

Hong Kong Stock Exchange Listing Code
0084.HK

web site

<http://www.irasia.com/listco/hk/stelux>

The Chairman of the Group, Mr. Wong Chue Meng, one of the original founders of the Stelux Group passed away on 15th June 2003. Over a period of forty years, he transformed the Stelux Group from a watch component manufacturer to a diversified group, which businesses now include property investment, retail and trading of watches, optical products and children's apparel in Asia, Europe and USA. Our Chairman accomplished a lot in his life having built much from nothing. He was also a committed philanthropist. His vision, leadership and kindness will be missed at Stelux.

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FINANCIAL SUMMARY

	1999 <i>HK\$'M</i>	2000 <i>HK\$'M</i>	2001 <i>HK\$'M</i>	2002 <i>HK\$'M</i>	2003 <i>HK\$'M</i>
Consolidated profit and loss account for the year ended 31st March					
Turnover	1,286.7	1,136.6	1,243.3	1,217.6	1,198.1
(Loss)/profit attributable to shareholders	(188.0)	93.3	55.4	(9.7)	(41.2)
Dividends	–	–	–	–	–
Consolidated balance sheet as at 31st March					
Assets	1,874.3	1,838.0	1,718.9	1,614.8	1,551.0
Less: Liabilities and minority interests	1,238.1	1,114.1	962.6	868.9	840.8
Shareholders' funds	636.2	723.9	756.3	745.9	710.2
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Per share data					
(Loss)/earnings	(0.20)	0.10	0.06	(0.01)	(0.04)
Dividends	–	–	–	–	–
Net assets	0.68	0.77	0.81	0.80	0.76



REVIEW OF GROUP OPERATIONS

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

Retail and Trading Division

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

City Chain

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

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

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

Optical 88

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

Two Optical 88 shops have also been opened in Guangzhou.

Hipo.fant

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

Watch Assembly, Export and Trading

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

Property Investment

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

FINANCE

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

Of the Group's bank borrowings, 3% (2002: 3%) were denominated in foreign currencies. The Group's bank borrowings denominated in Hong Kong Dollars were on a floating rate basis at either bank prime lending rates or short term inter-bank offer rates.

The Group does not engage in speculative derivative trading.

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 2003, the Group had 1,773 (2002: 1,817) 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

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

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

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

On behalf of the Board

Joseph C. C. Wong

Managing Director

Hong Kong, 17th July 2003

REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts for the year ended 31st March 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiary companies are shown on pages 43 to 46.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st March 2003 are set out in the consolidated profit and loss account on page 13.

The directors do not recommend the payment of a dividend for the year.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 23 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets are shown in note 13 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:

Wong Chue Meng	(deceased on 15th June 2003)
Wong Chong Po	
Joseph C. C. Wong	
Chu Kai Wah, Anthony	
Sakorn Kanjanapas	
Lee Shu Chung, Stan	
Wong Yuk Woon	
Kwong Yiu Chung	(independent non-executive)
Chu Chun Keung, Sydney	(independent non-executive)

In accordance with Clause 110(A) of the Company's Bye-laws, Mr Sakorn Kanjanapas and Dr Sydney Chu Chun Keung will retire at the forthcoming Annual General Meeting and being eligible, offer themselves 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).

DIRECTORS AND INTERESTS IN CONTRACTS *(Continued)*

Pursuant to an Executive Bonus Scheme approved under a board resolution passed on 7th January 1993 by Stelux Holdings Limited, Mr Wong Chong Po and Mr Joseph C. C. Wong were eligible to an annual bonus determinable under the terms of the Executive Bonus Scheme with respect to their management of the Group. During the year, none of the afore-mentioned directors has received or will receive the bonus in respect of the Executive Bonus Scheme (2002: Nil).

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.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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 options were granted during the year.

The details of share options granted to the directors and outstanding as at 31st March 2003 are as follows:

Name of directors	Number of share options			Total outstanding at 31st March 2003
	1st lot <i>(note 1)</i>	2nd lot <i>(note 2)</i>	3rd lot <i>(note 3)</i>	
Mr Joseph C. C. Wong	3,000,000	3,000,000	5,000,000	8,000,000
Mr Chu Kai Wah, Anthony	1,000,000	1,000,000	1,000,000	2,000,000
Mr Lee Shu Chung, Stan	1,000,000	1,000,000	1,000,000	2,000,000
Mr Wong Yuk Woon	1,000,000	1,000,000	1,000,000	2,000,000

Notes:

- These options are granted on 6th August 1997 and exercisable at HK\$1.3632 per share during the period from 6th August 1997 to 5th August 2002. These options have lapsed.
- These options are granted on 26th October 1998 and exercisable at HK\$0.15 per share during the period from 26th October 1998 to 25th October 2003.
- These options are granted on 17th January 2000 and exercisable at HK\$0.248 per share during the period from 17th January 2000 to 16th January 2005.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES *(Continued)*

With the exception of the 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 2003, the interests of the directors and their associates in the shares and options of the Company and its associated corporations as recorded in the register maintained under section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

(a) The Company – Ordinary shares

	Number of shares			Total
	Personal interests	Family interests	Corporate interests	
Mr Wong Chue Meng	12,114,080	561,168,666 ⁽¹⁾	643,069,959 ⁽¹⁾	664,314,964*
Mr Wong Chong Po	3,600,000	–	552,037,741 ⁽²⁾	555,637,741
Mr Joseph C. C. Wong	5,181,211	10,000	–	5,191,211
Mr Sakorn Kanjanapas	391,056	–	–	391,056

(b) The Company – Number of options to subscribe for ordinary shares of HK\$0.1 each

	Number of options			Total
	Personal interests	Family interests	Corporate interests	
Mr Joseph C. C. Wong	8,000,000	–	–	8,000,000
Mr Chu Kai Wah, Anthony	2,000,000	–	–	2,000,000
Mr Lee Shu Chung, Stan	2,000,000	–	–	2,000,000
Mr Wong Yuk Woon	2,000,000	–	–	2,000,000

DIRECTORS' INTERESTS *(Continued)*
(c) Subsidiary companies

		Number of shares			
		Personal interests	Family interests	Corporate interests	Total
(i)	City Chain (Thailand) Company Limited – Preference shares ⁽³⁾				
	Mr Wong Chue Meng	–	–	208,800	208,800
	Mr Wong Chong Po	200	–	208,800	209,000
	Mr Joseph C. C. Wong	200	–	208,800	209,000
	Mr Sakorn Kanjanapas	200	–	208,800	209,000
(ii)	Stelux Watch (Thailand) Company Limited – Preference shares ⁽⁴⁾				
	Mr Wong Chong Po	600	–	–	600
	Mr Joseph C. C. Wong	600	–	–	600
	Mr Sakorn Kanjanapas	600	–	–	600
(iii)	Optical 88 (Thailand) Company Limited – Preference shares ⁽⁵⁾				
	Mr Wong Chue Meng	–	–	225,000	225,000
	Mr Wong Chong Po	5,000	–	225,000	230,000
	Mr Joseph C. C. Wong	5,000	–	225,000	230,000
	Mr Sakorn Kanjanapas	5,000	–	225,000	230,000

* *Total interests excluding duplication as explained in the respective notes.*

By virtue of the SDI Ordinance and his interests in the ultimate holding company, Yee Hing Company Limited, Thong Sia Company Limited, Active Lights Company Limited and Yee Hing International Limited, Mr Wong Chue Meng is deemed to have family and corporate interests in the shares of the Company and its associated corporations at 31st March 2003 as follows:

- (1) This includes the duplication of corporate interests of 552,037,741 shares through Yee Hing Company Limited, Active Lights Company Limited and Yee Hing International Limited in which Mr Wong Chue Meng is deemed to have both family and corporate interests.

By virtue of the SDI Ordinance, Mr Wong Chong Po is deemed to have corporate interests in the shares of the Company and its associated corporations at 31st March 2003 as follows:

- (2) Mr Wong Chong Po has beneficial interests in Yee Hing Company Limited which has corporate interests in the Company.

