuant to the Listing Rules, the Company has set up an audit committee with written terms of reference comprising three independent non-executive directors, namely Mr Kwong Yiu Chung, Dr Chu Chun Keung, Sydney and Mr Wu Chun Sang. The principal responsibilities of the Audit Committee include the review and supervision of the Group’s financial reporting process and internal controls. A meeting of the Audit Committee was held on 7th July 2005 to review the Group’s final results for the year ended 31st March 2005 before they were presented to the board of directors for approval.

**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, 14th July 2005

## **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 17 to 54 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 Institute of Certified Public 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 2005 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, 14th July 2005

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the year ended 31st March 2005

	Note	2005 HK\$'000	As restated 2004 HK\$'000
Turnover	3	1,421,571	1,218,024
Cost of sales		(500,607)	(441,344)
Gross profit		920,964	776,680
Other revenues	5	15,703	18,342
Selling expenses		(610,879)	(516,906)
General and administrative expenses		(173,966)	(156,559)
Other operating expenses		(80,015)	(60,599)
Other operating income		154,330	58,380
Operating profit before financing	6	226,137	119,338
Finance costs	7	(19,035)	(27,120)
Profit before taxation		207,102	92,218
Taxation charge	10	(36,082)	(9,505)
Profit after taxation		171,020	82,713
Minority interests		–	–
Profit attributable to shareholders	11	171,020	82,713
Dividends	12	33,297	18,867
Earnings per share	13	HK cents	HK cents
– basic		18.05	8.80
– diluted		18.01	8.80

## CONSOLIDATED BALANCE SHEET

At 31st March 2005

	Note	2005 HK\$'000	As restated 2004 HK\$'000
<b>Non-current assets</b>			
Fixed assets	14	1,029,850	879,659
Investment securities	16	4,299	4,299
Trademarks	17	17,052	19,160
Deferred tax assets	28	32,875	26,910
		<b>1,084,076</b>	930,028
<b>Current assets</b>			
Stocks	18	388,849	349,385
Debtors and prepayments	19	292,830	344,794
Marketable securities	20	83	74
Bank balances and cash	21	64,779	53,037
		<b>746,541</b>	747,290
<b>Current liabilities</b>			
Creditors and accruals	22	284,436	277,181
Loans from a shareholder	23	–	3,892
Loans from a director	24	8,648	–
Taxation payable		15,770	11,616
Current portion of long term liabilities	27	23,465	57,278
Bank overdrafts and short term loans			
Secured		141,058	185,089
Unsecured		63,595	49,280
		<b>536,972</b>	584,336
<b>Net current assets</b>		<b>209,569</b>	162,954
<b>Total assets less current liabilities</b>		<b>1,293,645</b>	1,092,982
<b>Financed by:</b>			
Share capital	25	95,134	94,334
Reserves	26	844,529	709,268
Proposed final dividend	26	23,784	18,867
<b>Shareholders' funds</b>		<b>963,447</b>	822,469
Minority interests		2,494	1,606
Long term liabilities	27	279,719	250,269
Deferred tax liabilities	28	47,985	18,638
		<b>1,293,645</b>	1,092,982

**Wong Chong Po**  
Chairman

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

**BALANCE SHEET**

At 31st March 2005

	Note	2005 HK\$'000	2004 HK\$'000
Non-current assets			
Subsidiary companies	15	449,544	484,047
		<b>449,544</b>	484,047
Current assets			
Other debtors and prepayments		9	9
Bank balances and cash	21	10	2
		<b>19</b>	11
Current liabilities			
Other creditors and accruals		1,683	2,330
Loans from a shareholder	23	-	3,892
		<b>1,683</b>	6,222
Net current liabilities		<b>(1,664)</b>	(6,211)
Total assets less current liabilities		<b>447,880</b>	477,836
Financed by:			
Share capital	25	95,134	94,334
Reserves	26	328,962	364,635
Proposed final dividend	26	23,784	18,867
		<b>447,880</b>	477,836

**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 2005*

	<i>Note</i>	<b>2005</b> <b>HK\$'000</b>	As restated 2004 <i>HK\$'000</i>
Total equity as at 1st April, as previously reported		<b>820,359</b>	718,226
Effect of adopting HKAS-INT 21 ( <i>Note 2(a)</i> )		<b>2,110</b>	4,059
<hr/>			
Total equity as at 1st April, as restated		<b>822,469</b>	722,285
Issue of shares		<b>1,984</b>	1,050
Dividends paid	26	<b>(28,380)</b>	–
Changes in exchange rates	26	<b>(3,646)</b>	16,421
Profit for the year	26	<b>171,020</b>	82,713
<hr/>			
Total equity as at 31st March		<b>963,447</b>	822,469

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2005

	Note	2005 HK\$'000	2004 HK\$'000
Cash flows from operating activities			
Cash generated from operations	29(a)	140,122	113,304
Interest paid		(18,620)	(27,525)
Hong Kong profits tax paid		(312)	(75)
Hong Kong profits tax refunded		19	28
Overseas tax paid		(8,040)	(5,590)
Overseas tax refunded		-	57
<b>Net cash from operating activities</b>		<b>113,169</b>	<b>80,199</b>
Cash flows from investing activities			
Purchase of fixed assets		(52,051)	(45,694)
Proceeds from sale of fixed assets		1,124	510
Proceeds from sale of marketable securities		-	4,290
Interest received		2,657	2,127
Dividends received		1,195	1,084
Decrease/(increase) in restricted bank balances		2,024	(10)
<b>Net cash used in investing activities</b>		<b>(45,051)</b>	<b>(37,693)</b>
Cash flows from financing activities			
Drawdown of new bank loans	29(b)	271,963	183,093
Repayment of bank loans		(276,379)	(206,871)
Issue of shares		1,984	1,050
Capital element of finance lease payments		(404)	(593)
Net decrease in loan from a related company		(13,000)	(9,670)
Repayment of loan from a shareholder		(3,892)	-
Repayment of loan from a director		(13,444)	-
Dividends paid		(28,380)	-
Increase in minority interests		883	-
New loans from a director		8,648	-
<b>Net cash used in financing activities</b>		<b>(52,021)</b>	<b>(32,991)</b>
<b>Net increase in cash and cash equivalents</b>		<b>16,097</b>	<b>9,515</b>
Cash and cash equivalents at beginning of year		32,833	14,811
Effect of foreign exchange rate changes		1,279	8,507
<b>Cash and cash equivalents at end of year</b>		<b>50,209</b>	<b>32,833</b>
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash		64,779	51,013
Bank overdrafts		(14,570)	(18,180)
		<b>50,209</b>	<b>32,833</b>

**1. Principal activities**

The principal activity of the Company is investment holding. The activities of its principal subsidiary companies are shown on pages 51 to 54.

**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 Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, except that, as disclosed in the accounting policies below, investment properties and marketable securities are stated at fair value.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods commencing on or after 1st January 2005. In the current year, the Group has early adopted Hong Kong Accounting Standard No. 40 ("HKAS 40") "Investment Property" and Hong Kong Accounting Standard Interpretation No. 21 "Income Taxes-Recovery of Revalued Non-Depreciable Assets" ("HKAS-INT 21") in the accounts for the year ended 31st March 2005.

