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FINANCIAL SUMMARY

	1995 <i>HK\$M</i>	1996 <i>HK\$M</i>	1997 <i>HK\$M</i>	1998 <i>HK\$M</i>	1999 <i>HK\$M</i>
Consolidated profit and loss account for the year ended 31st March					
Turnover					
Continuing operations	1,392.8	1,675.8	1,841.9	3,195.9	1,286.7
Discontinued operations	274.5	293.3	239.3	–	–
	1,667.3	1,969.1	2,081.2	3,195.9	1,286.7
Profit/(Loss) attributable to shareholders					
Continuing operations	30.1	115.9	299.1	(2,753.4)	(188.0)
Discontinued operations	26.4	12.4	(20.0)	–	–
	56.5	128.3	279.1	(2,753.4)	(188.0)
Dividends	28.1	37.4	46.8	–	–
Consolidated balance sheet as at 31st March					
Assets	7,378.1	7,876.8	7,502.4	3,718.6	1,875.3
Less: Liabilities and minority interests	3,183.4	3,626.4	2,995.9	2,885.9	1,238.1
Shareholders' funds	4,194.7	4,250.4	4,506.5	832.7	637.2
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Per share data					
Earnings/(Loss)	0.06	0.14	0.30	(2.94)	(0.20)
Dividends	0.03	0.04	0.05	–	–
Net assets	4.48	4.54	4.81	0.89	0.68

CHAIRMAN'S STATEMENT



Loss attributable to shareholders amounted to HK\$188 million. Group operating loss at HK\$121 million was slightly higher than that for the previous year. Therefore, the Board does not recommend payment of a dividend for the year (1998: nil).

REVIEW OF OPERATIONS

A full review of operations is set out on pages 4 to 5.

As expected, overall operating conditions continued to be tough last year and all our retail operations were badly affected, although, to a lesser extent, our optical and infant wear businesses.

On a positive note, Stelux House is now nearly fully leased providing a stable income source for the Group and posting reasonable rentals despite the very weak rental market.

PROSPECTS

Whilst parts of Asia are slowly beginning to recover from the recession, Hong Kong, where an important part of our operations are based, continues to suffer from deflation and recession. Therefore, in the coming year, we will focus on overseas markets in Europe and America to reduce our reliance on markets in Hong Kong and South East Asia.

APPRECIATION

Once again, I want to express my appreciation to other Board members and all staff for their support and hardwork during a difficult year.

Wong Chue Meng
Chairman

HONG KONG, 3rd August 1999



SUMMARY

The Group reported a loss attributable to shareholders of HK\$188 million compared to a loss of HK\$2,753 million last year. A more modest Group turnover of HK\$1,287 million was reported this year compared to HK\$3,196 million last year, where the much larger turnover was due mainly to the disposal

of a major investment property. Group operating loss was HK\$121 million compared to HK\$86 million last year. Exceptional items this year include a provision for deficits on revaluation of the Group's investment properties, including Stelux House, of HK\$158 million, a gain on repurchase of Swiss Francs Convertible Notes of HK\$99 million and foreign exchange loss in translating Swiss Francs Convertible Notes of HK\$16 million.

OPERATIONS

Retail and Trading

The Group's Retail and Trading Division continued to be affected by the recession in much of Asia. Compared to last year, overall turnover for this Division decreased by 19% and a slightly higher operating loss of HK\$88 million was recorded.

Our Hong Kong watch retail operations were badly hit, reporting a decrease in turnover of 29%. As of August 1999, the number of stores have been reduced from 67 to 50. However, results of our watch retail operations in some Asian countries were more positive even reporting slight profits. This was due in part to effective cost restructuring and also to more stabilized currencies.

Comparatively speaking, the Group's retail optical and infant wear businesses in Hong Kong and regionally were less affected by the recession. Although losses were also reported for these businesses, overall results were more positive compared to last year in that losses for our optical business was reduced by 34% and that of infant wear by 32%. The franchising of Optical 88 stores continued to produce satisfactory results and as of August 1999, the number of franchised stores were increased by 18 to 29 stores.

As expected, our export arm and trading subsidiaries in the United Kingdom and United States reported profits. However, overall performance was affected by the poor performance of our Swiss subsidiary. Our Swiss subsidiary has recently been restructured and losses are expected to narrow in the coming year.

Property Investment

During the financial year, gross rental income received from Stelux House was HK\$26 million including intra-group rental of approximately HK\$4 million. The building is now almost fully leased and an annual gross rental income of HK\$42 million will be derived next year. Provisions for deficits on revaluation during the year of Stelux House and other investment properties amounting to HK\$133 million and HK\$25 million respectively were made.

To cater for the expansion of our United Kingdom subsidiary, a new office building for self-use was constructed during the year.

Two retail properties in Singapore were disposed of during the year at a small profit of HK\$1.4 million. Subsequent to the period under review, a shop in Hong Kong was disposed of at a loss of HK\$15 million. Presently, the Group still owns 4 shops in Hong Kong and 5 shops in Macau.

FINANCE

The Group's bank borrowings at balance sheet date were HK\$439 million (1998: HK\$1,721 million), reduced mainly because of the disposal of a major investment property. At balance sheet date, approximately 50% of the Group's borrowings (including bank loans and Swiss Francs Convertible Notes) were denominated in Hong Kong Dollars and the remaining 50% were denominated in Swiss Francs. The Notes carry a fixed interest rate of 1.75% per annum. All other borrowings are on a floating rate based at either bank prime lending rates or short-term inter-bank offer rates.

The Group's outstanding Swiss Francs Convertible Notes were reduced to SFr79,500,000 (1998: SFr105,000,000). Notes at a nominal value of SFr25,500,000 were repurchased during the year at a discount of about 74%. The present liability denominated in Swiss Francs is unhedged but the foreign currency exposure is constantly reviewed by management.

The Group does not engage in speculative derivative trading.

During the year, the Group's cashflow has been adequate and improved by rental income generated from Stelux House. Additionally, the sale of marketable securities and the disposal of two retail properties in Singapore and one office building in United Kingdom also brought in cash proceeds.

REVIEW OF OPERATIONS

STAFF

I express my thanks and gratitude to colleagues and staff members for their commitment and loyalty to the Group during a very difficult year.

PROSPECTS

We do not see an imminent recovery in the local retail market and Group performance for the coming year will continue to be largely export led.

As South East Asian retail markets bottom out, we believe that we should position ourselves for the upswing. We hope to achieve this by extending our stores to towns outside of capital areas. Additionally, watch sales in the P.R.C. are expected to grow with the recent signing of a P.R.C. distributor.

On behalf of the Board

Joseph C. C. Wong

Managing Director

HONG KONG, 3rd August 1999

REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts for the year ended 31st March 1999.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiary companies are shown on pages 39 and 40.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st March 1999 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 21 to the accounts.

DONATIONS

During the year, the Group made charitable and other donations of HK\$23,000.

FIXED ASSETS

Details of the movements in fixed assets are shown in note 11 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company are shown in note 20 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

Wong Chong Po

Joseph C. C. **Wong**

Chu Kai Wah, Anthony

Kriangsak Francis **Kanjanapas** (alias Francis Wong)

Sakorn **Kanjanapas**

Lee Shu Chung, Stan

Sudarat **Sagarino**

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 Kriangsak Francis Kanjanapas, Mr Chu Kai Wah, Anthony and Mr Lee Shu Chung, Stan 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.

DIRECTORS AND INTERESTS IN CONTRACTS *(Continued)*

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).

Interest of approximately HK\$0.6 million (1998: HK\$5.6 million), calculated at Hong Kong prime rate, was charged during the year by Mr Wong Chue Meng and his wife, Madam Chuang Yuan Hsien (deceased), in respect of unsecured loans advanced to the Company as detailed in note 24.

Apart from the foregoing and the related party transactions referred to in note 28 to the accounts, no other contracts of significance in relation to the Company's business to which the Company or its subsidiary companies 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 shares in issue.

During the year, share options to subscribe for 8,000,000 shares were granted to the directors of the Company as follows:

Name of directors	Number of options granted
Mr Joseph C. C. Wong	3,000,000
Mr Chu Kai Wah, Anthony	1,000,000
Mr Kriangsak Francis Kanjanapas	1,000,000
Mr Lee Shu Chung, Stan	1,000,000
Mrs Sudarat Sagarino	1,000,000
Mr Wong Yuk Woon	1,000,000

Further details of the Scheme are set out in note 20.