DIRECTORS' INTERESTS *(Continued)***(c) Subsidiary companies** *(Continued)*

By virtue of the SDI Ordinance and their family and corporate interests in the Company stated above, Mr Wong Chue Meng, Mr Wong Chong Po, Mr Joseph C. C. Wong and Mr Sakorn Kanjanapas are deemed to have corporate interests in City Chain (Thailand) Company Limited at 31st March 2003 as follows:

- (3) City Chain (Thailand) Company Limited is deemed to be a wholly owned subsidiary company of the Company as all its ordinary shares carrying voting rights are held by a wholly owned subsidiary company of the Company. The interests of these directors in the ordinary shares of City Chain (Thailand) Company Limited are therefore equivalent to their respective personal, family and corporate interests in 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.

By virtue of the SDI Ordinance and their family and corporate interests in the Company stated above, Mr Wong Chong Po, Mr Joseph C. C. Wong and Mr Sakorn Kanjanapas are deemed to have corporate interests in Stelux Watch (Thailand) Company Limited at 31st March 2003 as follows:

- (4) Stelux Watch (Thailand) Company Limited is deemed to be a wholly owned subsidiary company of the Company as all its ordinary shares carrying voting rights are held by a wholly owned subsidiary company of the Company. The interests of these directors in the ordinary shares of Stelux Watch (Thailand) Company Limited are therefore equivalent to their respective personal, family and corporate interests in 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.

By virtue of the SDI Ordinance and their family and corporate interests in the Company stated above, Mr Wong Chue Meng, Mr Wong Chong Po, Mr Joseph C. C. Wong and Mr Sakorn Kanjanapas are deemed to have corporate interests in Optical 88 (Thailand) Company Limited at 31st March 2003 as follows:

- (5) Optical 88 (Thailand) Company Limited is deemed to be a wholly owned subsidiary company of the Company as all its ordinary shares carrying voting rights are held by a wholly owned subsidiary company of the Company. The interests of these directors in the ordinary shares of Optical 88 (Thailand) Company Limited are therefore equivalent to their respective personal, family and corporate interests in 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.

Save as disclosed above, none of the directors of the Company was interested in the shares and options of the Company or any of the Company's associated corporations as at 31st March 2003.

SHARE OPTIONS

As at 31st March 2003, in addition to the share options granted to the directors as disclosed in the section headed "Directors' right to acquire shares or debentures", there were 2,000,000 share options granted in 1998 to two employees of the Group. The options are exercisable at HK\$0.15 per share during the period from 26th October 1998 to 25th October 2003. During the year, there were no options granted to or options exercised by the employees of the Group.

SUBSTANTIAL SHAREHOLDERS

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 10 per cent or more of the nominal value of the share capital of the Company as at 31st March 2003 as recorded in the register required to be kept by the Company under section 16(1) of the SDI Ordinance.

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

CONNECTED TRANSACTIONS

- (1) During the year, the Group purchased timepieces from Thong Sia Company Limited, Thong Sia Watch Company Limited, Thong Sia Company (Singapore) Private Limited and Thong Sia Sdn Bhd, collectively referred to as Thong Sia Companies; and optical products from PRO Vision Trading Company Limited ("Pro Vision") and Thong Sia Company (Singapore) Private Limited. At 31st March 2003, Mr Wong Chue Meng, who was interested in approximately 71% of the issued share capital of the Company, was a director and held more than 30% of the equity of the Thong Sia Companies. At 31st March 2003, Pro Vision was a 60% indirectly owned subsidiary of Yee Hing Company Limited ("Yee Hing"), which was a substantial shareholder of the Company. Yee Hing and its subsidiary companies held approximately 58.95% of the issued share capital of the Company. Accordingly, Thong Sia Companies and Pro Vision were associates of a connected person to the Company and the transactions constitute connected transactions under the Listing Rules. The total purchases during the year amounted to HK\$31,512,000 (2002: HK\$29,726,000).

The Company has been granted waivers from the Stock Exchange from strict compliance with the disclosure requirements under Chapter 14 of the Listing Rules. The independent non-executive directors, Mr Kwong Yiu Chung and Dr Chu Chun Keung, Sydney have reviewed the above transactions and confirm that the transactions were:

- (a) entered into in the usual and ordinary course of business of the Company;
- (b) conducted on either (i) 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;

CONNECTED TRANSACTIONS *(Continued)*

- (c) entered into either (i) in accordance with the terms of the agreements governing such transactions or (ii) where there are no such agreements 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 have also reviewed the above transactions and confirmed that the transactions have received the approval of the directors of the Company and were undertaken in accordance with notes (c) and (d) above.

- (2) 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.

At 31st March 2003, Yee Hing and its subsidiary companies held approximately 58.95% of the issued share capital of the Company. Thong Sia Company Limited (“Thong Sia”) held 9.72% of the issued share capital of the Company. At 31st March 2003, Yee Hing held 60% and Thong Sia held 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 19th July 2001.

The above transactions also constitute related party transactions and are disclosed in note 28 to the accounts.

AUDIT COMMITTEE

Pursuant to the Listing Rules, 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 (“Audit Committee”). 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.

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
Managing Director

Hong Kong, 17th July 2003

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 13 to 46 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 to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of 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 the Group as at 31st March 2003 and of the loss 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, 17th July 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Turnover	3	1,198,122	1,217,563
Cost of sales		(455,976)	(463,769)
Gross profit		742,146	753,794
Other income	5	20,386	25,387
Selling expenses		(505,471)	(500,520)
General and administrative expenses		(156,592)	(157,602)
Other operating expenses		(71,491)	(76,508)
Deficit on revaluation of investment properties		(33,230)	(26,900)
Provision for impairment in value of land and buildings		(4,800)	(12,154)
Gain/(loss) on disposal of land and buildings		110	(5,621)
Forfeiture of deposit received on disposal of land and buildings		–	14,133
Write back of provision for construction cost payable		–	20,570
Operating (loss)/profit before financing	6	(8,942)	34,579
Finance costs	7	(29,040)	(36,234)
Loss before taxation		(37,982)	(1,655)
Taxation	10	(3,234)	(8,079)
Loss after taxation		(41,216)	(9,734)
Minority interests		–	–
Loss attributable to shareholders	11 & 23	(41,216)	(9,734)
Loss per share	12	HK cents	HK cents
– basic		(4.40)	(1.04)
– diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

At 31st March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Fixed assets	13	845,388	890,097
Investment securities	15	4,299	4,299
Trademarks and patents	16	21,284	23,134
Non-current assets		870,971	917,530
Current assets			
Stocks	17	356,208	355,042
Debtors and prepayments	18	282,656	286,317
Short term investments	19	4,364	4,355
Cash and bank balances	20	36,775	51,575
		680,003	697,289
Current liabilities			
Bank overdrafts and short term loans			
Secured		202,110	191,066
Unsecured		40,797	23,703
Creditors and accruals	21	246,146	288,872
Loans from shareholders	24	3,892	–
Current portion of long term liabilities	25	26,049	26,330
Taxation payable		11,894	14,500
		530,888	544,471
Net current assets		149,115	152,818
Employment of funds		1,020,086	1,070,348
Financed by:			
Share capital	22	93,634	93,634
Reserves	23	616,572	652,265
Shareholders' funds		710,206	745,899
Minority interests		1,473	1,461
Loans from shareholders	24	–	3,892
Long term liabilities	25	308,407	319,096
Funds employed		1,020,086	1,070,348

Wong Chong Po
Executive Chairman

Joseph C. C. Wong
Managing Director

BALANCE SHEET

At 31st March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Subsidiary companies	14	484,611	487,922
Non-current assets		484,611	487,922
Current assets			
Other debtors and prepayments		9	9
Cash and bank balances	20	4	4
		13	13
Current liabilities			
Other creditors and accruals		1,580	2,400
Loans from shareholders	24	3,892	–
		5,472	2,400
Net current liabilities		(5,459)	(2,387)
Employment of funds		479,152	485,535
Financed by:			
Share capital	22	93,634	93,634
Reserves	23	385,518	388,009
Shareholders' funds		479,152	481,643
Loans from shareholders	24	–	3,892
Funds employed		479,152	485,535