The adoption of HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values of investment properties are recorded in the profit and loss account as part of other operating income. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the profit and loss account. Any subsequent increases were credited to the profit and loss account up to the amount previously charged.

As at 31st March 2004, the valuation of investment properties was less than their original costs and the revaluation deficits had already been charged to the profit and loss account in prior years and there was no balance in the investment properties revaluation reserve. Consequently, no prior year adjustment to the retained earnings and investment properties revaluation reserve is required upon adoption of HKAS 40.

The adoption of revised HKAS-Int 21 has resulted in a change of accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would result from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The adoption of HKAS-Int 21 resulted in a decrease in deferred tax liabilities as at 31st March 2004 by HK\$2,110,000 and an increase in tax charge for the year ended 31st March 2004 by HK\$1,949,000. As a result, reserves as at 1st April 2004 and 2003 have been increased by HK\$2,110,000 and HK\$4,059,000 respectively.

For the other new HKFRSs, the Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

**2. Principal accounting policies** *(Continued)***(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 related exchange reserves and 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) 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 costs 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 dividends received and receivable.

**(d) Fixed assets and depreciation**

Fixed assets other than investment properties (note 2(e)) 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 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.

**2. Principal accounting policies** *(Continued)***(d) Fixed assets and depreciation** *(Continued)*

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.

**(e) Investment properties**

Investment properties are properties held for long-term rental yields. Investment properties are carried at fair value, representing open market value determined annually by independent qualified valuers. Changes in fair values are recorded in the profit and loss account.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

The fair values of investment properties are determined by independent valuers on an open market value basis.

**(f) 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(d).

*(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 lessors are charged to the profit and loss account on a straight-line basis over the lease periods.

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

**(h) Investment securities**

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

**(i) 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.

**(j) 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.

**(k) 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.

**(l) 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.

**(m) 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 income tax is provided on temporary differences arising on investments in subsidiary companies, except where the timing of the reversal of the temporary difference is controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

**2. Principal accounting policies** *(Continued)***(n) 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 into account the principal outstanding and the effective interest rate applicable; and
- (vi) building management fee income, when the services are rendered.

**(o) 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.

**(p) 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 sheets 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 accounts are translated at the average rates. Exchange differences arising are dealt with as a movement in reserves.

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

**(q) 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, it will then be recognised as a 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.

**(r) 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>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Sales of goods	<b>1,389,138</b>	1,177,453
Gross rental income	<b>24,366</b>	32,454
Dividend income from unlisted investments	<b>1,195</b>	1,084
Interest income	<b>6,872</b>	7,033
	<b>1,421,571</b>	1,218,024

**4. Segment information**

In accordance with the Group's internal financial reporting policy, 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 provision for executive bonus, taxation payable, deferred tax liabilities, loans from a director and a shareholder 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.

**NOTES TO THE ACCOUNTS**
**4. Segment information (Continued)**

Primary reporting format – business segments

	2005						Group HK\$'000
	Retail and trading			Property HK\$'000	Investment HK\$'000	Eliminations HK\$'000	
	Watch HK\$'000	Optical HK\$'000	Hipo.fant HK\$'000				
Turnover	916,247	386,174	88,719	39,830	1,257	(10,656)	1,421,571
Segment results	91,455	26,885	(24,493)	173,014	1,257		268,118
Net corporate expenses							(41,981)
Operating profit before financing							226,137
Finance costs							(19,035)
Profit before taxation							207,102
Taxation charge							(36,082)
Profit after taxation							171,020
Minority interests							–
Profit attributable to shareholders							171,020
Segment assets	579,212	141,961	21,023	982,753	8,014	–	1,732,963
Unallocated assets							97,654
Total assets							1,830,617
Segment liabilities	162,396	67,475	5,946	26,954	6,794	–	269,565
Unallocated liabilities							595,111
Total liabilities							864,676
Capital expenditure	33,541	18,240	511	7	305	–	52,604
Depreciation	31,518	14,233	2,350	3,235	4,108	–	55,444
Impairment of fixed assets	–	–	1,162	–	–	–	1,162
Amortisation charge of trademarks	2,378	–	–	–	–	–	2,378
Surplus on revaluation of investment properties	–	–	–	(154,330)	–	–	(154,330)
Loss on disposal of fixed assets	74	–	22	–	–	–	96
Provision for stock obsolescence and write-offs	18,765	2,541	16,962	–	–	–	38,268
Provision for doubtful debts and bad debts written off	539	15	–	–	–	–	554

**NOTES TO THE ACCOUNTS**
**4. Segment information (Continued)**

Primary reporting format – business segments (Continued)

	2004 (As restated)						Group HK\$'000
	Retail and trading			Property HK\$'000	Investment HK\$'000	Eliminations HK\$'000	
	Watch HK\$'000	Optical HK\$'000	Hipo.fant HK\$'000				
Turnover	785,670	313,313	80,568	48,097	1,113	(10,737)	1,218,024
Segment results	59,315	14,395	(13,677)	90,634	1,113		151,780
Net corporate expenses							(32,442)
Operating profit before financing							119,338
Finance costs							(27,120)
Profit before taxation							92,218
Taxation charge							(9,505)
Profit after taxation							82,713
Minority interests							–
Profit attributable to shareholders							82,713
Segment assets	518,450	119,172	42,098	908,051	9,600	–	1,597,371
Unallocated assets							79,947
Total assets							1,677,318
Segment liabilities	165,075	62,286	7,327	30,093	5,038	–	269,819
Unallocated liabilities							583,424
Total liabilities							853,243
Capital expenditure	29,464	14,140	1,927	11	233	–	45,775
Depreciation	27,738	12,397	2,965	3,019	4,163	–	50,282
Amortisation charge of trademarks	2,405	–	–	–	–	–	2,405
Write-back of impairment of land and buildings	–	–	–	(2,800)	–	–	(2,800)
Surplus on revaluation of investment properties	–	–	–	(25,500)	–	–	(25,500)
Compensation received from arbitration	–	–	–	(30,080)	–	–	(30,080)
Loss on disposal of fixed assets	51	170	–	–	–	–	221
Provision for stock obsolescence and write-offs	19,298	(291)	1,015	–	–	–	20,022
Provision for doubtful debts and bad debts written off	2,605	–	–	–	–	–	2,605

## NOTES TO THE ACCOUNTS

### 4. Segment information (Continued)

Secondary reporting format – geographical segments

	2005			
	Turnover HK\$'000	Segment results HK\$'000	Total assets HK\$'000	Capital Expenditure HK\$'000
Hong Kong	774,592	193,300	1,342,689	10,506
South East and Far East Asia	415,937	54,139	347,189	34,935
Europe	168,346	14,981	72,667	2,888
North America	21,738	9,689	260	–
Mainland China	40,958	(3,991)	67,812	4,275
	<b>1,421,571</b>	<b>268,118</b>	<b>1,830,617</b>	<b>52,604</b>