With the exception of the share option scheme of the Company, at no time during the year was the Company or its subsidiary companies 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 1999, 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			
	Personal interests	Family interests	Corporate interests	Total
Mr Wong Chue Meng	12,114,080	527,570,666 ^[1]	609,471,959 ^[1]	630,716,964*
Mr Wong Chong Po	3,600,000	–	518,439,741 ^[2]	522,039,741
Mr Joseph C. C. Wong	5,077,211	10,000	–	5,087,211
Mr Kriangsak Francis Kanjanapas	6,405,032	–	–	6,405,032
Mr Sakorn Kanjanapas	391,056	–	–	391,056

DIRECTORS' INTERESTS *(Continued)*
(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	6,000,000	–	–	6,000,000
Mr Chu Kai Wah, Anthony	2,000,000	–	–	2,000,000
Mr Kriangsak Francis Kanjanapas	2,000,000	–	–	2,000,000
Mr Lee Shu Chung, Stan	2,000,000	–	–	2,000,000
Mrs Sudarat Sagarino	2,000,000	–	–	2,000,000
Mr Wong Yuk Woon	2,000,000	–	–	2,000,000

(c) The Company – Swiss Francs Convertible Notes due 2001

	Amount of notes			Total
	Personal interests	Family interests	Corporate interests	
Mr Joseph C. C. Wong	SFr 3,000,000	–	–	SFr 3,000,000

(d) Subsidiary companies

	Number of shares			Total
	Personal interests	Family interests	Corporate interests	
(i) City Chain (Thailand) Company Limited – Preference shares ^[3]				
Mr Wong Chue Meng	–	–	208,600	208,600
Mr Wong Chong Po	200	–	208,600	208,800
Mr Joseph C. C. Wong	200	–	208,600	208,800
Mr Kriangsak Francis Kanjanapas	200	–	208,600	208,800
Mr Sakorn Kanjanapas	200	–	208,600	208,800
(ii) Stelux Watch (Thailand) Company Limited – Preference shares ^[4]				
Mr Wong Chue Meng	–	–	56,400	56,400
Mr Wong Chong Po	600	–	56,400	57,000
Mr Joseph C. C. Wong	600	–	56,400	57,000
Mr Kriangsak Francis Kanjanapas	600	–	56,400	57,000
Mr Sakorn Kanjanapas	600	–	56,400	57,000
(iii) Optical 88 (Thailand) Company Limited – Preference shares ^[5]				
Mr Wong Chue Meng	–	–	220,000	220,000
Mr Wong Chong Po	–	–	220,000	220,000
Mr Joseph C. C. Wong	5,000	–	220,000	225,000
Mr Kriangsak Francis Kanjanapas	5,000	–	220,000	225,000
Mr Sakorn Kanjanapas	5,000	–	220,000	225,000

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

DIRECTORS' INTERESTS *(Continued)*

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 1999 as follows:

- (1) This includes the duplication of corporate interests of 518,439,741 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 1999 as follows:

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

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, Mr Kriangsak Francis Kanjanapas and Mr Sakorn Kanjanapas are deemed to have corporate interests in City Chain (Thailand) Company Limited at 31st March 1999 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 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 Chue Meng, Mr Wong Chong Po, Mr Joseph C. C. Wong, Mr Kriangsak Francis Kanjanapas and Mr Sakorn Kanjanapas are deemed to have corporate interests in Stelux Watch (Thailand) Company Limited at 31st March 1999 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 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, Mr Kriangsak Francis Kanjanapas and Mr Sakorn Kanjanapas are deemed to have corporate interests in Optical 88 (Thailand) Company Limited at 31st March 1999 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 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, options and convertible notes of the Company or any of the Company's associated corporations as at 31st March 1999.

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 1999 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

During the year, there was no purchase, sale or redemption by the Company, or any of its subsidiary companies, of the Company's listed securities except that a wholly owned subsidiary company had repurchased Swiss Francs 25.5 million of the unlisted Swiss Francs Convertible Notes issued by the same subsidiary as follows:

Issuer	Description	Nominal amount repurchased	Consideration paid
Stelux Holdings Limited	1.75 percent Swiss Francs 125,000,000 Convertible Notes due 2001	Swiss Francs 25,500,000	Swiss Francs 6,650,000 average of 26 per cent of nominal value

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 on The Stock Exchange of Hong Kong Limited throughout the year except that the independent non-executive directors of the Company are not appointed for a specific term. The Company's audit committee was set up on 26th February 1999 comprising of its two independent non-executive directors.

YEAR 2000 COMPLIANCE

The Company has complied with the Exchange's mandatory disclosure requirement with respect to the progress of resolving the Y2000 problem by disclosing the relevant information in the Company's 1998/1999 interim report dated 30th December 1998.

As of June 1999, all critical computer software systems are Y2000 compliant. There is one system, however, identified as Y2000 non-compliant but this will have no adverse effect on data processing. Hardware upgrading is still underway. All hardware which need to be Y2000 compliant will be upgraded by September 1999.

The Group shall be Y2000 compliant by September 1999. This is slightly later than previously disclosed because hardware upgrading was pushed to a later date to allow the Group to benefit from continued price reductions of computer hardware in the market. The spending on the Y2000 compliance project is controlled within the original HK\$1.5 million budget. As of 31st March 1999, about 50% of the budgeted amount has been incurred and capitalised. As of 31st March 1999, the aggregate amount of commitments authorised by the directors and contracted but not provided for in the financial statements is HK\$113,000. This amount will be capitalised. As of 31st March 1999, all authorised commitments have been contracted for. If trading activities are interrupted due to the Y2000 problem, the Group will conduct affected operations manually. The Group has not taken up insurance cover for potential losses caused by the Y2000 problem.

AUDITORS

The accounts have been audited by Price Waterhouse who have merged with Coopers & Lybrand and a resolution to appoint the new firm, PricewaterhouseCoopers, as auditors to the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Joseph C. C. Wong
Managing Director

HONG KONG, 3rd August 1999

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 40 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 Company's and the Group's circumstances, 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, in all material respects, of the state of affairs of the Company and the Group as at 31st March 1999 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.

PRICE WATERHOUSE
Certified Public Accountants

HONG KONG, 3rd August 1999

CONSOLIDATED PROFIT AND LOSS ACCOUNT*For the year ended 31st March 1999*

	Note	1999 HK\$'000	1998 HK\$'000
TURNOVER	2	1,286,677	3,195,908
OPERATING LOSS	3	(120,776)	(85,820)
EXCEPTIONAL ITEMS	4	(64,765)	(2,298,409)
LOSS FROM ORDINARY ACTIVITIES		(185,541)	(2,384,229)
SHARE OF LOSSES OF ASSOCIATED COMPANIES		-	(391,871)
LOSS BEFORE TAXATION		(185,541)	(2,776,100)
TAXATION	8	(2,413)	22,316
LOSS AFTER TAXATION		(187,954)	(2,753,784)
MINORITY INTERESTS		-	379
LOSS ATTRIBUTABLE TO SHAREHOLDERS	9, 21	(187,954)	(2,753,405)
LOSS PER SHARE	10	(HK\$0.201)	(HK\$2.941)

CONSOLIDATED BALANCE SHEET*As at 31st March 1999*

	Note	1999 HK\$'000	1998 HK\$'000
FIXED ASSETS	11	1,028,860	1,201,027
OTHER INVESTMENTS	13	4,299	5,048
TRADEMARKS AND PATENTS	14	31,941	33,291
DEFERRED EXPENDITURE	15	344	4,899
LONG TERM RECEIVABLE	16	-	15,500
NET CURRENT ASSETS	17	248,306	731,799
EMPLOYMENT OF FUNDS		1,313,750	1,991,564
Financed by:			
SHARE CAPITAL	20	93,634	93,634
RESERVES	21	543,587	739,024
SHAREHOLDERS' FUNDS		637,221	832,658
MINORITY INTERESTS		1,679	1,604
DEFERRED TAXATION	22	156	(395)
CONVERTIBLE NOTES	23	415,785	535,500
LOANS FROM SHAREHOLDERS	24	3,892	63,246
OTHER LONG TERM LIABILITIES	25	255,017	558,951
FUNDS EMPLOYED		1,313,750	1,991,564

Wong Chong Po
Executive Chairman

Joseph C. C. Wong
Managing Director

BALANCE SHEET*As at 31st March 1999*

	Note	1999 HK\$'000	1998 HK\$'000
SUBSIDIARY COMPANIES	12	496,269	843,080
NET CURRENT LIABILITIES	17	(2,449)	(2,342)
<hr/>			
EMPLOYMENT OF FUNDS		493,820	840,738
<hr/>			
Financed by:			
SHARE CAPITAL	20	93,634	93,634
RESERVES	21	396,294	682,451
<hr/>			
SHAREHOLDERS' FUNDS		489,928	776,085
LOANS FROM SHAREHOLDERS	24	3,892	63,246
OTHER LONG TERM LIABILITIES	25	-	1,407
<hr/>			
FUNDS EMPLOYED		493,820	840,738
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Wong Chong Po
Executive Chairman

Joseph C. C. Wong
Managing Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 1999