Wong Chong Po
Executive Chairman

Joseph C. C. Wong
Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the year ended 31st March 2003*

	<i>Note</i>	2003 HK\$'000	2002 HK\$'000
Total equity as at 1st April		745,899	756,333
Exchange gain/(loss) arising from translation of overseas subsidiary companies directly dealt with in reserves	23	5,523	(700)
Loss for the year	23	(41,216)	(9,734)
<hr/>			
Total equity as at 31st March		710,206	745,899

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Cash flows from operating activities			
Net cash inflow generated from operations	29(a)	35,146	70,692
Interest paid		(30,140)	(36,947)
Hong Kong profits tax paid		(2,016)	(2,680)
Hong Kong profits tax refunded		25	990
Overseas tax paid		(4,323)	(4,999)
Overseas tax refunded		211	–
Net cash (used in)/from operating activities		(1,097)	27,056
Cash flows from investing activities			
Purchase of fixed assets		(45,185)	(29,116)
Proceeds from sale of fixed assets		3,315	20,641
Increase in short term investments		–	(1,585)
Interest received		7,668	6,624
Dividends received		1,946	1,456
Net cash used in investing activities		(32,256)	(1,980)
Cash flows from financing activities			
Increase in bank loans	29(b)	192,807	152,873
Repayment of bank loans		(172,778)	(143,991)
Capital element of finance lease payments		(789)	(2,790)
Net increase/(decrease) in amounts due to and loans from related companies		1,250	(26,067)
Repayment of loan from a director		(5,058)	–
Increase in restricted bank balances		(2,014)	–
Net cash from/(used in) financing activities		13,418	(19,975)
Net (decrease)/ increase in cash and cash equivalents		(19,935)	5,101
Cash and cash equivalents at 1st April		28,549	27,691
Effect of foreign exchange rate changes		6,197	(4,243)
Cash and cash equivalents at 31st March		14,811	28,549
Analysis of the balances of cash and cash equivalents:			
Cash and bank balances	20	34,761	51,575
Short term bank loans repayable within three months from the date of advance		(19,950)	(23,026)
		14,811	28,549

1 Principal activities

The principal activity of the Company is investment holding. The activities of its principal subsidiary companies are shown on pages 43 to 46.

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 Society of Accountants ("HKSA"). The accounts are prepared under the historical cost convention as modified by the revaluation of investment properties and short term investments.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002:

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

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

(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 gain 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 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) Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions occurring on or after 1st April 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

2 Principal accounting policies *(Continued)*

(c) Goodwill/negative goodwill *(Continued)*

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

The carrying amount of goodwill is reviewed annually and provision is made where, in the opinion of directors, there is a long term impairment in value.

(d) Subsidiary companies

A company is a subsidiary if the Group, directly or indirectly, controls more than half of the voting power, has the power to govern the financial and operating policies, appoint or remove the majority of the members of the board of directors or cast 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 dividend income received and receivable.

(e) Fixed assets and depreciation

Fixed assets other than investment properties (note 2(f)) are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided at rates calculated to write off their cost by equal annual instalments over their estimated useful lives or, if shorter, the relevant finance lease periods, as follows:

Leasehold land	over the unexpired period of the lease
Buildings	lesser of the unexpired lease term or 2 to 2 ¹ / ₂ %
Plant and equipment	10 to 33 ¹ / ₃ %
Furniture and fixtures	7 to 33 ¹ / ₃ %
Motor vehicles	20 to 25%

Major costs incurred in restoring fixed assets to their normal working condition are charged to 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 other than investment properties 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.

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 asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

2 Principal accounting policies *(Continued)***(f) Investment properties**

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential.

Investment properties are valued annually by independent professional valuers. Increases in valuations are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously debited.

No depreciation is provided on investment properties held on leases of more than twenty years and freehold land.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

(g) 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(e).

(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 leasing company are charged to the profit and loss account on a straight line basis over the lease periods.

(h) Investment securities

Investment securities are held for non-trading purpose and long-term. Investment securities are stated at cost less provision for permanent diminution in value.

(i) Trademarks and patents

Watch brand trademarks are stated at cost less amortisation. Cost is amortised over the estimated useful economic lives of 20 years on a straight-line basis.

2 Principal accounting policies *(Continued)***(j) Stocks**

Stocks are stated at the lower of cost and net realisable value. The stock valuation includes the cost of direct labour, materials and an appropriate proportion of production overhead expenditure. Cost is calculated on the first in first out or weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(k) Short term investments

Short term investments are stated at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in market value of short term investments are recognised in the profit and loss account. Profit or loss upon the disposals of short term investments representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(l) 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.

(m) 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.

(n) Deferred taxation

Deferred taxation is accounted for at current tax rates in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(o) 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 sheet 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 is translated at an average rate. Exchange differences arising are dealt with as a movement in reserves.

In prior years, the profit and loss of subsidiary companies denominated in foreign currencies were translated at closing rate. This is a change in accounting policy, however, the adoption of SSAP 11 (revised) has not been applied retrospectively to the prior years as the effect of this change is not material.

2 Principal accounting policies *(Continued)***(p) Employee benefit cost**

The Group operated a mandatory provident fund scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The Group's contributions to the scheme are expensed as incurred.

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.

(q) Related parties

Related parties are individuals and companies, including subsidiary companies, where the individual, company or group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

(r) 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 an accruals basis in accordance with the lease agreements;
- (iii) sales of short term investments, 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 account of the principal outstanding and the effective interest rate applicable and;
- (vi) profits on disposals of completed properties, when the sale and purchase agreements are completed.

(s) Segment reporting

In accordance with the Group's internal financial reporting, 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, trademarks and patents, stocks, debtors and prepayments and exclude cash and bank balances. Segment liabilities consist mainly of creditors and accruals and exclude taxation payable, loans from shareholders, minority interests 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.

2 Principal accounting policies *(Continued)*

(t) 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, they will then be recognised as 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.

(u) 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 company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

3 Turnover

Turnover represents the following and comprises revenues from:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Sales of goods	1,154,340	1,173,777
Gross rental income	34,848	34,654
Dividend income	1,946	1,456
Interest income	6,988	7,300
Sales of short term investments	–	376
	1,198,122	1,217,563

NOTES TO THE ACCOUNTS
4 Segment information
Primary reporting format – business segments

	2003				Group HK\$'000
	Investment HK\$'000	Property HK\$'000	Retail and trading HK\$'000	Eliminations HK\$'000	
Turnover	2,042	50,623	1,156,480	(11,023)	1,198,122
Segment results	2,042	(16,247)	31,539		17,334
Net corporate expenses					(26,276)
Operating loss before financing					(8,942)
Finance costs					(29,040)
Loss before taxation					(37,982)
Taxation					(3,234)
Loss after taxation					(41,216)
Minority interests					–
Loss attributable to shareholders					(41,216)
Segment assets	12,053	832,797	669,349		1,514,199
Unallocated assets					36,775
Total assets					1,550,974
Segment liabilities	4,977	12,506	228,663		246,146
Minority interests	–	–	1,473		1,473
Unallocated liabilities					593,149
Total liabilities					840,768
Capital expenditure	935	–	45,009		45,944
Depreciation	4,330	3,125	43,905		51,360
Amortisation of trademarks and patents	–	–	1,850		1,850
Impairment charge	–	2,800	2,000		4,800
Loss on disposals of fixed assets	–	–	463		463
Provision for stocks obsolescence and stocks written off	–	–	13,261		13,261
Provision for doubtful debts and bad debts written off	34	4,753	4,257		9,044

NOTES TO THE ACCOUNTS

4 Segment information (Continued)

Primary reporting format – business segments (Continued)