	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>

### 5. Other revenues

	2005 HK\$'000	2004 HK\$'000
Building management fee income	9,440	11,194
Sundries	6,263	7,148
	<b>15,703</b>	<b>18,342</b>

**6. Operating profit before financing**

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Operating profit before financing is stated after charging and crediting the following:		
<u>Charging</u>		
Cost of stocks sold	500,607	441,344
Depreciation		
Owned fixed assets	54,896	49,633
Leased fixed assets	548	649
Auditors' remuneration	3,907	3,803
Operating leases		
Land and buildings	191,006	174,906
Machinery	697	497
Amortisation charge of trademarks ( <i>note 17</i> ) (included in other operating expenses)	2,378	2,405
Outgoings in respect of investment properties	2,629	1,768
Loss on disposal of fixed assets	96	221
Provision for stock obsolescence and write-offs		
– Hipo.fant ( <i>note a</i> )	16,962	1,015
– adidas ( <i>note b</i> )	9,201	4,694
– Others	12,105	14,313
Impairment of fixed assets of Hipo.fant business (included in other operating expenses)	1,162	–
Provision for doubtful debts and bad debts written off	554	2,605
Donations	3,171	–
Staff costs ( <i>note 8</i> )	262,399	237,494
<u>Crediting</u>		
Net exchange gains	(6,253)	(3,292)
Compensation received from arbitration ( <i>note c</i> )	–	(30,080)
Surplus on revaluation of investment properties	(154,330)	(25,500)
Write-back of impairment of land and buildings	–	(2,800)

*Notes:*

- (a) The Board has resolved on 14th July 2005 to close the Hipo.fant business and the stocks have been accordingly written down to their net realisable values.
- (b) The licence in respect of adidas will be terminated by December 2005 and the stocks have been accordingly written down to their net realisable values.
- (c) As disclosed in note 6 to the 2004 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 accordingly recognised.

**7. Finance costs**

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest on bank loans and overdrafts wholly repayable within five years	<b>16,964</b>	23,920
Interest on other loans wholly repayable within five years	<b>2,029</b>	3,142
Interest on finance leases	<b>42</b>	58
	<b>19,035</b>	27,120

**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>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Salaries and allowances	<b>243,775</b>	222,348
Pension contributions less forfeiture utilised ( <i>note</i> )	<b>12,863</b>	11,504
Unutilised annual leave	<b>425</b>	–
Social security costs	<b>2,974</b>	2,543
Other allowances	<b>2,362</b>	1,099
	<b>262,399</b>	237,494

*Note:*

The Group operated under 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\$680,000 (2004: HK\$534,000) 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 (other than Hong Kong) in which it operates, the assets of which are held in trustee administered funds. Contributions to these schemes are calculated at rates ranging from 5%-13% of basic salaries.

The Group also contributes to employee retirement schemes established by municipal governments in respect of 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>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Fees		
– executive directors	<b>420</b>	400
– non-executive directors	<b>340</b>	240
Salaries, allowances and benefits in kind	<b>8,456</b>	8,251
Pensions contributions	<b>267</b>	262
Executive Bonus Scheme	<b>13,012</b>	6,442
	<b>22,495</b>	15,595

Emoluments paid to independent non-executive directors for the year include directors' fees amounting to HK\$260,000 (2004: HK\$160,000). During the year, none of the directors has waived their directors' fees (2004: Nil).

The emoluments of the directors fell within the following bands:

	<b>Number of directors</b>	
	<b>2005</b>	2004
<b>Emolument bands</b>		
HK\$nil – HK\$500,000	<b>4</b>	3
HK\$2,000,001 – HK\$2,500,000	–	3
HK\$2,500,001 – HK\$3,000,000	–	1
HK\$3,000,001 – HK\$3,500,000	<b>3</b>	–
HK\$3,500,001 – HK\$4,000,000	<b>1</b>	–
HK\$5,500,001 – HK\$6,000,000	–	1
HK\$8,000,001 – HK\$8,500,000	<b>1</b>	–
	<b>9</b>	8

**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year included five (2004: four) directors whose emoluments are reflected in the analysis presented above. Accordingly, there was no (2004: one) employee whose emoluments were among the five highest in the Group.

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	–	1,698
Pensions contributions	–	98
Bonuses	–	1,220
	–	3,016

**10. Taxation charge**

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) 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 territories in which the Group operates.

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

	<b>2005</b>	As restated
	<b>HK\$'000</b>	2004
		<i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	(56)	(70)
Overseas profits tax	(10,777)	(3,875)
Under provisions in respect of prior years	(1,654)	(1,340)
	<b>(12,487)</b>	(5,285)
Deferred taxation ( <i>note 28</i> )	<b>(23,595)</b>	(4,220)
<b>Taxation charge</b>	<b>(36,082)</b>	(9,505)

The taxation on the Group's profit 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, is as follows:

	<b>2005</b>	As restated
	<b>HK\$'000</b>	2004
		<i>HK\$'000</i>
Profit before taxation	<b>207,102</b>	92,218
Theoretical tax at weighted average rate of 17.88% (2004: 24.18%)	<b>(37,030)</b>	(22,295)
Income not subject to taxation	<b>4,792</b>	8,820
Expenses not deductible for taxation purpose	<b>(8,890)</b>	(7,988)
Temporary differences not recognised	<b>(582)</b>	(468)
Utilisation of previously unrecognised tax losses	<b>23,152</b>	20,460
Tax losses not recognised	<b>(12,406)</b>	(3,976)
Withholding tax	<b>(4,469)</b>	(2,769)
Under provisions in prior years of current taxation	<b>(1,654)</b>	(1,340)
Others	<b>1,005</b>	51
<b>Taxation charge</b>	<b>(36,082)</b>	(9,505)

**11. Profit attributable to shareholders**

Profit attributable to shareholders includes a loss of the Company to the extent of HK\$3,560,000 (2004: HK\$2,366,000).

**12. Dividend**

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interim, paid, of HK\$0.01 (2004: nil) per ordinary share	<b>9,513</b>	–
Final, proposed, of HK\$0.025 (2004: HK\$0.02) per ordinary share	<b>23,784</b>	18,867
	<b>33,297</b>	18,867

At a meeting held on 14th July 2005, the directors proposed a final dividend of HK\$0.025 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 2006.

**13. Earnings per share**

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of HK\$171,020,000 (2004: HK\$82,713,000 as restated).

The basic earnings per share is based on the weighted average number of 947,356,461 shares (2004: 939,566,798 shares) in issue during the year. The diluted earnings per share is based on 949,531,131 shares (2004: 939,630,798 shares) which is the weighted average number of shares in issue during the year plus the weighted average number of 2,174,670 shares (2004: 64,000 shares) deemed to be issued at no consideration if all outstanding options had been exercised.