	Note	1999 HK\$'000	1998 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	30(a)	80,040	366,098
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		8,367	8,521
Interest paid		(122,628)	(209,876)
Dividends received		7,967	2,435
Dividends paid		-	(37,444)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(106,294)	(236,364)
TAXATION			
Hong Kong profits tax refunded		228	1,012
Overseas tax paid		(330)	(3,311)
TAX PAID		(102)	(2,299)
INVESTING ACTIVITIES			
Net cash outflow for acquisition of a subsidiary company		-	(13,381)
Purchase of trademarks and patents		(754)	(1,419)
Purchase of fixed assets		(63,432)	(56,668)
Proceeds from sale of land and buildings and investment properties		1,367,251	491,880
Proceeds from sale of other fixed assets		600	2,847
Construction costs incurred for properties held for development		-	(400,374)
Deferred expenditure incurred		(2,126)	(3,647)
Forfeiture of deposits from property purchasers		-	37,571
Forfeiture of deposit from a tenant		-	6,750
Recovery of bank deposit from Bank of Credit and Commerce Group (in liquidation)		-	4,868
Repatriation of share capital from other investments		750	-
NET CASH INFLOW FROM INVESTING ACTIVITIES		1,302,289	68,427

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 1999

	Note	1999 HK\$'000	1998 HK\$'000
NET CASH INFLOW BEFORE FINANCING		1,275,933	195,862
<hr/>			
FINANCING	30(b)		
Issue of shares		-	464
Acquisition of shareholding from minority interest		-	(414)
New long term bank loans		-	166,000
Repayment of long term bank loans		(1,243,391)	(270,370)
Addition of finance leases		-	654
Capital repayment of finance leases		(3,039)	(925)
Increase/(decrease) in loan from a related company		14,515	(10,199)
Decrease in retention money		(5,606)	(6,053)
Redemption of convertible notes		(36,528)	-
Decrease in loans from shareholders		(37,910)	-
New short term loan		-	13,000
NET CASH OUTFLOW FROM FINANCING		(1,311,959)	(107,843)
<hr/>			
(Decrease)/increase in cash and cash equivalents		(36,026)	88,019
Cash and cash equivalents at 1st April		(27,901)	(77,125)
Effect of foreign exchange rate changes		1,243	(38,795)
CASH AND CASH EQUIVALENTS AT 31ST MARCH		(62,684)	(27,901)
<hr/>			
Analysis of the balances of cash and cash equivalents:			
Cash and bank balances		82,670	155,632
Bank overdrafts and short term loans			
Secured		(84,498)	(15,184)
Unsecured		(60,856)	(168,349)
		(62,684)	(27,901)

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the accounts, which conform with Hong Kong Statements of Standard Accounting Practice and accounting principles generally accepted in Hong Kong, are as follows:

(a) **Consolidation**

The consolidated accounts include the accounts of the Company and its subsidiary companies made up to 31st March.

(b) **Goodwill**

Goodwill represents the excess of purchase consideration over fair values ascribed to the net tangible assets of subsidiary companies acquired and is written off directly to reserves in the year of acquisition.

(c) **Subsidiary companies**

A company is a subsidiary company if more than 50% of the issued voting capital is held for the long term. Investments in subsidiary companies are carried at cost to the Company. Provision is made when there is a permanent diminution in value.

(d) **Fixed assets and depreciation**

Fixed assets other than investment properties (note 1(e)) are stated at cost less accumulated depreciation.

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 $\frac{1}{2}$ %
Plant and equipment	10 to 33 $\frac{1}{3}$ %
Furniture and fixtures	7 to 33 $\frac{1}{3}$ %
Motor vehicles	20 to 25%

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.

(e) **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 are first set off against earlier revaluation surpluses on a portfolio basis and thereafter charged to the profit and loss account.

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 revaluation surplus realised is released from the asset revaluation reserve to the profit and loss account.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) **Borrowing costs**

Borrowing costs relating to properties held for development is included in cost of development during the relevant period of construction.

(g) **Other investments**

Other investments include investments in companies other than subsidiary companies which are held for the long term. These investments are stated at cost less provision for permanent diminution in value.

(h) **Trademarks and patents**

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

The other trademark and patent is carried at directors' valuation made in 1972.

(i) **Deferred expenditure**

Deferred expenditure comprises property leasing expenses for shops, production costs for advertising programmes and advertising expenditure for launching and re-launching of tradenames and watch brands. An advertising programme is defined as re-launching where the advertising expenditure relating to a tradename or watch brand for the preceding two years is the lower of HK\$500,000 or 10% of the budgeted re-launching expenses.

Advertising launching and re-launching expenses are amortised using a reducing proportion method over a period of three years. Property leasing expenses are amortised on a straight line basis over the relevant lease periods. Production costs for advertising programmes are amortised on a straight line basis over a period of not more than five years.

(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) **Marketable securities**

Marketable securities are stated at the lower of cost and market value.

(l) **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 asset is expected to be payable or receivable in the foreseeable future.

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)***(m) Assets under leases***(i) Finance leases*

Leases that substantially transfer to the Group all the rewards and risks of ownership of assets, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals. Finance charges are debited to the profit and loss account in proportion to the capital balances outstanding. Assets held under finance leases are depreciated on the basis described in note 1(d).

(ii) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight line basis over the lease term.

(n) 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 accounts of subsidiary companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with as a movement in reserves.

(o) Retirement benefit costs

The Group operates a defined contribution retirement 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 and may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(p) 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.

(q) Recognition of revenue

Revenue is recognized 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 accrual basis in accordance with the lease agreements;
- (iii) sales of marketable securities, when the significant risks and rewards of ownership have been transferred to the purchasers;

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(q) Recognition of revenue *(Continued)*

- (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) profit on disposal of completed properties, when the sale and purchase agreements are completed.

2. TURNOVER AND CONTRIBUTION TO (LOSS)/PROFIT FROM ORDINARY ACTIVITIES

Turnover represents the following and comprises revenue from:

	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Sales of goods	1,210,353	1,493,248
Gross rental income	33,195	11,399
Sales of marketable securities	27,190	–
Dividend income	7,967	2,435
Interest income	7,972	8,826
Sales of properties	–	1,680,000
	1,286,677	3,195,908

The analysis of the Group's turnover and contribution to the (loss)/profit from ordinary activities by activities and geography are as follows:

	1999 <i>HK\$'000</i>	%	1998 <i>HK\$'000</i>	%
Analysis by activities:				
(i) Turnover:				
Investment	39,037	3	8,445	–
Property	34,440	3	1,694,414	53
Retailing and trading	1,213,200	94	1,493,049	47
	1,286,677	100	3,195,908	100

NOTES TO THE ACCOUNTS

2. TURNOVER AND CONTRIBUTION TO (LOSS)/PROFIT FROM ORDINARY ACTIVITIES *(Continued)*

	1999 HK\$'000	%	1998 HK\$'000	%
(ii) Contribution to (loss)/profit from ordinary activities:				
Investment	(15,627)	8	(7,488)	–
Property	10,429	(6)	763	–
Retailing and trading	(88,465)	48	(52,118)	2
Group administration overheads	(27,113)	15	(26,977)	1
Exceptional items	(64,765)	35	(2,298,409)	97
	(185,541)	100	(2,384,229)	100

	1999 HK\$'000	%	1998 HK\$'000	%
Geographical analysis:				

(i) Turnover:				
Hong Kong	700,893	55	2,549,335	80
South East and Far East Asia	297,883	23	334,179	10
Europe	244,181	19	281,194	9
North America	31,606	2	9,974	–
Others	12,114	1	21,226	1
	1,286,677	100	3,195,908	100

	1999 HK\$'000	%	1998 HK\$'000	%
(ii) Contribution to (loss)/profit from ordinary activities:				
Hong Kong	(189,946)	102	(1,159,084)	49
South East and Far East Asia	(12,226)	6	(1,247,997)	52
Europe	42,804	(23)	50,577	(2)
North America	661	–	(2,655)	–
Others	279	–	1,907	–
Group administration overheads	(27,113)	15	(26,977)	1
	(185,541)	100	(2,384,229)	100

NOTES TO THE ACCOUNTS

3. OPERATING LOSS

	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Operating loss is stated after charging:		
Depreciation		
Owned fixed assets	50,292	58,388
Leased fixed assets	412	260
Auditors' remuneration		
Current year	4,536	5,172
Underprovision in respect of prior year	74	92
Interest charges (<i>note 5</i>)	81,713	55,715
Operating leases		
Land and buildings	174,679	215,565
Plant and machinery	304	589
Amortisation of deferred expenditure	5,208	9,086
Deferred expenditure written off	1,393	–
Amortisation of trademarks and patents	2,177	2,815
Outgoings in respect of investment properties	804	1,425
Loss on disposal of fixed assets	4,895	3,301
Net exchange loss	–	310
Provision for stock obsolescence and stocks written off	18,776	14,359
Provision for doubtful debts	8,905	1,925
Cost of goods sold	824,016	923,240
and after crediting:		
Net exchange gains	959	–
Gross rental income from investment properties	32,432	11,399
Interest income	7,972	8,826
Dividend from		
Listed investments	3	3
Unlisted investments	7,964	2,432
Gain on sales of marketable securities	8,531	–