	2002				Group HK\$'000
	Investment HK\$'000	Property HK\$'000	Retail and trading HK\$'000	Eliminations HK\$'000	
Turnover	1,988	51,722	1,176,306	(12,453)	1,217,563
Segment results	1,971	17,842	43,293		63,106
Net corporate expenses					(28,527)
Operating profit before financing					34,579
Finance costs					(36,234)
Loss before taxation					(1,655)
Taxation					(8,079)
Loss after taxation					(9,734)
Minority interests					–
Loss attributable to shareholders					(9,734)
Segment assets	11,222	874,694	677,328		1,563,244
Unallocated assets					51,575
Total assets					1,614,819
Segment liabilities	5,839	52,659	230,374		288,872
Minority interests	–	–	1,461		1,461
Unallocated liabilities					578,587
Total liabilities					868,920
Capital expenditure	2,674	177	27,080		29,931
Depreciation	1,199	6,892	45,427		53,518
Amortisation of trademarks and patents	–	–	2,351		2,351
Impairment charge	–	12,154	–		12,154
Loss on disposals of fixed assets	–	–	1,721		1,721
Provision for stocks obsolescence and stocks written off	–	–	8,277		8,277
Provision for doubtful debts and bad debts written off	9	4,615	1,920		6,544

NOTES TO THE ACCOUNTS
4 Segment information (Continued)

Secondary reporting format – geographical segments

	2003			
	Turnover <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>
Hong Kong	702,719	(40,346)	1,210,859	14,670
South East and Far East Asia	278,482	19,245	240,856	29,447
Europe	197,911	37,364	73,224	1,199
North America	9,213	490	8,280	26
PRC Mainland	9,797	581	17,755	602
	1,198,122	17,334	1,550,974	45,944

	2002			
	Turnover <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>
Hong Kong	745,659	13,875	1,296,309	15,318
South East and Far East Asia	277,787	10,403	229,957	12,869
Europe	167,830	38,211	67,184	1,446
North America	14,118	(887)	9,669	20
PRC Mainland	12,169	1,504	11,700	278
	1,217,563	63,106	1,614,819	29,931

5 Other income

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Building management fee income	11,813	12,450
Sundries	8,573	12,937
	20,386	25,387

NOTES TO THE ACCOUNTS**6 Operating (loss)/ profit before financing**

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Operating (loss)/ profit before financing is stated after charging/(crediting):		
Depreciation		
Owned fixed assets	50,757	53,120
Leased fixed assets	603	398
Auditors' remuneration		
Current year	3,583	3,993
(Over)/under provision in respect of prior years	(245)	28
Operating leases		
Land and buildings	177,871	167,838
Plant and machinery	535	546
Amortisation of trademarks and patents	1,850	2,351
Outgoings in respect of investment properties	1,807	2,323
Loss on disposals of fixed assets	463	1,721
Loss on sales of short term investments	–	17
Provision for stock obsolescence and stocks written off	13,261	8,277
Provision for doubtful debts and bad debts written off	9,044	6,544
Legal expenses written off	10,842	–
Net exchange losses	977	1,881

7 Finance costs

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interest on bank loans and overdrafts wholly repayable within five years	25,817	31,643
Interest on bank loans not wholly repayable within five years	–	1,505
Interest on other loans wholly repayable within five years	3,084	2,920
Interest on finance leases	139	166
	29,040	36,234

8 Staff costs

The amount of staff costs (including directors' emoluments as disclosed in note 9) charged to the profit and loss account represents:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Salaries and allowances	212,397	212,406
Pension contributions less forfeiture utilised	11,191	11,862
Unutilised annual leave	3,361	313
Social security costs	1,829	2,005
Other allowances	183	67
	228,961	226,653

9 Emoluments of directors and senior management

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Fees		
– executive directors	400	480
– non-executive directors	340	340
Salaries, allowances and benefits in kind	8,900	10,016
Pensions contributions	274	216
Executive Bonus Scheme	–	–
	9,914	11,052

Pursuant to an Executive Bonus Scheme approved under a board resolution passed on 7th January 1993 by Stelux Holdings Limited, Mr Wong Chong Po and Mr Joseph C. C. Wong were eligible to an annual bonus determinable under the terms of the Executive Bonus Scheme with respect to their management of the Group. No bonus is paid or payable to the eligible directors under the Executive Bonus Scheme for the year (2002: Nil).

Emoluments paid to independent non-executive directors for the year included directors' fees amounting to HK\$160,000 (2002: HK\$160,000). During the year, none of the directors has waived their directors' fees (2002: Nil).

The emoluments were paid to the directors as follows:

Emolument bands	2003 Number of directors	2002 Number of directors
HK\$ Nil – HK\$500,000	4	4
HK\$500,001 – HK\$1,000,000	–	1
HK\$1,500,001 – HK\$2,000,000	4	4
HK\$2,500,001 – HK\$3,000,000	1	–
HK\$3,000,001 – HK\$3,500,000	–	1
	9	10

In addition to the above analysis for directors, there was one employee (2002: one) whose emoluments were among the five highest in the Group. Details of the emoluments paid to this employee were:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,573	1,219
Pensions contributions	89	104
Bonuses	1,151	1,005
	2,813	2,328

10 Taxation

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profit for the year less relief for available tax losses. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Company and subsidiary companies:		
Hong Kong profits tax		
Current	(62)	(29)
Under provision in respect of prior years	–	(4,325)
	(62)	(4,354)

Overseas profits tax		
Current	(3,249)	(4,794)
Over provision in respect of prior years	77	1,069
	(3,172)	(3,725)

	(3,234)	(8,079)

Deferred tax (charge)/credit for the year has not been provided in respect of the following:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Accelerated depreciation allowances	(1,875)	(762)
Other timing differences	(5,041)	636
	(6,916)	(126)

Unprovided deferred taxation assets are analysed as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Accelerated depreciation allowances	736	2,611
Other timing differences	9,298	14,339
	10,034	16,950

Future tax benefits attributable to available tax losses have not been accounted for due to the uncertainty as to their future utilisation.

NOTES TO THE ACCOUNTS

11 Loss attributable to shareholders

Loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$2,491,000 (2002: HK\$2,871,000).

12 Loss per share

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

The exercise of the share options granted by the Group would have an anti-dilutive effect on the loss per share for both years.

13 Fixed assets

	Land and buildings <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Plant, equipment and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Group				
Cost or valuation				
At 31st March 2002	357,520	565,750	295,600	1,218,870
Translation differences	2,017	–	4,727	6,744
Additions	11,392	–	34,552	45,944
Disposals	(3,819)	–	(32,241)	(36,060)
Revaluation deficit	–	(33,230)	–	(33,230)
At 31st March 2003	367,110	532,520	302,638	1,202,268
Accumulated depreciation and impairment				
At 31st March 2002	105,116	–	223,657	328,773
Translation differences	394	–	3,945	4,339
Charge for the year	10,144	–	41,216	51,360
Disposals	(1,061)	–	(31,331)	(32,392)
Impairment charge	4,800	–	–	4,800
At 31st March 2003	119,393	–	237,487	356,880
Net book value				
At 31st March 2003	247,717	532,520	65,151	845,388
At 31st March 2002	252,404	565,750	71,943	890,097

13 Fixed assets (Continued)

The analysis of cost or valuation of the above assets as at 31st March 2003 is as follows:

	Land and buildings <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Plant, equipment and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At cost	367,110	–	302,638	669,748
At 2003 professional valuation	–	532,520	–	532,520
	367,110	532,520	302,638	1,202,268

The analysis of cost or valuation of the above assets as at 31st March 2002 is as follows:

	Land and buildings <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Plant, equipment and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At cost	357,520	–	295,600	653,120
At 2002 professional valuation	–	565,750	–	565,750
	357,520	565,750	295,600	1,218,870

Investment properties of the Group were valued on the open market value basis at 31st March 2003 by DTZ Debenham Tie Leung Limited, independent property valuer. All other fixed assets are stated at cost less accumulated depreciation and impairment charge, if any.