**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 2004	383,919	558,020	325,303	1,267,242
Changes in exchange rates	1,015	–	1,628	2,643
Additions	5,649	–	46,955	52,604
Disposals	(1,820)	–	(23,735)	(25,555)
Revaluation surplus	–	154,330	–	154,330
<b>At 31st March 2005</b>	<b>388,763</b>	<b>712,350</b>	<b>350,151</b>	<b>1,451,264</b>
Accumulated depreciation and impairment				
At 31st March 2004	132,267	–	255,316	387,583
Changes in exchange rates	351	–	1,209	1,560
Charge for the year	10,938	–	44,506	55,444
Disposals	(957)	–	(23,378)	(24,335)
Impairment	–	–	1,162	1,162
<b>At 31st March 2005</b>	<b>142,599</b>	<b>–</b>	<b>278,815</b>	<b>421,414</b>
Net book value				
<b>At 31st March 2005</b>	<b>246,164</b>	<b>712,350</b>	<b>71,336</b>	<b>1,029,850</b>
At 31st March 2004	251,652	558,020	69,987	879,659

The analysis of cost or valuation of the above assets as at 31st March 2005 is as follows:

	<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>
At cost	388,763	–	350,151	738,914
At 2005 professional valuation	–	712,350	–	712,350
	<b>388,763</b>	<b>712,350</b>	<b>350,151</b>	<b>1,451,264</b>

**14. Fixed assets** (Continued)

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

	Land and buildings <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Equipment and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
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>

Investment properties of the Group were valued on the open market value basis at 31st March 2005 by Jones Lang LaSalle Limited, independent property valuer. All other fixed assets are stated at cost less accumulated depreciation and impairment.

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

	<b>Group</b>	
	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Hong Kong:		
Medium term leases (10 – 50 years)	<b>847,993</b>	698,122
Overseas:		
Freehold	<b>51,379</b>	52,239
Medium term leases (10 – 50 years)	<b>44,149</b>	49,946
Short term leases (under 10 years)	<b>14,993</b>	9,365
	<b>958,514</b>	809,672

- (b) At 31st March 2005, certain of the Group's land and buildings amounting to HK\$165,849,000 (2004: HK\$174,616,000) and investment properties amounting to HK\$711,100,000 (2004: HK\$557,000,000) were pledged to secure banking facilities granted to the Group.
- (c) The carrying amount of the land and buildings would have been HK\$260,318,000 (2004: HK\$265,806,000) had they been stated at cost less accumulated depreciation.
- (d) At 31st March 2005, the net book value of fixed assets held under finance leases amounted to HK\$886,000 (2004: HK\$925,000).

## NOTES TO THE ACCOUNTS

### 15. Subsidiary companies

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Unlisted shares at cost less provision	495,150	495,150
Amounts due from subsidiary companies	116,155	116,155
Amounts due to subsidiary companies	(161,761)	(127,258)
	<b>449,544</b>	484,047

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 51 to 54.

### 16. Investment securities

	2005 <i>HK\$'000</i>	Group 2004 <i>HK\$'000</i>
Unlisted overseas shares, at cost	4,299	4,299

### 17. Trademarks

	2005 <i>HK\$'000</i>	Group 2004 <i>HK\$'000</i>
Opening net book amount	19,160	21,284
Changes in exchange rates	270	281
Amortisation charge ( <i>note 6</i> )	(2,378)	(2,405)
Closing net book amount	17,052	19,160
Cost	46,434	46,434
Accumulated amortisation	(29,382)	(27,274)
Net book amount	17,052	19,160

**NOTES TO THE ACCOUNTS**
**18. Stocks**

	2005 <i>HK\$'000</i>	Group 2004 <i>HK\$'000</i>
Raw materials	109,276	130,342
Work-in-progress	1,437	4,871
Finished goods	407,403	325,669
	<b>518,116</b>	460,882
Provision	<b>(129,267)</b>	(111,497)
	<b>388,849</b>	349,385

At 31st March 2005, stocks that are carried at net realisable value amounted to HK\$36,306,000 (2004: HK\$4,411,000).

**19. Debtors and prepayments**

	2005 <i>HK\$'000</i>	Group 2004 <i>HK\$'000</i>
Trade debtors ( <i>note a</i> )		
Below 60 days	15,360	19,312
Over 60 days	28,916	19,915
	<b>44,276</b>	39,227
Deposits, prepayments and other debtors ( <i>note b</i> )	<b>248,554</b>	305,567
	<b>292,830</b>	344,794

Note:

- (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\$143,340,000 (2004: HK\$179,223,000), of which a balance owed by Bangkok Land Public Company Limited, in which the estate of Mr Wong Chue Meng is a substantial shareholder, is made up as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Property development consultancy fee receivable	117,919	147,324
Interest receivable	32,264	28,049
	<b>150,183</b>	175,373
Less: provision	<b>(24,198)</b>	(24,198)
	<b>125,985</b>	151,175

Of the gross amount receivable, HK\$142,906,000 (2004: HK\$168,096,000) carries interest at 3% per annum and is repayable on demand.

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

	2005 <i>HK\$'000</i>	Group 2004 <i>HK\$'000</i>
Overseas listed shares, at market value	83	74

### 21. Bank balances and cash

	Group		Company	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Restricted balances	–	2,024	–	–
Unrestricted balances	64,779	51,013	10	2
	64,779	53,037	10	2

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

### 22. Creditors and accruals

	2005 <i>HK\$'000</i>	Group 2004 <i>HK\$'000</i>
Trade creditors		
Below 60 days	62,306	81,622
Over 60 days	69,622	63,151
Other creditors and accruals ( <i>note</i> )	131,928	144,773
	152,508	132,408
	284,436	277,181

*Note:*

Included in other creditors and accruals are amounts due to related companies of HK\$7,049,000 (2004: HK\$7,373,000) which are unsecured, interest free and have no fixed terms of repayment.

### 23. Loans from a shareholder

The loans, which were provided by the estate of Mr Wong Chue Meng, were fully repaid during the year.

## NOTES TO THE ACCOUNTS

### 24. Loans from a director

- (a) The Hong Kong Dollar loan of HK\$1,101,000 is unsecured, interest-bearing at 1.5% per annum, and repayable at one month notice given by the director.
- (b) The Thai Baht loan of HK\$7,547,000 is unsecured, interest-bearing at 6.75% per annum, repayable in May 2005 and was renewed for another six months to mature in November 2005.