NOTES TO THE ACCOUNTS

4. EXCEPTIONAL ITEMS

	1999 HK\$'000	1998 HK\$'000
Exceptional items comprise the following:		
Provision for deficits on the revaluation of investment properties	(158,472)	-
Foreign exchange (loss)/gain on convertible notes	(15,977)	26,250
Additional depreciation for overseas properties	(10,000)	-
Loss on sales of investment properties	-	(1,175,296)
Exchange loss arising from devaluation of Asian countries currencies	-	(21,173)
Provision for closure costs of an overseas subsidiary company	-	(6,636)
Profit on repurchase of convertible notes	99,164	-
Provision written back/(provision) for diminution in value of marketable securities	7,708	(1,204,166)
Net profit on sales of land and buildings	9,387	40,000
Provision written back/(provision) for severance payments	3,425	(6,140)
Forfeiture of deposits from property purchasers	-	37,571
Forfeiture of deposit from a tenant	-	6,750
Recovery of bank deposit from Bank of Credit and Commerce Group (in liquidation)	-	4,431
	(64,765)	(2,298,409)

5. INTEREST CHARGES

	1999 HK\$'000	1998 HK\$'000
Interest on overdrafts and bank loans wholly repayable within five years	68,729	200,573
Interest on bank loans not wholly repayable within five years	-	887
Interest on other loans wholly repayable within five years	12,916	15,991
Interest on finance leases	68	114
	81,713	217,565
Less: Interest expenses capitalised	-	(161,850)
	81,713	55,715

Interest expenses have been capitalised in 1998 for properties held for development at rates of the cost of funds to the Group which varied from 1.75% to 12.95% per annum.

NOTES TO THE ACCOUNTS

6. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Fees		
– executive directors	560	560
– non-executive directors	340	260
Salaries, allowances and benefits in kind	12,307	9,604
Pensions contributions	246	361
Bonuses		
– Executive Bonus Scheme	–	–
– Others	–	2,900
	13,453	13,685

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 provision has been made for the executive bonus in respect of the directors eligible under the Executive Bonus Scheme for the year ended 31st March 1999 (1998: HK\$nil).

Emoluments paid to independent non-executive directors for the year included directors' fees amounting to HK\$160,000 (1998: HK\$80,000).

The emoluments were paid to the directors as follows:

Emolument bands	1999 Number of directors	1998 Number of directors
HK\$ Nil – HK\$500,000	4	6
HK\$1,000,001 – HK\$1,500,000	2	1
HK\$1,500,001 – HK\$2,000,000	4	2
HK\$2,000,001 – HK\$2,500,000	–	4
HK\$3,000,001 – HK\$3,500,000	1	–
	11	13

In addition to the above analysis for directors, there was one employee (1998: one) whose emoluments were among the five highest in the Group. Details of the emoluments paid to this employee were:

	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,063	1,144
Pensions contributions	70	52
Bonuses	1,232	2,086
	2,365	3,282

NOTES TO THE ACCOUNTS

7. RETIREMENT BENEFITS

The Group operates a defined contribution retirement scheme for some of its employees. The scheme requires equal contributions from the Group and the employees based on a specified percentage of the basic salary of employees. However with effect from 1st December 1998, contributions from the Group and the employees to the scheme were temporarily suspended for 13 months. The Group's contribution to this scheme is expensed as incurred and may be reduced by contributions forfeited for those employees who leave the scheme prior to vesting fully in the contributions. The scheme cost charged to the profit and loss account for the year was HK\$3,930,405 (1998: HK\$6,276,801) before forfeited contributions utilised by the Group for the year of HK\$3,584,020 (1998: HK\$2,554,699).

8. TAXATION

	1999 HK\$'000	1998 HK\$'000
Company and subsidiary companies:		
Hong Kong profits tax		
Current taxation	(387)	(1,194)
Over/(under) provision in respect of prior years	21	(296)
Deferred taxation	-	1,161
Overseas profits tax		
Current taxation	(235)	(1,248)
(Under)/over provision in respect of prior years	(1,261)	265
Deferred taxation (<i>note 22</i>)	(551)	301
	(2,413)	(1,011)

Associated companies:		
Overseas profits tax		
Current taxation	-	(23)
Deferred taxation	-	23,350
	-	23,327
	(2,413)	22,316

Hong Kong profits tax has been provided at the rate of 16% (1998: 16.5%) on the estimated assessable profit for the year less relief for available tax losses. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	1999 HK\$'000	1998 HK\$'000
Accelerated depreciation allowances	2,455	(768)
Other timing differences	7,017	421
	9,472	(347)

NOTES TO THE ACCOUNTS

9. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$286,157,000 (1998: HK\$3,412,414,000).

10. LOSS PER SHARE

The calculation of loss per share is based on the Group's loss attributable to shareholders of HK\$187,954,000 (1998: HK\$2,753,405,000) and on the weighted average of 936,340,023 shares (1998: 936,182,222 shares) in issue during the year.

There was no potential dilution of loss per share during 1999 and 1998.

11. 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 1998	363,729	811,594	296,468	1,471,791
Translation differences	5,190	–	263	5,453
Additions	17,611	248	45,573	63,432
Transfers	60,414	(60,414)	–	–
Disposals	(3,051)	–	(65,273)	(68,324)
Revaluation deficit	–	(171,478)	–	(171,478)
At 31st March 1999	443,893	579,950	277,031	1,300,874
Accumulated depreciation				
At 31st March 1998	46,145	–	224,619	270,764
Translation differences	947	–	294	1,241
Charge for the year	21,740	–	38,964	60,704
Disposals	(917)	–	(59,778)	(60,695)
At 31st March 1999	67,915	–	204,099	272,014
Net book value				
At 31st March 1999	375,978	579,950	72,932	1,028,860
At 31st March 1998	317,584	811,594	71,849	1,201,027

Investment properties of the Group were valued on the open market value basis at 31st March 1999 by Midland Surveyors Limited and C.Y. Leung & Company Limited, property valuers. All other fixed assets are stated at cost less accumulated depreciation.

NOTES TO THE ACCOUNTS

11. FIXED ASSETS (Continued)

(a) The Group's land and buildings and investment properties are held on the following terms:

	Group	
	Hong Kong <i>HK\$'000</i>	Overseas <i>HK\$'000</i>
Freehold	–	62,236
Long term leases (over 50 years)	140,402	–
Medium term leases (10-50 years)	693,378	56,061
Short term leases (under 10 years)	–	3,851
Net book value at 31st March 1999	833,780	122,148

(b) At 31st March 1999, certain of the Group's land and buildings amounting to HK\$267,395,000 (1998: HK\$216,894,000) and investment properties amounting to HK\$579,950,000 (1998: HK\$811,600,000) were pledged to secure banking facilities granted to the Group.

(c) At 31st March 1999, the net book value of fixed assets held under finance leases amounted to HK\$657,000 (1998: HK\$1,126,000).

12. SUBSIDIARY COMPANIES

	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Unlisted shares at cost less provision	495,150	777,421
Amounts due from subsidiary companies	116,155	116,155
Amounts due to subsidiary companies	(115,036)	(88,406)
Loan to a subsidiary company	–	37,910
	496,269	843,080

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 39 and 40.

13. OTHER INVESTMENTS

	Group	
	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Unlisted overseas shares, at cost	4,299	5,048

NOTES TO THE ACCOUNTS**14. TRADEMARKS AND PATENTS**

	Group	
	1999	1998
	HK\$'000	HK\$'000
Trademarks and patents, at directors' 1972 valuation	1,000	1,000
-----	-----	-----
Watch brand trademark, at cost	45,286	44,411
Less: Amortisation	(14,345)	(12,120)
-----	-----	-----
	30,941	32,291
-----	-----	-----
	31,941	33,291
-----	-----	-----

15. DEFERRED EXPENDITURE

	Group	
	1999	1998
	HK\$'000	HK\$'000
Shop leasing expenses	70	3,330
Production costs for advertising programmes	274	1,569
-----	-----	-----
	344	4,899
-----	-----	-----

16. LONG TERM RECEIVABLE

The 1998 balance represented part of the proceeds in respect of the disposal of Titus Square retained by the Group's solicitors until defects arising under the Defects Liability Period have been certified as made good by the architect. The amount will be receivable on or before 4th October 1999 and has been reclassified to debtors and prepayments under current assets as at 31st March 1999.