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

	2003 <i>HK\$'000</i>	Group 2002 <i>HK\$'000</i>
Hong Kong:		
Medium term leases (10 – 50 years)	674,067	714,450
Overseas:		
Freehold	49,644	51,724
Medium term leases (10 – 50 years)	48,762	51,256
Short term leases (under 10 years)	7,764	724
	780,237	818,154

- (b) At 31st March 2003, certain of the Group's land and buildings amounting to HK\$169,155,000 (2002: HK\$175,899,000) and investment properties amounting to HK\$531,500,000 (2002: HK\$564,550,000) were pledged to secure banking facilities granted to the Group.

13 Fixed assets (Continued)

(c) At 31st March 2003, the net book value of fixed assets held under finance leases amounted to HK\$1,632,000 (2002: HK\$1,523,000).

14 Subsidiary companies

	2003 HK\$'000	2002 HK\$'000
Unlisted shares at cost less provision	495,150	495,150
Amounts due from subsidiary companies	116,155	116,155
Amounts due to subsidiary companies	(126,694)	(123,383)
	484,611	487,922

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 43 to 46.

15 Investment securities

	2003 HK\$'000	Group 2002 HK\$'000
Unlisted overseas shares, at cost	4,299	4,299

16 Trademarks and patents

	2003 HK\$'000	Group 2002 HK\$'000
At 1st April	23,134	25,485
Less: Amortisation	(1,850)	(2,351)
At 31st March	21,284	23,134

17 Stocks

	2003 <i>HK\$'000</i>	Group 2002 <i>HK\$'000</i>
Raw materials	131,461	145,884
Work-in-progress	6,617	8,138
Finished goods	316,687	296,843
	454,765	450,865
Provision	(98,557)	(95,823)
	356,208	355,042

At 31st March 2003, finished goods that are carried at net realisable value amounted to HK\$4,531,000 (2002: HK\$3,500,624).

18 Debtors and prepayments

	2003 <i>HK\$'000</i>	Group 2002 <i>HK\$'000</i>
Trade debtors (<i>note a</i>)		
Below 60 days	14,035	11,934
Over 60 days	18,984	19,511
	33,019	31,445
Deposits, prepayments and other debtors (<i>note b</i>)	249,637	254,872
	282,656	286,317

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\$174,356,000 (2002: HK\$170,885,000), of which a balance owing by Bangkok Land Public Company Limited (note 28(c)) is made up as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Property development consultancy fee receivable	147,294	147,294
Interest receivable	23,144	18,391
	170,438	165,685
Less: provision	(24,198)	(19,445)
	146,240	146,240

Of the gross amount receivable, HK\$163,191,000 (2002: HK\$158,438,000) carries interest at 3% per annum and is repayable on demand. In addition, HK\$50 million (2002: Nil) of the balance receivable was pledged to secure banking facilities granted to the Group.

All other balances due from related companies are unsecured, interest free and have no fixed terms of repayment.

NOTES TO THE ACCOUNTS
19 Short term investments

	2003 <i>HK\$'000</i>	Group 2002 <i>HK\$'000</i>
Overseas listed shares, at market value	74	65
Quoted bonds, at market value	4,290	4,290
	4,364	4,355

20 Cash and bank balances

	Group		Company	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Restricted balances	2,014	–	–	–
Unrestricted balances	34,761	51,575	4	4
	36,775	51,575	4	4

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

21 Creditors and accruals

	2003 <i>HK\$'000</i>	Group 2002 <i>HK\$'000</i>
Trade creditors		
Below 60 days	61,307	63,478
Over 60 days	53,891	45,733
	115,198	109,211
Other creditors and accruals (<i>note</i>)	130,948	179,661
	246,146	288,872

Note:

Included in other creditors and accruals are amounts due to related companies of HK\$27,544,000 (2002: HK\$25,372,000) which are unsecured, interest free and have no fixed terms of repayment.

22 Share capital

	Number of shares of HK\$0.1 each	Nominal value HK\$'000
Authorised:		
At 31st March 2003 and 2002	1,600,000,000	160,000
Issued and fully paid:		
At 31st March 2003 and 2002	936,340,023	93,634

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	
	2003	2002
At the beginning of the year	22,000,000	23,000,000
Lapsed	(6,000,000)	(1,000,000)
At the end of the year (note (i))	16,000,000	22,000,000

(i) Share options outstanding at the end of the year have the following terms:

Expiry date	Exercise price HK\$	Number of options		Vested percentages	
		2003	2002	2003	2002
Directors					
5th August 2002	1.3632	–	6,000,000	–	100%
25th October 2003	0.15	6,000,000	6,000,000	100%	100%
16th January 2005	0.248	8,000,000	8,000,000	100%	100%
		14,000,000	20,000,000		
Other employees					
25th October 2003	0.15	2,000,000	2,000,000	100%	100%
		16,000,000	22,000,000		

23 Reserves

	Contributed surplus <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Accumulated loss <i>HK\$'000</i>	Total <i>HK\$'000</i>
(a) Group				
At 1st April 2001	2,848,462	443	(2,186,206)	662,699
Loss for the year	–	–	(9,734)	(9,734)
Exchange translation	–	–	(700)	(700)
At 31st March 2002	2,848,462	443	(2,196,640)	652,265
Loss for the year	–	–	(41,216)	(41,216)
Exchange translation	–	–	5,523	5,523
At 31st March 2003	2,848,462	443	(2,232,333)	616,572

All reserves of the Group are retained by the Company and its subsidiary companies.

	Contributed surplus <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Accumulated loss <i>HK\$'000</i>	Total <i>HK\$'000</i>
(b) Company				
At 1st April 2001	4,085,186	443	(3,694,749)	390,880
Loss for the year	–	–	(2,871)	(2,871)
At 31st March 2002	4,085,186	443	(3,697,620)	388,009
Loss for the year	–	–	(2,491)	(2,491)
At 31st March 2003	4,085,186	443	(3,700,111)	385,518

Under the laws of Bermuda and the Bye-laws of the Company, the contributed surplus is distributable. At 31st March 2003, the distributable reserves of the Company available for distribution as dividends to shareholders amounted to HK\$385,075,000 (2002: HK\$387,566,000).

24 Loans from shareholders

The loans were provided by Mr Wong Chue Meng (deceased) and Madam Chuang Yuan Hsien (deceased) and are unsecured, interest free and have no fixed terms of repayment.

25 Long term liabilities

		Group	
	Note	2003 HK\$'000	2002 HK\$'000
Bank loans, unsecured	(a)	157	737
Bank loans, secured	(a)	285,472	295,327
Loan from a related company	(b)	34,250	33,000
Loan from a director	(c)	13,444	15,245
Obligations under finance leases	(d)	1,133	1,117
		334,456	345,426
Amount payable within one year included under current liabilities		26,049	26,330
		308,407	319,096

(a) The bank loans are repayable as follows:

Not exceeding one year	21,248	19,824
More than one year, but not exceeding two years	16,109	254,799
More than two years, but not exceeding five years	248,272	20,600
More than five years	–	841
	285,629	296,064

Of the gross amounts shown above for the Group, there are no bank loans which are not wholly repayable within five years (2002: HK\$23,571,000).

(b) The loan payable is unsecured, carries interest at prime rate. Except for the loan amount of HK\$30,000,000 (2002: HK\$27,000,000) which is not repayable on or before 1st April 2004, the balance is repayable within one year.

(c) The loan balance is wholly repayable on 30th April 2004, unsecured, carried interest at 2.875% per annum above the prevailing Swiss interbank cost of funds for the period from 30th March 2001 to 26th March 2003. On 27th March 2003, the interest rate was revised to 1.5% per annum above US Dollar best lending rate.