### 25. Share capital

	Number of shares of HK\$0.1 each	Nominal value HK\$'000
Authorised:		
At 31st March 2004 and 2005	1,600,000,000	160,000
Issued and fully paid:		
At 1st April 2003	936,340,023	93,634
Issue of shares	7,000,000	700
At 31st March 2004	943,340,023	94,334
At 1st April 2004	943,340,023	94,334
Issue of shares	8,000,000	800
<b>At 31st March 2005</b>	<b>951,340,023</b>	<b>95,134</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:

	Number of options	
	2005	2004
At beginning of year	8,000,000	16,000,000
Exercised (note (a))	(8,000,000)	(7,000,000)
Lapsed	-	(1,000,000)
At end of year (note (b))	-	8,000,000

## NOTES TO THE ACCOUNTS

### 25. Share capital (Continued)

Options exercised by certain directors on 24th September 2004, 27th September 2004 and 30th September 2004 (2004: 25th September 2003, 2nd October 2003 and 3rd October 2003) resulted in 5,000,000, 2,000,000 and 1,000,000 shares (2004: 1,000,000, 1,000,000 and 5,000,000 shares) being issued at HK\$0.248 (2004: HK\$0.15) each, yielding the following proceeds, before transaction costs of HK\$6,000 (2004: HK\$8,000):

	<b>2005</b> <b>HK\$'000</b>	2004 <i>HK\$'000</i>
Ordinary share capital – at par	<b>800</b>	700
Share premium	<b>1,184</b>	350
<b>Proceeds</b>	<b>1,984</b>	1,050
<i>Notes:</i>		
(a) Market value of shares issued at exercise date of:		
– 25th September 2003	–	330
– 2nd October 2003	–	295
– 3rd October 2003	–	1,425
– 24th September 2004	<b>2,700</b>	–
– 27th September 2004	<b>1,140</b>	–
– 30th September 2004	<b>570</b>	–

(b) No share options were outstanding at 31st March 2005. As at 31st March 2004, share options outstanding had the following terms:

Expiry date	Exercise price <i>HK\$</i>	Number of options		Vested percentage	
		2005	2004	2005	2004
Directors 16th January 2005	0.248	–	8,000,000	–	100%

**NOTES TO THE ACCOUNTS**
**26. Reserves**

	Contributed surplus <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	(Accumulated losses)/ retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>(a) Group</b>				
At 31st March 2003, as previously reported	2,848,462	443	(2,224,313)	624,592
Effect of adopting HKAS-INT 21 (note 2(a))	–	–	4,059	4,059
At 31st March 2003, as restated	2,848,462	443	(2,220,254)	628,651
Issue of shares	–	350	–	350
Profit for the year	–	–	82,713	82,713
Changes in exchange rates	–	–	16,421	16,421
At 31st March 2004	2,848,462	793	(2,121,120)	728,135
At 31st March 2004, as previously reported	2,848,462	793	(2,123,230)	726,025
Effect of adopting HKAS-INT 21 (note 2(a))	–	–	2,110	2,110
At 31st March 2004, as restated	2,848,462	793	(2,121,120)	728,135
Transfer (note c)	(2,848,462)	–	2,848,462	–
Issue of shares	–	1,184	–	1,184
Profit for the year	–	–	171,020	171,020
Dividends paid	–	–	(28,380)	(28,380)
Changes in exchange rates	–	–	(3,646)	(3,646)
<b>At 31st March 2005</b>	<b>–</b>	<b>1,977</b>	<b>866,336</b>	<b>868,313</b>
Representing:				
2005 Final proposed dividend				23,784
Reserves				844,529
				<b>868,313</b>

**26. Reserves (Continued)**

	Contributed surplus <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	(Accumulated losses)/ retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>(b) Company</b>				
At 31st March 2003	4,085,186	443	(3,700,111)	385,518
Shares issued for the year	–	350	–	350
Loss for the year	–	–	(2,366)	(2,366)
At 31st March 2004	4,085,186	793	(3,702,477)	383,502
Transfer ( <i>note c</i> )	(4,085,186)	–	4,085,186	–
Shares issued for the year	–	1,184	–	1,184
Loss for the year	–	–	(3,560)	(3,560)
Dividends paid	–	–	(28,380)	(28,380)
<b>At 31st March 2005</b>	<b>–</b>	<b>1,977</b>	<b>350,769</b>	<b>352,746</b>
Representing:				
2005 Final proposed dividend				23,784
Reserves				328,962
				<b>352,746</b>

At 31st March 2005, the distributable reserves of the Company available for distribution as dividends to shareholders amounted to HK\$350,769,000 (2004: HK\$382,709,000).

- (c) A special general meeting of the shareholders was held on 6th September 2004. The shareholders resolved to eliminate and apply the credit balance of the contributed surplus account of the Company by way of a transfer of the balance to the profit and loss appropriation account of the Company. Immediately after the elimination and application, there will no longer be any balance in the contributed surplus account and as a result, a credit balance will be recorded in the profit and loss appropriation account of the Company. This will streamline the accounts of the Company and will enable the Company to achieve a capital structure that would permit and facilitate the payment of dividends, as and when the directors consider it appropriate.

**27. Long term liabilities**

		<b>Group</b>	
	<i>Note</i>	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Bank loans, secured	<i>(a)</i>	<b>290,787</b>	268,860
Loan from a related company	<i>(b)</i>	<b>11,580</b>	24,580
Loan from a director	<i>(c)</i>	–	13,444
Obligations under finance leases	<i>(d)</i>	<b>817</b>	663
		<b>303,184</b>	307,547
Amount payable within one year included under current liabilities		<b>(23,465)</b>	(57,278)
		<b>279,719</b>	250,269

(a) The bank loans are repayable as follows:

Not exceeding one year	<b>11,617</b>	19,025
More than one year, but not exceeding two years	<b>14,242</b>	239,211
More than two years, but not exceeding five years	<b>207,728</b>	10,624
More than five years	<b>57,200</b>	–
		<b>290,787</b>

(b) The related company is Active Lights Company Limited, a subsidiary company of Yee Hing Company Limited, the ultimate holding company. The loans, which is unsecured, bears interest at prime rate less 2% (2004: Prime rate) per annum and wholly repayable within one year (2004: wholly repayable on or before 1st April 2004), was fully repaid on 29th April 2005.

(c) The loan was wholly repaid on 30th April 2004. It was unsecured, and bore interest at 1.5% per annum above US Dollar best lending rate.

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

		<b>Group</b>	
		<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Not exceeding one year		<b>311</b>	270
More than one year, but not exceeding two years		<b>300</b>	166
More than two years, but not exceeding five years		<b>342</b>	320
More than five years		–	40
		<b>953</b>	796
Future finance charges on finance leases		<b>(136)</b>	(133)
		<b>817</b>	663
The present value of finance lease liabilities is as follows:			
Not exceeding one year		<b>268</b>	229
More than one year, but not exceeding two years		<b>253</b>	138
More than two years, but not exceeding five years		<b>296</b>	262
More than five years		–	34
		<b>817</b>	663

**28. Deferred taxation**

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 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>2005</b> <b>HK\$'000</b>	As restated 2004 HK\$'000
Deferred tax assets	<b>32,875</b>	26,910
Deferred tax liabilities	<b>(47,985)</b>	(18,638)
	<b>(15,110)</b>	8,272

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

	<b>Deferred tax assets/(liabilities)</b>			<b>Total</b> HK\$'000
	<b>Tax losses</b> HK\$'000	<b>Accelerated depreciation allowances</b> HK\$'000	<b>Other temporary difference</b> HK\$'000	
At 31st March 2003, as previously reported	15,531	(15,091)	7,580	8,020
Effect of adopting HKAS-INT 21 (note 2(a))	–	4,059	–	4,059
At 31st March 2003, as restated	15,531	(11,032)	7,580	12,079
Transfer to profit and loss account (Note 10)	861	(7,074)	1,993	(4,220)
Translation differences	478	106	(171)	413
At 31st March 2004	16,870	(18,000)	9,402	8,272
At 31st March 2004, as previously reported	16,870	(20,110)	9,402	6,162
Effect of adopting HKAS-INT 21 (note 2(a))	–	2,110	–	2,110
At 31st March 2004, as restated	16,870	(18,000)	9,402	8,272
Transfer to profit and loss account (note 10)	(2,735)	(25,241)	4,381	(23,595)
Translation differences	10	130	73	213
<b>At 31st March 2005</b>	<b>14,145</b>	<b>(43,111)</b>	<b>13,856</b>	<b>(15,110)</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 2005, the Group has unrecognised tax losses of HK\$323,253,000 (2004: HK\$369,920,000) to carry forward against future taxable income. These tax losses have no expiry date (2004: tax losses of HK\$10,557,000 will be expired on 31st March 2007 and other tax losses have no expiry date).