NOTES TO THE ACCOUNTS

17. NET CURRENT ASSETS/(LIABILITIES)

	Note	Group		Company	
		1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Current assets					
Stocks	18	352,352	530,725	-	-
Debtors and prepayments	(a)	338,321	1,724,948	9	185
Marketable securities	19	36,535	47,486	-	-
Cash and bank balances		82,670	155,632	7	13
		809,878	2,458,791	16	198

Less: Current liabilities					
Bank overdrafts and short term loans					
Secured		84,498	15,184	-	-
Unsecured		60,856	168,349	-	-
Creditors and accruals	(b)	361,289	536,668	2,465	2,540
Current portion of other long term liabilities	25	42,439	996,061	-	-
Taxation payable		12,490	10,730	-	-
		561,572	1,726,992	2,465	2,540
		248,306	731,799	(2,449)	(2,342)

(a) Included in debtors and prepayments are amounts due from related companies of HK\$156,964,000 (1998: HK\$158,854,000). The amount receivable is unsecured, interest free and have no fixed terms of repayment except for a receivable of HK\$151,427,000 (1998: HK\$154,542,000) which carries interest at 3% per annum and is repayable on 1st March 2000 after having been extended for one year.

(b) Included in creditors and accruals is amounts due to related companies of HK\$27,515,000 (1998: HK\$nil) which are unsecured, interest free and have no fixed terms of repayment except for a loan of HK\$17,000,000 which carries interest at rates ranging from 8.75% to 10% per annum.

NOTES TO THE ACCOUNTS

18. STOCKS

	Group	
	1999 HK\$'000	1998 HK\$'000
Raw materials	174,732	126,725
Work-in-progress	6,207	11,694
Finished goods	269,316	471,521
	<hr/> 450,255	<hr/> 609,940
Provision	(97,903)	(79,215)
	<hr/> 352,352	<hr/> 530,725

At 31st March 1999, finished goods that are carried at net realisable value amounted to HK\$2,660,000 (1998: HK\$4,184,000).

19. MARKETABLE SECURITIES

	Group	
	1999 HK\$'000	1998 HK\$'000
Overseas listed shares, at cost less provision	36,535	47,486
Market value at 31st March	<hr/> 36,535	<hr/> 47,502

Investment in marketable securities mainly represent 6.4% (1998: 10.6%) of shareholdings in Bangkok Land Public Company Limited, listed in Thailand.

20. SHARE CAPITAL

	Number of shares of HK\$0.1 each	Nominal value HK\$'000
<i>Authorised:</i>		
At 31st March 1999 and 1998	1,600,000,000	160,000
<i>Issued and fully paid:</i>		
At 31st March 1999 and 1998	936,340,023	93,634

Pursuant to a Scheme of Arrangement under section 166 of the Hong Kong Companies Ordinance, the Company became the holding company of Stelux Holdings Limited ("SHL") and its subsidiary companies on 21st February 1995. A supplemental agreement was entered into by the Company pursuant to which the convertible notes described in note 23 will no longer be convertible into ordinary shares of SHL but will be convertible into the same number of shares of the Company.

NOTES TO THE ACCOUNTS

20. SHARE CAPITAL (Continued)

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. On 6th August 1997, options to subscribe for 8,000,000 ordinary shares of the Company have been granted to certain directors. The directors are entitled to exercise these options at a price of HK\$1.3632 per share at any time prior to 6th August 2002. On 26th October 1998, options to subscribe for 8,000,000 ordinary shares and 2,000,000 ordinary shares of the Company have been granted to certain directors and employees respectively. The directors and employees are entitled to exercise these options at a price of HK\$0.15 per share at any time prior to 26th October 2003. As at 31st March 1999, no options have been exercised by any of the directors and employees.

21. RESERVES

	Contributed surplus HK\$'000	Share premium HK\$'000	Investment properties revaluation reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
(a) Group					
At 31st March 1998	2,848,462	443	13,006	(2,122,887)	739,024
Accumulated loss for the year	-	-	-	(187,954)	(187,954)
Deficit on revaluation	-	-	(13,006)	-	(13,006)
Exchange translation	-	-	-	5,523	5,523
	-	-	(13,006)	(182,431)	(195,437)
At 31st March 1999	2,848,462	443	-	(2,305,318)	543,587

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

	Contributed surplus HK\$'000	Share premium HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
(b) Company				
At 31st March 1998	4,085,186	443	(3,403,178)	682,451
Loss for the year	-	-	(286,157)	(286,157)
At 31st March 1999	4,085,186	443	(3,689,335)	396,294

Under the laws of Bermuda and the Bye-laws of the Company, the contributed surplus is distributable. At 31st March 1999, the distributable reserves of the Company available for distribution as dividends to shareholders amounted to HK\$395,851,000.

NOTES TO THE ACCOUNTS

22. DEFERRED TAXATION

	Group	
	1999	1998
	HK\$'000	HK\$'000
At 31st March 1998	(395)	1,067
Transfer from/(to) profit and loss account (note 8)	551	(1,462)
At 31st March 1999	156	(395)

Deferred taxation liabilities/(assets) are in respect of:

	1999	1998
	HK\$'000	HK\$'000
Accelerated depreciation allowances	-	(1,249)
Other timing differences	156	854
	156	(395)

Unprovided deferred (assets)/liabilities are analysed as follows:

	1999	1998
	HK\$'000	HK\$'000
Accelerated depreciation allowances	(1,687)	768
Other timing differences	(7,685)	(668)
	(9,372)	100

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

23. CONVERTIBLE NOTES

On 9th November 1993, Stelux Holdings Limited, a subsidiary company of the Company, issued SFr125 million of Swiss Franc denominated convertible bearer notes (the "Notes") with Nomura Bank (Switzerland) Limited as the underwriter. The Notes carry interest at the rate of 1.75 per cent per annum payable semi-annually in arrears and are redeemable at par value on 31st March 2001. Each Notes of a denomination of SFr50,000 is convertible into the ordinary shares of the Company (note 20) at any time between 9th May 1994 and 15th March 2001, the number of which is calculated by dividing the amount of Swiss Francs (converted into Hong Kong dollars at the rate of one Swiss Franc to HK\$5.223) by the initial conversion price of HK\$4.782 per ordinary share.

In 1995, SFr20 million of the Notes were repurchased. During the year, SFr25.5 million of the Notes were repurchased at a consideration of SFr6.6 million and these notes were subsequently cancelled. The outstanding Notes of SFr79.5 million (1998: SFr105 million) are convertible into a maximum of 86,831,556 fully paid ordinary shares of the Company (1998: 114,683,186 shares).

NOTES TO THE ACCOUNTS

24. LOANS FROM SHAREHOLDERS

The loans were provided by Mr Wong Chue Meng and Madam Chuang Yuan Hsien (deceased) and are unsecured, carry interest at rates ranging from 9% to 10% per annum from 1st April 1998 to 3rd May 1998 and have no fixed terms of repayment. During the year, interest of HK\$581,000 (1998: HK\$5,560,000) has been charged under these loans.

25. OTHER LONG TERM LIABILITIES

	Note	Group		Company	
		1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Bank loans, secured	(a)	293,282	1,537,331	-	-
Obligations under finance leases	(b)	4,174	7,663	-	-
Loan from a related company		-	-	-	1,407
Retention money payable		-	10,018	-	-
		297,456	1,555,012	-	1,407
Less: Amount payable within one year included under current liabilities (note 17)		42,439	996,061	-	-
		255,017	558,951	-	1,407

	Group		Company	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
(a) The bank loans are repayable as follows:				
Not exceeding one year	40,107	993,008	-	-
More than one year, but not exceeding two years	249,640	91,910	-	-
More than two years, but not exceeding five years	3,535	452,413	-	-
	293,282	1,537,331	-	-
(b) The obligations under finance leases are repayable as follows:				
Not exceeding one year	2,332	3,053	-	-
More than one year, but not exceeding two years	1,116	2,578	-	-
More than two years, but not exceeding five years	726	1,306	-	-
More than five years	-	726	-	-
	4,174	7,663	-	-

Of the gross amounts shown above for the Group, obligations under finance leases not wholly repayable within five years amounted to HK\$nil (1998: HK\$2,709,875).

NOTES TO THE ACCOUNTS

26. CONTINGENT LIABILITIES

	Group		Company	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
(a) Guarantees to secure banking facilities for:				
Subsidiary companies	-	-	2,477,720	2,822,861
Third parties	1,280	1,704	-	-
Other guarantees				
Subsidiary companies	-	-	549,150	535,500
(b) Bills discounted	8,732	33,941	-	-
(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	8,941	6,443	-	-
(d) City Chain Properties Limited and King Eagle Investment Limited, subsidiary companies, are involved in litigations arising from the disposal of their properties and the purchasers of the properties are claiming the refund of deposit of HK\$18million and HK\$33million respectively. In the opinion of the directors, the litigations will not have any material adverse effect on the Group's financial position.				
(e) The contractors for Titus Square and Stelux House developments have submitted claims for extension of time, and claims for loss and expense and variation orders. On the other hand, the Group is entitled to claim liquidated damages from these contractors. In the opinion of the directors, the Group is not required to make any provisions for the claims by the contractors.				
(f) Pursuant to the agreement in respect of the sale of Titus Square, the Group is liable to claims for latent defects by the purchaser up to a maximum of HK\$50 million until 30th April 2001. As the Group has a right of recourse against the contractors for the construction of the property, in the opinion of the directors, no provision is considered necessary as there will be no net exposure to the Group.				