NOTES TO THE ACCOUNTS
25 Long term liabilities (Continued)

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Not exceeding one year	610	582
More than one year, but not exceeding two years	229	489
More than two years, but not exceeding five years	367	221
More than five years	104	–
	1,310	1,292
Future finance charges on finance leases	(177)	(175)
	1,133	1,117
The present value of finance lease liabilities is as follows:		
Not exceeding one year	551	506
More than one year, but not exceeding two years	199	436
More than two years, but not exceeding five years	301	175
More than five years	82	–
	1,133	1,117

26 Contingent liabilities

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
(a) Guarantees to secure banking facilities for subsidiary companies	–	–	1,169,637	1,035,696
Other guarantees				
Subsidiary companies	–	–	2,246	4,659
(b) Bills discounted	7,262	6,396	–	–
(c) Liability not provided for in respect of employees who have completed the required number of years of service under the Employment Ordinance to be eligible for long service payments on termination of their employment	16,442	13,017	–	–

NOTES TO THE ACCOUNTS

26 Contingent liabilities (Continued)

- (d) The contractor for Stelux House has submitted claims for extensions of time, loss and expense and variation orders. On the other hand, the Group is entitled to counter-claim liquidated damages and other costs or losses from the contractor. The arbitration hearing for these claims took place in the fourth quarter of 2002. However, the arbitration award has not been handed down up to the date of Board approval of these accounts. In the opinion of the directors, the Group is not required to make any provisions for the claims by the contractor.

27 Commitments

	2003 <i>HK\$'000</i>	Group 2002 <i>HK\$'000</i>
(a) Commitments in respect of expenditure on leasehold improvements		
Contracted but not provided for	–	557

- (b) Commitments under operating leases

At 31st March 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2003 <i>HK\$'000</i>	Group 2002 <i>HK\$'000</i>
Land and buildings		
Not later than one year	152,488	165,240
Later than one year but not later than five years	126,706	96,695
Later than five years	–	3,239
	279,194	265,174
Plant and machinery		
Not later than one year	17	14
	279,211	265,188

- (c) Future minimum rental receivables

At 31st March 2003, the Group had future aggregate minimum lease receivables under non-cancellable operating leases as follows:

	2003 <i>HK\$'000</i>	Group 2002 <i>HK\$'000</i>
Land and buildings		
Not later than one year	29,400	30,662
Later than one year but not later than five years	13,459	24,700
	42,859	55,362

28 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:

		2003	2002
		HK\$'000	HK\$'000
Purchases of goods from related companies	(a)	34,886	32,069
Rental income received and receivable from related companies	(b)	1,811	1,863
Interest income receivable from a related company	(c)	4,753	4,615
Interest expense paid to a related company	(d)	1,774	2,034
Interest expense paid to director	(e)	746	886

- (a) Purchases of goods from related companies were conducted in the normal course of business at prices and terms no less favourable than those available to third party customers.
- (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 and International Optical Manufacturing Company Limited, a company in which Yee Hing Company Limited and Thong Sia Company Limited hold 60% and 40% respectively, for the lease of office premises at Stelux House for a period of up to three years expiring on 14th August 2004 at a monthly rental of HK\$95,040 and HK\$55,900 respectively. The leases were entered into on normal commercial terms as stated in the connected transactions press announcement dated 19th July 2001.
- (c) Interest income accrued on the overdue consultancy fee receivable from Bangkok Land Public Company Limited, a company in which Mr Wong Chue Meng (deceased) is a substantial shareholder, was calculated at 3% (2002: 3%) per annum.
- (d) Interest payable to Active Lights Company Limited, a subsidiary company of Yee Hing Company Limited, was calculated at prime rate.
- (e) Interest expense on loan from a director is calculated at 2.875% per annum above the prevailing Swiss interbank cost of funds for the period from 1st April 2002 to 26th March 2003. The interest rate was revised to 1.5% per annum above US Dollar prime rate from 27th March 2003 thereon.

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

	2003 HK\$'000	2002 HK\$'000
Loss before taxation	(37,982)	(1,655)
Depreciation	51,360	53,518
Loss on disposals of fixed assets	463	1,721
(Gain)/loss on disposals of land and buildings	(110)	5,621
Deficit on revaluation of investment properties	33,230	26,900
Provision for impairment in value of land and buildings	4,800	12,154
Amortisation of trademarks and patents	1,850	2,351
Interest income	(6,988)	(7,300)
Interest expenses	29,040	36,234
Dividend income	(1,946)	(1,456)
Forfeiture of deposit received on disposal of land and buildings	–	(14,133)
Write back provision for construction cost payable	–	(20,570)
Translation difference	977	1,881
Operating profit before working capital changes	74,694	95,266
Increase in stocks	(1,166)	(1,451)
Decrease in debtors and prepayments	3,244	7,226
Decrease in creditors and accruals	(43,798)	(30,349)
Increase in amounts due to related companies	2,172	–
Net cash inflow generated from operations	35,146	70,692

(b) Analysis of changes in financing during the year

	Bank loans and long term liabilities HK\$'000	Obligation under finance lease HK\$'000	Restricted bank balances HK\$'000	Investment by minority interests HK\$'000	Loans from shareholders HK\$'000	Amounts due to related companies HK\$'000	Total HK\$'000
Balance at 31st March 2001	545,376	3,104	–	1,408	3,892	15,867	569,647
Net cash outflow from financing	(1,318)	(2,790)	–	–	–	(15,867)	(19,975)
Inception of finance lease	–	815	–	–	–	–	815
Exchange differences	525	(12)	–	53	–	–	566
Reclassification to current liabilities	(8,531)	–	–	–	–	–	(8,531)
Balance at 31st March 2002	536,052	1,117	–	1,461	3,892	–	542,522
Net cash inflow/(outflow) from financing	16,221	(789)	(2,014)	–	–	–	13,418
Inception of finance lease	–	759	–	–	–	–	759
Exchange differences	4,007	46	–	12	–	–	4,065
Balance at 31st March 2003	556,280	1,133	(2,014)	1,473	3,892	–	560,764

NOTES TO THE ACCOUNTS

30 Ultimate holding company

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

31 Approval of accounts

The accounts set out on pages 13 to 46 were approved by the board of directors on 17th July 2003.

PRINCIPAL SUBSIDIARY COMPANIES

As at 31st March 2003

Details of the principal subsidiary companies which materially affect the results or assets of the Group as at 31st March 2003 are set out below:

	Place of incorporation/ operation	Principal activities	Share capital issued		Percentage of equity capital attributable to the Group	
			Number	Par value	2003	2002
Investment						
Stelux Holdings International (BVI) Limited	British Virgin Islands	Investment holding	2	US\$1	100	100
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	10,000,000	S\$1	100*	100*
Property						
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 2003

	Place of incorporation/ operation	Principal activities	Share capital issued		Percentage of equity capital attributable to the Group	
			Number	Par value	2003	2002
Retailing and trading						
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#	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#	Baht10 Baht10	100*	100*
PRC City Chain (HK) Company Limited	Hong Kong/ PRC Mainland	Watch distribution	2	HK\$1	100*	100*

PRINCIPAL SUBSIDIARY COMPANIES

As at 31st March 2003

	Place of incorporation/ operation	Principal activities	Share capital issued		Percentage of equity capital attributable to the Group	
			Number	Par value	2003	2002
Retailing and trading (Continued)						
Poco Hippo Company Limited	Hong Kong	Infant wear marketing and retailing	2	HK\$100	100*	100*
Poco Hippo Co (S) Pte Limited	Singapore	Infant wearing 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*
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/ PRC Mainland	Watch assembling	1,000,000	HK\$1	100*	100*
Stelux Watch (UK) Limited	England	Watch distribution	3,041,536	GBP1	100*	100*
Stelux Watch USA, Inc.	United States of America	Watch distribution	5,000	US\$10	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*

* Held through subsidiary companies.

Preference shares.

PRINCIPAL SUBSIDIARY COMPANIES

As at 31st March 2003

	Place of incorporation/ operation	Principal activities	Registered capital and paid up capital Amount	Percentage of equity capital attributable to the Group	
				2003	2002
Retailing and trading <i>(Continued)</i>					
Xiong Teng (Shanghai) Trading Co., Ltd.	PRC Mainland	Trading and business consultancy	US\$200,000	100*	–

* Held through subsidiary companies.