**29. Notes to the consolidated cash flow statement**
**(a) Reconciliation of profit before taxation to cash generated from operations**

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit before taxation	<b>207,102</b>	92,218
Depreciation	<b>55,444</b>	50,282
Loss on disposal of fixed assets	<b>96</b>	221
Surplus on revaluation of investment properties	<b>(154,330)</b>	(25,500)
Impairment/(Write-back of impairment) of fixed assets	<b>1,162</b>	(2,800)
Compensation received from arbitration	<b>–</b>	(30,080)
Amortisation of trademarks	<b>2,378</b>	2,405
Interest income	<b>(6,872)</b>	(7,033)
Interest expenses	<b>19,035</b>	27,120
Dividend income	<b>(1,195)</b>	(1,084)
Net exchange gains	<b>(6,253)</b>	(3,573)
<b>Operating profit before changes in working capital</b>	<b>116,567</b>	102,176
(Increase)/decrease in stocks	<b>(39,464)</b>	6,823
Decrease/(increase) in debtors and prepayments	<b>28,635</b>	(3,950)
Increase in creditors and accruals	<b>10,203</b>	11,786
Change in current accounts with related companies	<b>24,181</b>	(3,531)
<b>Cash generated from operations</b>	<b>140,122</b>	113,304

**NOTES TO THE ACCOUNTS**
**29. Notes to the consolidated cash flow statement (Continued)**
**(b) Analysis of changes in financing during the year**

	Dividend payable <i>HK\$'000</i>	Bank loans and other 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>	Total <i>HK\$'000</i>
Balance at 31st March 2003	–	560,172	1,133	94,077	1,473	656,855
Net cash (outflow)/inflow from financing	–	(33,448)	(593)	1,050	–	(32,991)
Inception of finance lease	–	–	81	–	–	81
Changes in exchange rates	–	241	42	–	133	416
Balance at 31st March 2004	–	526,965	663	95,127	1,606	624,361
Dividends	28,380	–	–	–	–	28,380
Net cash (outflow)/inflow from financing	(28,380)	(26,104)	(404)	1,984	883	(52,021)
Inception of finance lease	–	–	553	–	–	553
Changes in exchange rates	–	237	5	–	5	247
<b>Balance at 31st March 2005</b>	<b>–</b>	<b>501,098</b>	<b>817</b>	<b>97,111</b>	<b>2,494</b>	<b>601,520</b>

**30. Contingent liabilities**

	Group		Company	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
(a) Guarantees to secure banking facilities for subsidiary companies	–	–	676,993	768,910
Other guarantees for subsidiary companies	–	–	2,409	2,374
(b) Bills discounted	6,796	5,448	–	–

**31. Commitments**
**(a) Capital commitments for fixed assets:**

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Contracted but not provided for	1,825	–
Authorised but not contracted for	420	–
	<b>2,245</b>	<b>–</b>

**31. Commitments (Continued)**
**(b) Commitments under operating leases (where the Group is the lessee)**

At 31st March 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>2005</b> <b>HK\$'000</b>	2004 <i>HK\$'000</i>
Land and buildings		
Not later than one year	<b>181,449</b>	165,607
Later than one year but not later than five years	<b>171,624</b>	132,273
	<b>353,073</b>	297,880

**32. Operating lease arrangements (where the Group is the lessor)**

At 31st March 2005, the Group had future aggregate minimum lease receivables under non-cancellable operating leases as follows:

	<b>2005</b> <b>HK\$'000</b>	2004 <i>HK\$'000</i>
Land and buildings		
Not later than one year	<b>19,494</b>	21,496
Later than one year but not later than five years	<b>12,854</b>	12,841
	<b>32,348</b>	34,337

**33. 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>2005</b> <b>HK\$'000</b>	2004 <i>HK\$'000</i>
Purchases of goods from related companies	(a)	<b>52,260</b>	37,753
Interest expense to a related company (note 27(b))		<b>566</b>	1,450
Interest expense to a director (note 27(c))		<b>62</b>	774
Rental income from related companies	(b)	<b>(1,691)</b>	(1,812)
Interest income from a related company (note 19(b))		<b>(4,215)</b>	(4,905)

**33. Related party transactions** *(Continued)*

- (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, the ultimate holding company, and International Optical Manufacturing Company Limited, a 60% owned subsidiary company of Yee Hing Company Limited for the lease of office premises at Stelux House for a period of up to three years expired on 14th August 2004 at a monthly rental of HK\$55,900 and HK\$95,040 respectively.

The leases were renewed on 9th August 2004 for lease terms expiring on 31st March 2007 at a monthly rental of HK\$49,450 and HK\$85,536 respectively.

**34. Ultimate holding company**

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

**35. Approval of accounts**

The accounts were approved by the board of directors on 14th July 2005.

## PRINCIPAL SUBSIDIARY COMPANIES

As at 31st March 2005

Details of the principal subsidiary companies which materially affect the results and/or assets of the Group as at 31st March 2005 are set out below:

	Place of incorporation/ operation	Principal activities	Share capital issued		Percentage of equity attributable to the Group	
			Number	Par value	2005	2004
<b>Investment</b>						
Stelux Holdings International (BVI) Limited	British Virgin Islands	Investment holding	2	US\$1	100 <sup>a</sup>	100 <sup>a</sup>
Stelux Holdings Limited	Hong Kong	Investment holding and property investment	1,000	HK\$1	100	100
Stelux Watch Holdings Limited (in members' voluntary liquidation)	Singapore	Investment holding	35,617,861	S\$1	100	100
<b>Property</b>						
City Chain Properties Limited	Hong Kong	Property investment	2	HK\$1	100	100
King Eagle Investment Limited	Hong Kong	Property investment	4,583,719	HK\$1	100	100
Optical 88 Properties Limited	Hong Kong	Property investment	2	HK\$1	100	100
Prime Master Limited	Hong Kong	Property investment	2	HK\$1	100	100
Stelux Consultants B.V.	The Netherlands	Property development and project consultancy	80	DFL500	100	100
Stelux Properties Agency Limited	Hong Kong	Property agency and management	2	HK\$1	100	100
Stelux Properties Limited	Hong Kong	Property investment and development	500	HK\$100	100	100