27. COMMITMENTS

	Group	
	1999 HK\$'000	1998 HK\$'000
(a) Commitments in respect of expenditure on leasehold improvements:		
Contracted but not provided for	8,768	24,962
Authorised but not contracted for	-	382
	8,768	25,344

NOTES TO THE ACCOUNTS

27. COMMITMENTS (Continued)

	Group	
	1999 HK\$'000	1998 HK\$'000
(b) Operating lease commitments at 31st March payable in the next twelve months, analysed according to the period in which the leases expire, are as follows:		
Land and buildings		
– expiring in the first year	59,606	61,570
– expiring in the second to fifth years inclusive	102,265	186,806
– expiring after the fifth year	–	172
	161,871	248,548

Plant and machinery		
– expiring in the first year	175	270
– expiring in the second to fifth years inclusive	259	355
	434	625

	162,305	249,173

- (c) On 31st January 1998, a subsidiary company entered into a sale and purchase agreement with a third party for the disposal of a property, at a consideration of HK\$32,000,000.

Pursuant to the deeds of undertaking entered into between the subsidiary company and the third party, the third party cannot dispose of the property without the subsidiary company's prior consent. The Group is entitled to 50% of the profit if the property is subsequently sold by the third party before 27th February 2001.

In addition, the subsidiary company has committed to repurchase the property back from the third party at the same consideration of HK\$32,000,000 within one month of 27th February 2001 if the market value of the property as at 27th February 2001 is lower than HK\$32,000,000. On the foregoing basis, no profit has been recognised by the Group on this transaction.

28. RELATED PARTY TRANSACTIONS

The following is a summary of other significant transactions between the Group and related parties, in addition to those disclosed elsewhere in the accounts, which were undertaken in the normal course of business during the year:

		1999 HK\$'000	1998 HK\$'000
Purchases of goods from a related company	(a)	6,592	10,574
Rental income received from related companies	(b)	573	–
Rental expenses paid to a related company	(c)	1,137	1,243
Interest income received from a related company	(d)	2,865	3,883
Interest expense paid to shareholders	(e)	581	5,560
Interest expense paid to a related company	(f)	1,972	485

NOTES TO THE ACCOUNTS

28. RELATED PARTY TRANSACTIONS *(Continued)*

- (a) Purchases of goods from a related party were conducted in the normal course of business at prices and terms no more than those charged by other third party suppliers of the Group.
- (b) On 13th August, 1998, Stelux Holdings Limited ("SHL"), a wholly owned subsidiary company of the Company, entered into lease agreements with Yee Hing Company Limited, the ultimate holding company of the Group, and International Optical Manufacturing Company Limited ("IOM"), 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 up to 3 years. The leases were entered into on normal commercial terms as stated in the Connected Transactions Circular dated 13th August 1998.
- (c) The Group has, in its normal course of its business, entered into lease agreement on 16th August 1996 with a related party, a subsidiary company of Yee Hing Company Limited for the lease of office premises for a period up to 3 years. The lease was entered into on normal commercial terms as stated in the press announcement dated 16th August 1996. The lease was subsequently terminated on 1st January 1999.
- (d) Interest income accrued on the overdue consultancy fee receivable from Bangkok Land Public Company Limited, a company in which Mr Wong Chue Meng is a substantial shareholder, was calculated at 3% (1998: 3% to 10%) per annum.
- (e) Interest payable to Mr Wong Chue Meng and his wife, Madam Chuang Yuan Hsien (deceased) in respect of unsecured loans advanced to the Company was calculated at rates ranging from 9% to 10% (1998: 8.75% to 10.25%) per annum.
- (f) Interest payable to a related company was calculated at rates ranging from 8.75% to 10% (1998: 7.75% to 9%) per annum.

29. SUBSEQUENT EVENT

Subsequent to the balance sheet date, the Group entered into an agreement for the disposal of a property to a third party at a loss of approximately HK\$15 million.

NOTES TO THE ACCOUNTS

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating loss before exceptional items to net cash inflow from operating activities

	1999 HK\$'000	1998 HK\$'000
Operating loss before exceptional items	(120,776)	(85,820)
Depreciation	50,704	58,648
Loss on disposal of fixed assets	4,895	3,301
Amortisation of trademarks and patents	2,177	2,815
Amortisation of deferred expenditure	5,208	9,086
Deferred expenditure written off	1,393	-
Decrease in marketable securities	18,659	402
Net interest and dividends	66,355	44,454
Decrease in stocks	178,373	170,050
Decrease in debtors and prepayments	46,002	7,617
(Decrease)/increase in creditors and accruals	(171,991)	155,235
Translation differences	(959)	310
	80,040	366,098

(b) Analysis of changes in financing during the year

	Share capital and premium HK\$'000	Other long term liabilities HK\$'000	Convertible notes HK\$'000	Investment by minority interests HK\$'000	Loans from shareholders HK\$'000	Loans from related companies and other loan HK\$'000
Balance at 31st March 1998	94,077	1,555,012	535,500	1,604	63,246	13,000
Net cash (outflow)/inflow from financing	-	(1,252,036)	(36,528)	-	(37,910)	14,515
Exchange differences	-	(1,108)	15,977	75	-	-
Interest payable	-	-	-	-	581	-
Cumulative interest paid	-	-	-	-	(22,025)	-
Decrease in retention money payable	-	(4,412)	-	-	-	-
Profit on repurchase of convertible notes	-	-	(99,164)	-	-	-
Balance at 31st March 1999	94,077	297,456	415,785	1,679	3,892	27,515

31. ULTIMATE HOLDING COMPANY

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

32. APPROVAL OF ACCOUNTS

The accounts set out on pages 13 to 40 were approved by the board of directors on 3rd August 1999.

PRINCIPAL SUBSIDIARY COMPANIES

As at 31st March 1999

Details of the principal subsidiary companies which materially effect the results or assets of the Group as at 31st March 1999 are set out below:

	Place of incorporation/ operation	Principal activities	Share capital issued		Percentage of equity capital attributable to the Group
			Number	Par value	
Investment					
Stelux Holdings Limited	Hong Kong	Investment holding	1,000	HK\$1	100*
Stelux Watch Holdings Limited	Singapore	Investment holding	10,000,000	S\$1	100*
Property					
City Chain Properties Limited	Hong Kong	Property investment	2	HK\$1	100*
King Eagle Investment Limited	Hong Kong	Property investment	4,583,719	HK\$1	100*
Optical 88 Properties Limited	Hong Kong	Property investment	2	HK\$1	100*
Prime Master Limited	Hong Kong	Property investment	2	HK\$1	100*
Stelux Consultants B.V.	The Netherlands	Property development project consultancy	80	DFL500	100*
Stelux Properties Agency Limited	Hong Kong	Property agency and management	2	HK\$1	100*
Stelux Properties Limited	Hong Kong	Property investment and development	500	HK\$100	100*
Retailing and trading					
City Chain Company Limited	Hong Kong	Watch retailing	250,000	HK\$100	100*
City Chain (M) Sdn Bhd	Malaysia	Watch retailing	3,333,333	RM1	92.5*
City Chain (Macau) Company Limited	Macau	Watch retailing	2	MOP5,000	100*
City Chain Stores (S) Pte Limited	Singapore	Watch retailing	1,800,000	S\$1	100*
City Chain (Taiwan) Company Limited	Hong Kong/ Taiwan	Watch retailing	1,000	HK\$10	100*
City Chain (Thailand) Company Limited	Thailand	Watch retailing	200,000 210,000#	Baht100 Baht100	100*
City Chain (Japan) Company Limited	Hong Kong/ Japan	Watch retailing	2	HK\$1	100*
Evergreen Fame Sdn Bhd	Malaysia	Watch distribution	320,000	RM1	85*
Montres "Universal" S.A.	Switzerland	Watch assembling and distribution	5,000	SFr1,000	100*

PRINCIPAL SUBSIDIARY COMPANIES

As at 31st March 1999

	Place of incorporation/ operation	Principal activities	Share capital issued		Percentage of equity capital attributable to the Group
			Number	Par value	
Retailing and trading (Continued)					
Optical 88 Limited	Hong Kong	Glasses and related optical gears retailing	30,700,000	HK\$1	100*
Optical 88 (Macau) Limited	Macau	Glasses and related optical gears retailing	2	MOP5,000	100*
Optical 88 (S) Pte Limited	Singapore	Glasses and related optical gears retailing	500,000	S\$1	100*
Optical 88 (Thailand) Company Limited	Thailand	Glasses and related optical gears retailing	245,000	Baht10	100*
PRC City Chain (HK) Company Limited	Hong Kong	Watch retailing	245,000#	Baht10	100*
Poco Hippo Company Limited	Hong Kong	Watch retailing	2	HK\$1	100*
Poco Hippo Company Limited	Hong Kong	Infant wear marketing and retailing	2	HK\$100	100*
Pronto Watch S.A.	Switzerland	Watch distribution	100	SFr1,000	100*
Solvil et Titus S.A.	Switzerland	Watch distribution	300	SFr1,000	100*
Stelux International Licensing Limited	Bahamas	Trademark holding and licensing	2	US\$1	100*
Stelux Trading (International) Limited	Hong Kong	Watch distribution	2	HK\$1	100*
Stelux Watch Limited	Hong Kong/ China	Watch assembling	1,000,000	HK\$1	100*
Stelux Watch (UK) Limited	United Kingdom	Watch distribution	3,041,536	GBP1	100*
Stelux Watch USA, Inc.	United States of America	Watch distribution	5,000	US\$10	100*
Wedmore Limited	Hong Kong	Watch retailing	2	HK\$1	100*

* Held through subsidiary companies.