PROPERTY PORTFOLIO

Commercial properties (own use)	Gross floor area (sq. ft.)	Remaining lease term (years)
<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	44
Shop No. 22, 1/F Po Tin Building, 39 Wai Chi Street, Pak Tin, Kowloon	348	44
Portion of G/F, Kam Ling Building, 231 Nathan Road, Kowloon	1,446	24
Shop 5, G/F, Chung King Mansion, 36-44 Nathan Road, Tsimshatsui, Kowloon	699	35
<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 Arriago, 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

PROPERTY PORTFOLIO

Commercial properties (own use)	Gross floor area (sq. ft.)	Remaining lease term (years)
<i>Thailand</i>		
Room 2B-O4, 2/F, Mahboonkrong Centre, 444 Phayathai Rd., Patumwan, Bangkok 10330	473	18
Room 2B14, 3/F, Mahboonkrong Ctr., 444 Wangmai Subdistrict, Patumwan, Bangkok 10330	487	18
Room No. 33-34, 5 Ratchadapisek Rd., Huay-kwang, Bangkok 10310	689	9
Room No. B235, 4 Rajdamri Rd Lumpini, Patumwan, Bangkok 10330	398	10
Room No. 115-116, 191 Silom Rd., Bangruk, Bangkok 10500	1,248	9
Rm 54, 2/F, Amarin Plaza, 500 Ploenchit Rd., Patumwan, Bangkok 10330	548	12
Room No. 1C-L22/23, 1/F, The Mall Center, Ramkhumhaeng, 1909 Huamark, Bangkok, Bangkok 10600	915	12
Room No. 147-148, Moo 3, 168 Chaengwattana Rd., Bangkok, Bangkok 10210	1,292	14
Rm No. AG28, 1/F, Imperial World, 999 Sukhumvit Rd., Samrongnua Amphur Muang, Samutprakarn	1,295	15
Room No. 1S-R4B, 30/9 Ngamwongwan Rd, Bangkok, Muang District, Nonthaburi 11000	1,291	17
The Mall 7 Bangkae, Room No. 1S-L8A, 275 Petchakasem Rd., Pasricharoen, Bangkok 10160	943	20
The Mall 8 Bangkok, Room No. IS-C70, 3522 Lardpao Rd., Bangkok, Bangkok 10240	754	20
The Seri Center, Seri Center Room No. 101, 2nd Floor, 12/90 Srinakarin Rd., Nongborn, Pravet, Bangkok 10250	1,672	20
The Seacon Square, Room No. 1098, 904 Srinakarin Rd., Nongborn, Pravet, Bangkok 10250	1,184	22
Central Pinklao, Room No. 126, 7/311 Baromrajchonee Rd., Arunamarin, Bangkokknoi, Bangkok	867	12
Room 2PX-19B2, 1242/2 Mitraparp Rd., Muang District, Nakornrajasima Province	1,356	24
Room 2PX-19B1, 1242/2 Mitraparp Rd., Muang District, Nakornrajasima Province	1,076	24

PROPERTY PORTFOLIO

Commercial properties (own use)	Gross floor area (sq. ft.)	Remaining lease term (years)
Future Park Rangsit, Room No. G35, 161 Thanyaburi District, Pathumthani	1,254	18
Fashion Island, Room No. 2098/2099, Km. 10.5, Ram Indra Rd, Bangkok	875	20
Kaitak Building, 7962 Amphur Pakkred, Nonthaburi Province, Thailand	106,559	Freehold
Mall 5 Thapa, Room No. 1SL1, 1/F, The Mall Center, Bukkalo, Thonburi, Bangkok	753	17
Room No. 2C-03-04, 2/F, Mahboonkhrong Center, Patumwan, Bangkok 10330	938	18
Central Ramindra, Room No. 114, 1/F, 109/10-100 Ramindra Road, Bangkhen, Bangkok	998	11
Siam Square I, 430/34, Siam Square 7, Patumwan, Bangkok 10330	603	2
Future Park Bangkae, Room No. G13, 33-35 Soi Petchakasem, Pasecharoen, Bangkok	1,811	18
Central City Bangna, Room No. 134A, 1093 Bangna-Trad Road., Phakhranong, Bangkok	729	21
Jewelry Trade, Room No. 110, 1/F, 919/1 Silom Road, Bangkok 10500	681	22
Imperial Lardplao, Room No. AF-47, 1/F, 119/129 Lardpao Road, Bangkapi, Bangkok	1,453	17
Mall 8 Bangkapi, Room# GS-C13B, G/F, 3522 Ladproa Road, Bangkapi, Bangkok	754	20
Mall 7 Bangkae, Room No. IS-L8B, 1/F, 275 Petchicasem Road, Phasichareon, Bangkok	871	20
The Galleria, 111, Ground Floor at Jewelry Trade Center, 919/1 Silom Road, Bangrak, Bangkok	792	23
7/F Mar Boon Klong Center Building, 444 Phayathai Road, Bangkok	532	8
89/1-2-4 Rajdamri Road, Patumwan, Bangkok 10330	3,229	1
Siam Square II, 215/450, Soi chula 64, Patumwan, Bangkok 10330	400	3
128 Room 156/1, 1/F, Moo 6, Rama II Road Khwaengsamedam, Khet Bangkhuntien Bangkok	1,079	20

PROPERTY PORTFOLIO

Commercial properties (own use)	Gross floor area (sq. ft.)	Remaining lease term (years)
1B 11-12 Mar Boon Klong Center Building 444 Phayathai Road, Bangkok	824	8
128 Room#215, 2/F, Rama 2 Road Bang Khun Tian Bangkok	993	20
Central Ramindra, 118 First Floor at Central Ramindra, 109/25 Ramindra Road, Bangkokhen, Bangkok	690	11
Central Pinklao, G-11A First Floor at Central Pinklao, 7/232 Boa-Rom Rachinee Road, Aroon Amarin, Bangkoknoi, Bangkok	1,169	12
Fashion Island, 1008, 1/F, Ramindra K.M. 10.5, Khannayao, Beungkum, Bangkok	1,059	20
Imperial World, AF-09, 1/F, Imperial Ladproa, Sukaphibal 1, Beungkum, Bangkok	777	18
Central Plaza Rachada Rama III, G29/2 G/F; 79/1-2, Sathupradit Road, Bangkok	1,003	20
Central Rama III, G29/1, 1/F, Rama III Road, Bangkok	1,078	20
Udorn, Room# A101, 1/F, Charoensri AR-KET, 277/3 Prachak Road, Udornthani	431	15
Sriracha Town, Room# 120, 1/F, 90 Sukumvit Road, Sriracha, Choburi	1,009	17
Central Chiang Mai, Room 116-117, G/F, Central Airport Plaza, 2 Mahidol Road, Hai-Ya Distric, Chiang Mai	1,295	20
Room# 135B 1093, Bangna-Trad Road, Bangkok	1,033	21
55/3 Diana Complex, Sri-puvanard Road, Had-Yai Distric, Songkhla	538	11
<i>United Kingdom</i>		
Stelux House, First Avenue, Centrom 100, Burton-On-Trent, Staffordshire, DE14 2WH, England	12,000	Freehold
Investment properties		
<i>Kowloon</i>		
Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon (exclude the portion for own use)	307,678	44
Shop No. 27, 1/F, Po Tin Building, 39 Wai Chi Street, Pak Tin, Kowloon	336	44
<i>New Territories</i>		
Unit 3, 1/F, Unit 3, 2/F, Po Yip Building, 62-70 Texaco Road, Tsuen Wan, New Territories	24,948	44
Unit No. 9 and 10, 3/F, and roof, Po Wai Building, 12 Tak Yip Street, Yuen Long, N.T.	3,907	44

Registered Office

Cedar House, 41 Cedar Avenue
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
Hang Seng Bank Limited
Overseas Trust Bank Limited

Legal Advisers

Appleby, Spurling & Kempe
Masons
Johnson Stokes & Master

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
Rooms 1901-5
19th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PROFILE OF DIRECTORS AND SENIOR EXECUTIVES**Chairman**

WONG Chue Meng, aged 82, Chairman of the Group since 1963 passed away on 15th June 2003. Mr. Wong was one of the original founders of the Group.