## PRINCIPAL SUBSIDIARY COMPANIES

As at 31st March 2005

	Place of incorporation/ operation	Principal activities	Share capital issued		Percentage of equity attributable to the Group	
			Number	Par value	2005	2004
<b>Retailing and trading</b>						
City Chain Company Limited	Hong Kong	Watch retailing	250,000	HK\$100	100	100
City Chain (M) Sdn Bhd	Malaysia	Watch retailing	3,333,333	RM1	92.5	92.5
City Chain (Macau) Company Limited	Macau	Watch retailing	2	MOP5,000	100	100
City Chain Stores (S) Pte Limited	Singapore	Watch retailing	1,800,000	S\$1	100	100
Titus International Trading (Taiwan) Company Limited	Hong Kong/ Taiwan	Watch retailing/ distribution	1,000	HK\$10	100	100
City Chain (Thailand) Company Limited	Thailand	Watch retailing	200,000 210,000 <sup>b</sup>	Baht100 Baht100	100	100
Evergreen Fame Sdn Bhd	Malaysia	Watch distribution	320,000	RM1	92.5	92.5
Universal Geneve S.A.	Switzerland	Watch assembling and distribution	5,000	SFr1,000	100	100
Optical 88 Limited	Hong Kong	Glasses and related optical gears retailing	30,700,000	HK\$1	100	100
Optical 88 (Macau) Limited	Macau	Glasses and related optical gears retailing	2	MOP5,000	100	100
Optical 88 (S) Pte Limited	Singapore	Glasses and related optical gears retailing	500,000	S\$1	100	100
Optical 88 (Thailand) Company Limited	Thailand	Glasses and related optical gears retailing	245,000 255,000 <sup>b</sup>	Baht10 Baht10	100	100
Optical 88 Eyecare (M) Sdn Bhd	Malaysia	Glasses and related optical gears retailing	1,428,572	RM1	70	100
Poco Hippo Company Limited	Hong Kong	Infant wear marketing and retailing	2	HK\$100	100	100
Poco Hippo Co (S) Pte Limited	Singapore	Infant wear marketing and retailing	100,000	S\$1	100	100
Pronto Watch S.A.	Switzerland	Watch distribution	100	SFr1,000	100	100
Solvil et Titus S.A.	Switzerland	Watch distribution	300	SFr1,000	100	100

## PRINCIPAL SUBSIDIARY COMPANIES

As at 31st March 2005

	Place of incorporation/ operation	Principal activities	Share capital issued		Percentage of equity attributable to the Group	
			Number	Par value	2005	2004
<b>Retailing and trading (Continued)</b>						
Stelux International Licensing Limited	Bahamas	Trademark holding and licensing	2	US\$1	100	100
Stelux Trading (International) Limited	Hong Kong	Watch distribution	2	HK\$1	100	100
Stelux Watch Limited	Hong Kong/ People's Republic of China	Watch assembling	1,000,000	HK\$1	100	100
Stelux Watch (UK) Limited	England	Watch distribution	3,041,536	GBP1	100	100
Time House (Europe) Limited	Hong Kong	Watch distribution	10,000	HK\$1	100	100
Wedmore Limited	Hong Kong	Watch retailing	2	HK\$1	100	100

**PRINCIPAL SUBSIDIARY COMPANIES**

As at 31st March 2005

	Place of incorporation/ operation	Principal activities	Paid up capital	Percentage of equity attributable to the Group	
				2005	2004
<b>Retailing and trading (Continued)</b>					
Xiong Teng (Shanghai) Trading Co., Limited	People's Republic of China/ Mainland China (wholly owned trading company in free trade zone)	Trading and business consultancy	US\$3,300,000	100	100
City Chain (Guangdong) Company Limited	People's Republic of China/ Mainland China, (foreign-invested commercial enterprise)	Watch retailing, trading and related services	HK\$3,000,000	100	N/A
Baoshi (Guangdong) Company Limited	People's Republic of China/ Mainland China, (foreign-invested commercial enterprise)	Retailing, trading and related optical services	HK\$3,000,000	100	N/A

*a* Directly held subsidiary company

*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	42
Shop No. 22, 1/F Po Tin Building, 39 Wai Chi Street, Pak Tin, Kowloon	266	42
Portion of Flats A, B and C, G/F, Kam Ling Building, 231 Nathan Road, Kowloon	1,446	22
Shop 5, G/F, Chung King Mansion, 36-44 Nathan Road, Tsimshatsui, Kowloon	699	33
<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
<i>United Kingdom</i>		
Stelux House, First Avenue, Centrum 100, Burton-On-Trent, Staffordshire, DE14 2WH, England	12,000	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>		
Siam Square II, 215/450, Soi chula 64, Patumwan, Bangkok 10330	400	1
Room 2B-O4, 2/F, Mahboonkhrong Centre, 444 Phayathai Rd., Patumwan, Bangkok 10330	473	6
Room 2B14, 3/F, Mahboonkhrong Ctr., 444 Wangmai Subdistrict, Patumwan, Bangkok 10330	487	6
Room No. 33-34, 5 Ratchadapisek Rd., Huay-kwang, Bangkok 10310	689	7
Room No. B235, 4 Rajdamri Rd Lumpini, Patumwan, Bangkok 10330	398	8
Room No. 115-116, 191 Silom Rd., Bangruk, Bangkok 10500	1,248	7
Rm 54, 2/F, Amarin Plaza, 500 Ploenchit Rd., Patumwan, Bangkok 10330	548	10
Room No. 1C-L22/23, 1/F, The Mall Center, Ramkhumhaeng, 1909 Huamark, Bangkok, Bangkok 10600	915	10
Rm No. AG28, 1/F, Imperial World, 999 Sukhumvit Rd., Samrongnua Amphur Muang, Samutprakarn	1,295	13
Room No. 1S-R4B, 30/9 Ngamwongwan Rd, Bangkhen, Muang District, Nonthaburi 11000	1,291	15
The Mall 7 Bangkae, Room No. 1S-L8A, 275 Petchakasem Rd., Pasricharoen, Bangkok 10160	904	18
55/3 Diana Complex, Sri-puvanard Road, Had-Yai Distric, Songkhla	538	9
The Seri Center, Seri Center Room No. 101, 2nd Floor, 12/90 Srinakarin Rd., Nongborn, Pravet, Bangkok 10250	1,672	18
The Seacon Square, Room No. 1098, 904 Srinakarin Rd., Nongborn, Pravet, Bangkok 10250	1,184	20
Central Pinklao, Room No. 126, 7/311 Baromrajchonee Rd., Arunamarin, Bangkoknoi, Bangkok	867	10
Room 2PX-19B2, 1242/2 Mitraparp Rd., Muang District, Nakornrajasima Province	1,356	22
402 Room 202A, 2/F, Highway Rd., Tambol Vichit, Amphur Muang, Phuket	1,367	15