Preference shares.

PROPERTY PORTFOLIO

Commercial properties (own use)	Gross floor area (sq. ft.)	Remaining lease term (years)
<i>Hong Kong</i>		
Shop P, G/F and M/F, Hong Kong Mansion, 2-10 Great George Street, Causeway Bay, Hong Kong	1,305	112
<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	48
Unit No. 16, G/F, Houston Centre, 62 Mody Road, Tsimshatsui, Kowloon*	870	129
Shop No. 22 & 27, 1/F Po Tin Building, 39 Wai Chi Street, Pak Tin, Kowloon	684	48
Portion of G/F, Kam Ling Building, 231 Nathan Road, Kowloon	1,446	28
Shop 5, G/F, Chung King Mansion, 36-44 Nathan Road, Tsimshatsui, Kowloon	699	39
<i>New Territories</i>		
Unit No. 9 and 10, 3/F, and roof, Po Wai Building, 12 Tak Yip Street, Yuen Long, N.T.	3,907	48
<i>Macau</i>		
Shop D, G/F, Edificio San Vo, 1G, 1H and 1I Rua de S Domingos, A28, Macau	350	Freehold
Shop E, G/F, Edificio San Vo, 1G, 1H and 1I Rua de S Domingos, A28, Macau	190	Freehold
Loja B and C, de Avenida Horta e Costa, de Rua Manuel de Arriage, Macau	475	Freehold
Rua do Arco and Eatrada, da Areia Preta, Loja E, r/c, Macau	442	Freehold
Rua do Arco and Eatrada, da Areia Preta, Loja G, r/c, Macau	442	Freehold
Flat D, 2/F, Edificio San Vo, 1G, 1H and 1I Rua de S Domingos, A28, Macau	400	Freehold

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	5
Room 2B14, 3/F, Mahboonkrong Ctr., 444 Wangmai Subdistrict, Patumwan, Bangkok 10330	487	1
Room No. 228/033, Kaew Fah Shopping Arcade, 228 Chakaping Rd, Talad-Yod Subdistrict, Pranakron District, Bangkok	387	4
Room No. 33-34, 5 Ratchadapisek Rd, Huay-kwang, Bangkok 10310	689	13
Room No. B235, 4 Rajdamri Rd Lumpini, Patumwan, Bangkok 10330	409	13
Room No. 115-116, 191 Silom Rd, Bangruk, Bangkok 10500	1,248	13
Rm 54, 2/F, Amarin Plaza, 500 Ploenchit Rd, Patumwan, Bangkok 10330	548	16
Room No. 1C-L22/23, 1/F, The Mall Center, Ramkhumhaeng, 1909 Huamark, Bangkok, Bangkok 10600	915	16
Room No. 147-148, Moo 3, 168 Chaengwattana Rd, Bangkhen, Bangkok 10210	1,292	17
Rm No. AG28, 1/F, Imperial World, 999 Sukhumvit Rd, Samrongnua Amphur Muang, Samutprakarn	1,295	19
Room No. 1S-R4B, 30/9 Ngamwongwan Rd, Bangkhen, Muang District, Nonthaburi 11000	1,291	21
The Mall 7 Bangkae, Room No. 1S-L8A, 275 Petchakasem Rd, Pasricharoen, Bangkok 10160	943	23
The Mall 8 Bangkapi, Room No. IS-C70, 3522 Lardpao Rd., Bangkapi, Bangkok 10240	754	23
The Seri Center, Seri Center Room No. 101, 2nd Floor, 12/90 Srinakarin Rd., Nongborn, Pravet, Bangkok 10250	1,672	23
The Seacon Square, Room No. 1098, 904 Srinakarin Rd., Nongborn, Pravet, Bangkok 10250	1,162	25
Zeer Rangsit, Room No. G12C, 1/F, 99 Phaholyothin Rd., Kukot, Lumlukka, Pathumthani	1,286	24
Central Pinklao, Room No. 126, 7/311 Baromrajchonee Rd, Arunamarin, Bangkoknoi, Bangkok	865	16

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	1,216	23
Fashion Island, Room No. 2098/2099, Km. 10.5, Ram Indra Rd, Bangkok	2,256	23
Kaitak Building, 7962 Amphur Pakkred, Nonthaburi Province, Thailand	106,559	Freehold
Central Lardplao, Room No. 1697/224, 2/F, Central Plaza Lardpao, Bangkok 10900	1,026	4
Mall 5 Thapa, Room No. 1SL1, 1/F, The Mall Center, Bukkalo, Thonburi, Bangkok	753	21
Room No. 2C-03-04, 2/F, Mahboonkhong Center, Patumwan, Bangkok 10330	938	1
Central Ramindra, Room No. 114, 1/F, 109/10-100 Ramindra Road, Bangkhen, Bangkok	998	15
Siam Square I, 430/34, Siam Square 7, Patumwan, Bangkok 10330	603	8
Siam Square II, 215/450, Soi Chula 64, Patumwan, Bangkok 10330	400	2
Future Park Bangkae, Room No. G13, 33-35 Soi Petchakasem, Pasecharoen, Bangkok	1,814	22
Central City Bangna, Room No. 134A, 1093 Bangna-Trad Road., Phakhranong, Bangkok	728	25
Jewelry Trade, Room No. 110, 1/F, 919/1 Silom Road, Bangkok 10500	681	26
Imperial Lardplao, Room No. AF-47, 1/F, 119/129 Lardpao Road, Bangkapi, Bangkok	1,453	21
Central Bangna, 135B, 1/F, Central City Bangna, Bangna Trad K.M. 3, Prakanong, Bangkok	1,033	24
Mall 8 Bangkapi, Room# GS-C13B, G/F, 3522 Ladproa Road, Bangkapi, Bangkok	753	23
Mall 7 Bangkae, Room No. IS-L8B, 1/F, 275 Petchicasem Road, Phasichareon, Bangkok	869	23
The Galleria, 111, Ground Floor at Jewelry Trade Centre, 919/1 Silom Road, Bangrak, Bangkok	791	26

PROPERTY PORTFOLIO

Commercial properties (own use)	Gross floor area (sq. ft.)	Remaining lease term (years)
Central Ramindra, 118 First Floor at Central Ramindra, 109/25 Ramindra Road, Bangkhen, Bangkok	689	14
Central Pinklao, G-11A First Floor at Central Pinklao, 7/232 Boa-Rom Rachinee Road, Aroon Amarin, Bangkoknoi, Bangkok	1,130	16
Fashion Island, 1088,1/F, Ramindra K.M. 10.5, Khannayao, Beungkum, Bangkok	1,058	23
Imperial World, AF-09, 1/F, Imperial Ladproa, Sukaphibal 1, Beungkum, Bangkok	775	21
Central Plaza Rachada Rama III, G29/2 G/F; 79/1-2, Sathupradit Road, Bangkok	1,004	23
Central Rama III, G29/1, 1/F, Rama III Road, Bangkok	1,078	24
Udorn, Room# A101, 1/F, Charoensri AR-KET, 277/3 Prachak Road, Udornthani	431	18
Sriracha Town, Room# 120, 1/F, 90 Sukumvit Road, Sriracha, Cholburi	1,009	20
Central Chieng Mai, Room 116-117, G/F, Central Airport Plaza, 2 Mahidol Road, Hai-Ya Distric, Chieng Mai	1,295	24
Room# 135B 1093, Bangna-Trad Road, Bangkok	1,034	24
89/1-2-4 Rajadamri Road, Patumwan BKK	3,229	2
55/3 Diana Complex, Sri-puvanard Road, Had-Yai Distric, Songkhla	538	14
<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>		
Shop D, F, G, G/F., Shop A, B, C, D, F, G, H, M/F., New Lucky House, 300-306 Nathan Road, Kowloon	7,710	65
Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon (exclude the portion for own use)	307,678	48
<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	48

* Property disposed after year end.

