STELUX Holdings International Limited

寶光實業(國際)有限公司

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

ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002

RESULTS

The unaudited consolidated results were as follows:

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

NOTES:–

1. Principal accounting policies

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

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

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

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

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

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

SSAP 11 (revised): Foreign currency translation

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

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

2. Segment information

Primary reporting format – business segments

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

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

Secondary reporting format – geographical segments

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

3. Operating profit before financing

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

4. Taxation

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

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

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

5. Interim dividends

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

6. (Loss)/earnings per share

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

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

7. Contingent liabilities

The status of the Group's arbitration in respect of the claims by the contractor for the Stelux House development was fully disclosed in the Annual Report 2002. We are waiting delivery of the award.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF GROUP OPERATIONS

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

Retail and Trading Division

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

Hong Kong Retail

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

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

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

Hong Kong Retail – Overview for the second half year

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

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

Asian Retail

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

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

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

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

Asian Retail – Overview for the second half year

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

Export and Trading

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

Property Investment

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

FINANCE

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

As at balance sheet date, 3% (at 31st March 2002: 3%) of the Group's bank borrowings were denominated in foreign currencies. The Group's bank borrowings were on a floating rate basis at either bank prime lending rates or short-term inter-bank offer rates.

The Group does not engage in speculative derivative trading.

CAPITAL STRUCTURE OF THE GROUP

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

CHANGES IN THE COMPOSITION OF THE GROUP DURING THE INTERIM PERIOD

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

NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES, BONUS AND SHARE OPTION SCHEMES AND TRAINING SCHEMES

The Group's remuneration policies are reviewed on a regular basis and remuneration packages are in line with market practices in the relevant countries where the Group operates. As of 30th September 2002, the Group had 1,773 (at 30th September 2001: 1,843) employees. Details of outstanding share options were disclosed in the Group's Annual Report 2002 and the above section, "Capital Structure of the Group".

DETAILS OF THE CHARGES ON GROUP ASSETS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CODE OF BEST PRACTICE

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

AUDIT COMMITTEE

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

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A detailed announcement of the interim results of the Group for the six months ended 30th September 2002 containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange (http://www.hkex.com.hk) in due course.

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

Hong Kong, 19th December 2002