**PROPERTY PORTFOLIO**

<b>Commercial properties (own use)</b>	<b>Gross floor area (sq. ft.)</b>	<b>Remaining lease term (years)</b>
Future Park Rangsit, Room No. G35, 161 Thanyaburi District, Pathumthani	1,254	16
Fashion Island, Room No. 2098/2099, Km. 10.5, Ram Indra Rd, Bangkok	875	18
Mall 5 Thapa, Room No. 1SL1, 1/F, The Mall Center, Bukkalo, Thonburi, Bangkok	753	15
Room No. 2C-03-04, 2/F, Mahboonkhrong Center, Patumwan, Bangkok 10330	938	6
Central Ramindra, Room No. 114, 1/F, 109/10-100 Ramindra Road, Bangkhen, Bangkok	998	9
Future Park Bangkae, Room No. G13, 33-35 Soi Petchakasem, Pasecharoen, Bangkok	1,811	16
Central City Bangna, Room No. 134A, 1093 Bangna-Trad Road., Phakhranong, Bangkok	729	19
Jewelry Trade, Room No. 110, 1/F, 919/1 Silom Road, Bangkok 10500	681	20
Imperial Lardplao, Room No. AF-47, 1/F, 119/129 Lardpao Road, Bangkapi, Bangkok	1,453	15
Mall 8 Bangkapi, Room# GS-C13B, G/F, 3522 Ladproa Road, Bangkapi, Bangkok	754	18
Central Rama III, G29/1, 1/F, Rama III Road, Bangkok	1,078	18
Udorn, Room# A101, 1/F, Charoensri AR-KET, 277/3 Prachak Road, Udornthani	431	13
Sriracha Town, Room# 120, 1/F, 90 Sukumvit Road, Sriracha, Choburi	1,009	15
Central Chiang Mai, Room 116-117, G/F, Central Airport Plaza, 2 Mahidol Road, Hai-Ya Distric, Chiang Mai	1,295	18
126 Moo 3, Room G-17 Saiasia Road, Klongsu Anphoo, Sriyuthaya	1,170	14
128 Room 156/1, 1/F, Moo 6, Rama II Road Khwaengsamedam, Khet Bangkhuntien Bangkok	1,079	18
Kaitak Building, 7962 Amphur Pakkred, Nonthaburi Province, Thailand	106,559	Freehold

<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	6
128 Room#215, 2/F, Rama 2 Road Bang Khun Tian Bangkok	993	18
Central Ramindra, 118 First Floor at Central Ramindra, 109/25 Ramindra Road, Bangkhen, Bangkok	690	9
Central Pinklao, G-11A First Floor at Central Pinklao, 7/232 Boa-Rom Rachinee Road, Aroon Amarin, Bangkoknoi, Bangkok	1,169	10
Fashion Island, 1008, 1/F, Ramindra K.M. 10.5, Khannayao, Beungkum, Bangkok	1,059	18
Imperial World, AF-09, 1/F, Imperial Ladproa, Sukaphibal 1, Beungkum, Bangkok	777	16
Central Plaza Rachada Rama III, G29/2 G/F; 79/1-2, Sathupradit Road, Bangkok	1,003	18
Room# 135B 1093, Bangna-Trad Road, Bangkok	1,033	19
The Mall 8 Bangkapi, Room No. IS-C70, 3522 Lardpao Rd., Bangkapi, Bangkok 10240	754	18
Mall 7 Bangkae, Room No. IS-L8B, 1/F, 275 Petchicasem Road, Phasichareon, Bangkok	871	18
The Galleria, 111, Ground Floor at Jewelry Trade Center, 919/1 Silom Road, Bangrak, Bangkok	792	21
7/F Mar Boon Klong Center Building, 444 Phayathai Road, Bangkok	532	6
Room 2PX-19B1, 1242/2 Mitraparp Rd., Muang District, Nakornrajasrima Province	1,076	22
Room No. G-195 G Fl., 2 Mahidol Rd. Tambol Haiya, Amphur Muang, Chiangmai	701	14
99 Room BA-R1, Ground Fl., Ratchadapisak Rd., Bookalo, Thonburi, Bangkok	484	15
402 Room 231, Highway Road, Tambol Vichit, Amphur Muang, Phuket	990	15

**PROPERTY PORTFOLIO**

<b>Investment properties</b>	<b>Gross floor area (sq. ft.)</b>	<b>Remaining lease term (years)</b>
<i>Kowloon</i>		
Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon (excluding the portion for own use)	298,105	42
Shop No. 27, 1/F, Po Tin Building, 39 Wai Chi Street, Pak Tin, Kowloon	418	42
<i>New Territories</i>		
Unit 3, 1/F and Unit 3, 2/F, Po Yip Building, 62-70 Texaco Road, Tsuen Wan, New Territories	30,640	42
Unit No. 9 and 10, 3/F, and roof, Po Wai Building, 12 Tak Yip Street, Yuen Long, N.T.	3,907	42

**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**

Baker & Mckenzie  
Johnson Stokes & Master  
Masons

**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  
Room 1712-1716  
17th Floor  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

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

WONG Chong Po, aged 63, 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 45, 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 45, 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 54, 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 55, 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 72, 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 45, 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, CPA, ACIB, aged 59, 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.

WU Chun Sang, aged 48, was appointed a director of the Group in 2004. He is a Macau Registered Auditor. He is also a fellow member of the Association of Chartered Certified Accountants, UK and an associate member of the Hong Kong Institute of Certified Public Accountants. He is an independent non-executive director.

**Company Secretary**

Caroline CHONG Sue Peng, BA (Law) (Hons), admitted as a Barrister in England and Wales, and, Hong Kong, aged 43, is the Group Legal Counsel and Company Secretary. She joined the Group in 1997. She is responsible for the Group's legal and secretarial matters.

**Senior Executive**

Stuart WOOD, aged 61, 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 31 years of experience in the watch industry. He joined the Group in 1991.



\* Number of shops as at 30th June, 2005

**CORPORATE CITIZENSHIP**

The Company was presented with the Caring Company Award in February 2005. 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.”

During the year, Stelux has donated in kind giving to the community by sponsoring the Charity Fun Fair 2004, and donating its products to Crossroads International and Hong Chi Association. Stelux and its staff also participated in Community Chest activities, such as Dress Casual Day.

In conjunction with the Lions SightFirst Foundation Limited, Optical 88 Hong Kong launched a sunglasses and eye glasses recycling scheme where customers were encouraged to donate their used glasses to people with vision problems in mainland China. Optical 88 Hong Kong also donated around 5,000 pairs of glasses and HK\$25,000 was raised for people with sight problems through donations made by our customers.

City Chain, Optical 88 and Hipo.fant in Hong Kong, Macau, Singapore, Malaysia and Thailand joined together and donated 25% of their total regional sales from 1st to 3rd January 2005, amounting to about HK\$3 million to the Red Cross or Malaysian Red Crescent Society to help victims of the South Asian tsunami.

Stelux also promotes and adopts a policy of equal opportunities to eliminate any discrimination in sex, family status and disability in employment and the workplace. City Chain Hong Kong, for example, employs persons with disabilities as watch repairers providing 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
- City Chain (Guangdong) Company Limited  
Room 607A, Ronghui Building  
302 Zhicheng Road  
Guangzhou Economic & Technological  
Development District  
Guangzhou
- Baoshi (Guangdong) Company Limited  
Room 607B, Ronghui Building  
302 Zhicheng Road  
Guangzhou Economic & Technological  
Development District  
Guangzhou

**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