STELUX Holdings International Limited

(Incorporated in Bermuda with limited liability)

FINAL REPORT AND ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH 2000

RESULTS

The audited consolidated results were as follows:

	For the year ended 31st March 2000 HK$'000	1999 HK$'000
Turnover	1,136,600	1,286,677
Cost of sales	(451,523)	(581,893)
Gross profit	685,077	704,784
Other income	30,609	21,746
Selling expenses	(379,740)	(440,325)
General and administrative expenses	(167,986)	(179,778)
Other operating expenses	(139,924)	(145,490)
Surplus written back/(deficits) on the revaluation of investment properties	46,050	(158,472)
Profit on repurchase of convertible notes	44,662	99,164
Foreign exchange gain/(loss) on convertible notes	37,937	(15,977)
Net (loss)/profit on sales of land and buildings	(15,410)	9,387
Recovery of bank deposit from Bank of Credit and Commerce Group (in liquidation)	2,904	–
(Provision)/provision written back for diminution in value of marketable securities	(527)	7,708
Additional depreciation for overseas properties	–	(10,000)
Provision written back for severance payments	–	3,425
Operating profit/(loss)	143,652	(103,828)
Finance costs	(46,890)	(81,713)
Profit/(loss) before taxation	96,762	(185,541)
Taxation *(Note 1)*	(3,430)	(2,413)
Profit/(loss) after taxation	93,332	(187,954)
Minority interests	–	–
Profit/(loss) attributable to shareholders	93,332	(187,954)
Earnings/(loss) per share *(Note 2)*	*cents*	*cents*
– Basic	9.97	(20.1)
– Diluted	9.90	N/A

Notes:–

1. **Taxation**
Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the year less relief for available tax losses. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

2. **Earnings/(loss) per share**
The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK$93,332,000 (1999: loss of HK$187,954,000) and on the weighted average number of 936,340,023 shares (1999: 936,340,023 shares) in issue during the year.

The calculation of diluted earnings per share is based on profit attributable to shareholders of HK$93,332,000 and on the weighted average number of 936,340,023 shares in issue during the year plus the weighted average number of 5,990,112 shares deemed to have been issued at no consideration pursuant to the relevant outstanding options having been exercised.

FINAL DIVIDEND

The directors do not recommend the payment of a dividend for the year. (1999: Nil)

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, there was no purchase, sale or redemption by the Company, or any of its subsidiary companies, of the Company's listed securities except that a wholly owned subsidiary company had repurchased Swiss Francs 20.6 million of the unlisted Swiss Francs Convertible Notes issued by the same subsidiary as follows:–

Issuer	Description	Nominal amount repurchased	Consideration paid
Stelux Holdings Limited	1.75 percent Swiss Francs 125,000,000 Convertible Notes due 2001	Swiss Francs 20,600,000	Swiss Francs 11,479,750 average of 56 per cent of nominal value

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year except that the independent non-executive directors of the Company are not appointed for a specific term.

AUDIT COMMITTEE

Pursuant to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, an audit committee, comprising two independent non-executive Directors, namely Mr. Kwong Yiu Chung and Dr. Chu Chun Keung, Sydney, was established on 26th February 1999.

By reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the audit committee were prepared and adopted by the Board of the Company on the same date. The principal responsibilities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

YEAR 2000 COMPLIANCE

Details of the Group's assessment of the Year 2000 problem, structure and progress of the compliance project have been disclosed in the interim report dated 21st December 1999. The Group became Year 2000 compliant in September 1999. Total spending on the Year 2000 project which was paid and capitalised, is approximately HK$1.5 million. The Group has no further commitments in respect of the Year 2000 project.

To date, the Group has not experienced any Year 2000 non-compliance issues. Accordingly, the Group's contingency plans have not been required to be put into use. However, the Group is mindful that the Year 2000 problem may still persist into the year, therefore, there is still a possibility that a disruption to operations may result. The Group has not taken up insurance cover for potential losses caused by the Year 2000 problem.