Executive Chairman

WONG Chong Po, aged 61, was appointed Executive Chairman of the Group in January 1996. He was the Managing Director of the Group from 1967 to 1995. He is the Chief Executive Officer of Bangkok Land Public Company Limited (Thailand) and is a son of the Chairman.

Group Managing Director

Joseph C. C. WONG, Masters in Science (Operational Research), aged 43, was appointed a director of the Group in 1986 and has been the Group Managing Director since January 1996. He is a son of the Chairman.

Directors

Anthony CHU Kai Wah, BBA, aged 43, 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 52, 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 53, was appointed a director of the Group in 1987. He was previously Managing Director of Bangkok Land Public Company Limited (Thailand). He is a son of the Chairman. He is a non-executive director.

KWONG Yiu Chung, aged 70, 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 43, 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, AHKSA, ACIB, aged 57, 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.

Company Secretary

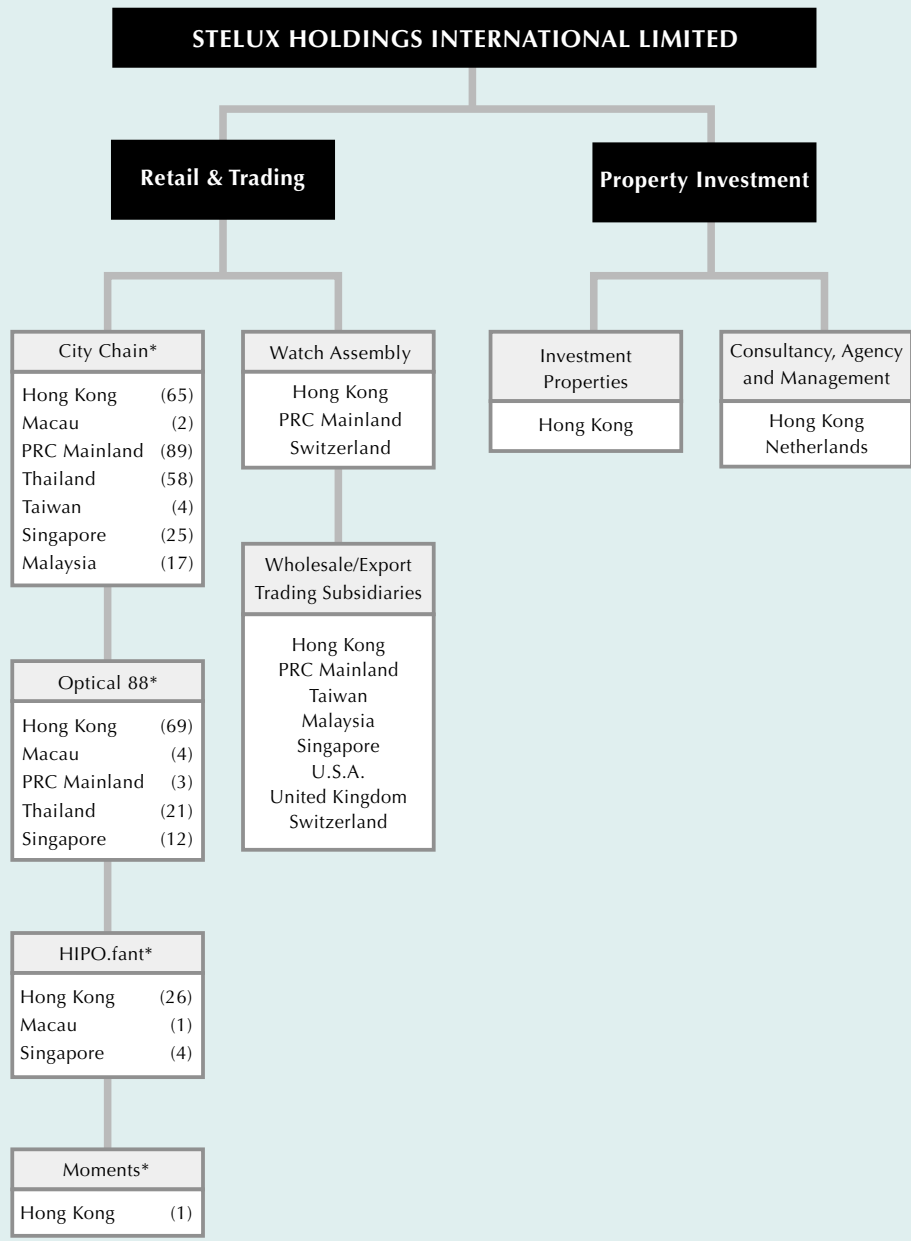
Caroline CHONG Sue Peng, BA (Law) (Hons), admitted as a Barrister in England and Wales, and, Hong Kong, aged 41, joined the Group as Group Legal Manager and Company Secretary in 1997. She is responsible for the Group's and its subsidiaries' legal and secretarial matters.

Senior Executives

Sudarat SAGARINO, B.A. Sociology and Post-Graduate Diploma Personnel Management, aged 50, has been President of Stelux Watch U.S.A. Inc. since 1992. She first joined the Group in 1975. She is a daughter of the Chairman.

TAM Tin Choi, aged 53 has been a director of City Chain Malaysia since 1993. He has more than 30 years experience in the watch industry.

Stuart WOOD, aged 59, 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 29 years of experience in the watch industry. He joined the Group in 1991.



* Number of shops as at 30th June, 2003

CORPORATE CITIZENSHIP

The Company was presented with the Caring Company Award in November 2002. 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.” For more than 10 years, Stelux has been donating to the Hong Chi Association, both in cash and kind. In promoting equal opportunities, Stelux has adopted a policy of Equal Opportunities to eliminate any discrimination in sex, family status and disability in employment and the workplace.

City Chain Hong Kong employs persons with disabilities as watch repairers and also provides them with technical training.

For the past few years, through activities organised by the “Apple Daily Charitable Foundation”, Optical 88 Hong Kong has annually sponsored up to a 100 children from disadvantaged families providing them with free eye tests and spectacles.



PRC MAINLAND 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

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

UNITED STATES OF AMERICA

Trading

- Stelux Watch USA, Inc.
37600 Central Court, #270
Newark, CA 94560
U.S.A.

* Status as at 30th June, 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Stelux Holdings International Limited (the "Company") will be held at 5/F., Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong on Friday, 5th September, 2003 at 11:30 a.m. for the following purposes:-

1. To receive and consider the audited financial statements of the Company and the reports of the Directors and Auditors thereon for the year ended 31st March, 2003;
2. To elect Directors and to authorise the Board to fix the remuneration of the Directors for the ensuing year;
3. To consider and, if thought fit, re-appoint PricewaterhouseCoopers as Auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next annual general meeting of the Company and to authorise the Directors to fix their remuneration;
4. As special businesses:

ORDINARY RESOLUTIONS

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

(A) "THAT:

- (i) subject to paragraph (ii) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase shares of the Company be and it is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of shares which may be purchased on The Stock Exchange of Hong Kong Limited or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (i) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution, and the said approval shall be limited accordingly; and
- (iii) for the purpose of this resolution "Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:
 - (a) the conclusion of the next annual general meeting of the Company;
 - (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or The Companies Act 1981 of Bermuda (as amended) to be held; and
 - (c) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders in general meeting."

(B) "THAT:

- (i) subject to paragraph (iii) below and subject to the consent of the Bermuda Monetary Authority, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and it is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

- (ii) the approval in paragraph (i) shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (i), otherwise than pursuant to (a) a Rights Issue, (b) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company (c) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or (d) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company, in accordance with the Bye-laws of the Company, shall not exceed the aggregate of: (aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution and (bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution), and the said approval shall be limited accordingly; and
- (iv) for the purposes of this resolution:

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

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

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

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

By order of the Board
Caroline Chong
Company Secretary

Hong Kong, 17th July, 2003

NOTICE OF ANNUAL GENERAL MEETING

Principal Office:

27th Floor, Stelux House
698 Prince Edward Road East
San Po Kong
Kowloon
Hong Kong

Notes:–

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