REVIEW OF OPERATIONS

SUMMARY

The Group posted a profit attributable to shareholders of HK$93 million compared to a loss of HK$188 million last year, with a lower Group turnover of HK$1,137 million this year compared to HK$1,287 million last year. The results for the year include a write back of provision for deficits on revaluation of investment properties of HK$46 million, a gain on repurchase of Swiss Francs Convertible Notes of HK$45 million, an exchange gain of HK$38 million in translating Swiss Francs Convertible Notes and a loss on disposal of a retail property of HK$15 million.

OPERATIONS

Retail and Trading

With improving economies in South East Asia and Hong Kong, the Group's Retail and Trading Division reported turnaround results this year. A profit of HK$5 million was reported against losses of HK$69 million the previous year. This was due mainly to larger gross margins and more effective controls over operating costs.

Locally, gross margins for watch sales improved as discount sales were reduced and normal sales gradually picked up during the year. Taking advantage of lower prevailing market rents, the number of City Chain stores at prime locations have been increased since the second half of the year. Reengineering the City Chain brand to adopt a fresh and trendy image continues both locally and in Asia with redecoration of shops and changing product mix to introduce fashionable watch brands.

Franchising of our optical retail operations has proved to be very effective in improving the performance of the chain. In Hong Kong, Optical 88 reported near break even results compared to a loss of HK$15 million last year. Results posted by our operations in Thailand and Singapore were also more favourable compared to last year with Singapore posting break even results and Thailand reporting profits.

We will continue to refocus on the Group's core businesses. Developments for the financial year 2001, include increasing market share and introducing new products. We shall increase market share by opening new shops for City Chain, Optical 88 and Hipo.fant. Due to the success of franchising Optical 88 stores, franchising will be introduced to City Chain later this year.

In May 2000, silver jewellery accessories were introduced in selected City Chain stores in Hong Kong. Response has been positive and there are plans to sell the jewellery in more stores and other Asian countries. This will produce a new source of income for the Group.

Plans are also underway to reposition one of our international watch brands to target younger professionals. This new watch collection will be launched next year at the Basel fair and we expect response to be good.

Property Investment

During the financial year, gross rental income received from Stelux House was HK$37 million (1999:HK$26 million) including intra-group rental of approximately HK$6 million (1999:HK$4 million). The building is now fully leased and contributes stable rental income to the Group. A write back of provision for deficits on revaluation during the year of Stelux House amounted to HK$50 million while loss on revaluation of other investment properties amounted to HK$4 million.

A retail property in Hong Kong was disposed of during the year at a loss of HK$15 million. After the period under review, 2 shops in Hong Kong were disposed of at a profit of about HK$18 million. Presently, the Group still owns 3 shops in Hong Kong and 5 shops in Macau.

FINANCE

The Group's bank borrowings at balance sheet date were HK$389 million (1999: HK$439 million). At balance sheet date, approximately 58% of the Group's borrowings (including bank loans and Swiss Francs Convertible Notes) were denominated in Hong Kong Dollars and the remaining 42% were denominated in Swiss Francs. The Notes carry a fixed interest rate of 1.75% per annum. All other borrowings are on a floating rate basis at either bank prime lending rates or short-term inter-bank offer rates.

The outstanding Swiss Francs Convertible Notes are due in March 2001 and cash will be conserved for repayment. During the year, these Notes were reduced to Sfr58.9 million (1999: Sfr79.5 million). Notes at a nominal value of Sfr20.6 million were repurchased during the year at a discount of about 44%. Present liability denominated in Swiss Francs is not hedged but foreign currency exposure is constantly under review by management.

The Group does not engage in speculative derivative trading.

PROSPECTS

Barring no big slowdown in the US economy and a smooth recovery of the Asian economies, we expect the Group's performance to further improve next year. Effective cost controls implemented over the last two financial years will also continue to be reflected in the Group's results.

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

27th July 2000