C O R P O R A T E I N F O R M A T I O N

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
The Hongkong and Shanghai Banking Corporation Limited

Legal Advisers

Appleby, Spurling & Kempe
Johnson Stokes & Master
Ruby Yeung & Co.

Auditors

Price Waterhouse

Share Registrars

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Branch Share Registrars and Transfer Office

Central Registration Hong Kong Limited
19th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PROFILE OF DIRECTORS AND SENIOR EXECUTIVES**Chairman**

WONG Chue Meng, aged 78, was appointed Chairman of the Group in 1963. He is also the Chairman of Bangkok Land Public Company Limited (Thailand).

Executive Chairman

WONG Chong Po, aged 57, 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 39, 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 39, 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 48, 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.

Kriangsak Francis KANJANAPAS, BSc (Hons), aged 36, was appointed Managing Director of Stelux Trading (International) Limited, a wholly owned subsidiary of the Group in 1995. He was also appointed Executive Director for Product Development and Export Trading of the Group in 1997. He joined the Group in 1989. He is a son of the Chairman.

Sakorn KANJANAPAS, aged 49, 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 66, 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 39, 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.

Sudarat SAGARINO, B.A. Sociology and Post-Graduate Diploma Personnel Management, aged 46 has been President of Stelux Watch U.S.A. Inc. since 1992. She was appointed an Executive Director of the Group in 1997. She first joined the Group in 1975. She is a daughter of the Chairman.

WONG Yuk Woon, AHKSA, ACIB, aged 53, 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

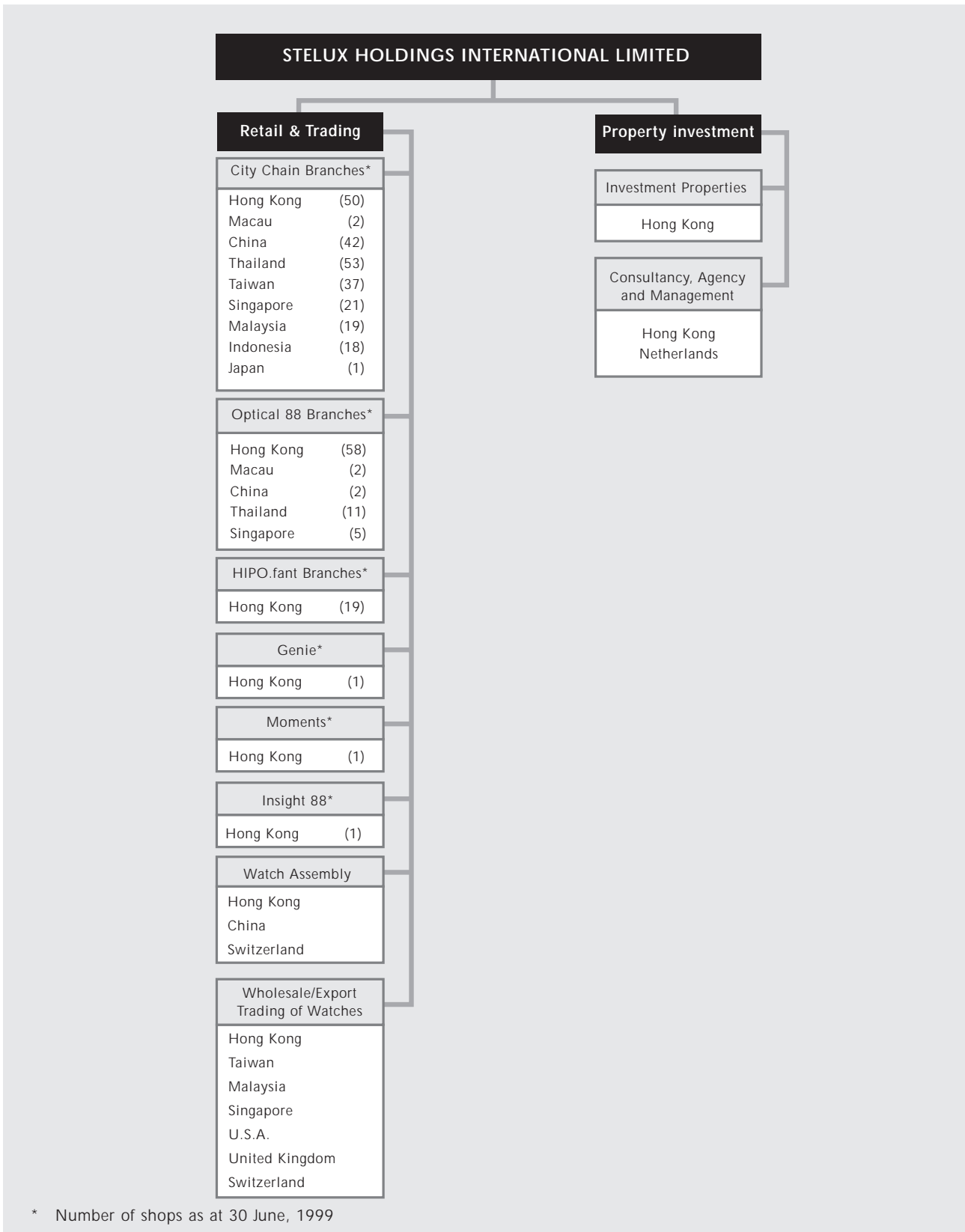
Caroline CHONG Sue Peng, BA (Law) (Hons), admitted as a Barrister in England and Wales, and, Hong Kong, aged 37, joined the Group as Group Legal Manager and Company Secretary in 1997. She is responsible for the Group's and its subsidiaries' legal and secretarial matters.

Senior Executives

LUM Yin Sum, aged 59, was appointed a director and company secretary of Stelux Watch Holdings Limited, a wholly owned Singapore subsidiary of the Group in 1991. He has an accounting background and has more than 26 years experience in finance and administration. He is also responsible for the finance and administration of Stelux Watch Holdings Limited.

TAM Tin Choi, aged 49 has been a director of City Chain Malaysia since 1993. He has more than 26 years experience in the watch industry.

Stuart WOOD, aged 55, 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 25 years of experience in the watch industry. He joined the Group in 1991.



CHINA AND HONG KONG

Equity Investment, Property Investment, Retail and Trading and Watch Assembling

- Stelux Holdings International Ltd
- Stelux Holdings Ltd
- Stelux Properties Ltd
- Optical 88 Ltd
- City Chain Co Ltd
- Stelux Watch Ltd
- Stelux Trading (International) Ltd
27/F., Stelux House,
698 Prince Edward Road East,
San Po Kong, Kowloon, HONG KONG

3/F., Kader Building
22 Kai Cheung Road
Kowloon Bay
Kowloon, HONG KONG

- Wedmore Ltd (Genie)
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

TAIWAN

Retail and Trading

- City Chain (Taiwan) Co Ltd – Taiwan Branch
18/F., No. 70 Cheng Teh Road
Section 1, Taipei, Taiwan,
R.O.C.

MACAU

Retail and Trading

- City Chain (Macau) Co Ltd
- Optical 88 (Macau) Ltd
Edificio Banco Luso Internacional
Rua Dr Pedro Jose Lobo, nos 1-3
27 – andar, MACAU

MALAYSIA

Retail and Trading

- City Chain (M) Sdn Bhd
Suite 22-02, 22nd Floor
Menara Tan & Tan
207 Jalan Tun Razak, 50400
Kuala Lumpur
MALAYSIA

INDONESIA

Retail and Trading

- PT Chainindo Nusa
Suite 708 Sentral Mulia
JL H.R. Rasuna Said
Kuningan, Jakarta
INDONESIA

THAILAND

Retail and Trading

- City Chain (Thailand) Co Ltd
- Optical 88 (Thailand) Co Ltd
47/543-544, Fl. 6 Building
7 Industrial, Moo3 Chaeng Wattana Road
Pak-Kred, Nonthaburi 11120
THAILAND

SINGAPORE

Equity Investment, Property Investment, Retail and Trading

- Stelux Watch Holdings Ltd
- City Chain Stores (S) Pte Ltd
- City Chain Properties (S) Pte Ltd
- Optical 88 (S) Pte Ltd
315 Outram Road #10-03
Tan Boon Liat Building
Singapore 169074
SINGAPORE

JAPAN

Retail

- City Chain (Japan) Co Ltd – Japan Branch
Fastener Building, 9/F.,
3-8-15, Iwamoto-cho,
Chiyoda-ku, Tokyo 101-0032,
JAPAN

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

- Montres Universal S.A.
- Solvil et Titus S.A.
- Pronto Watch S.A.
29 Route de Jussy, Case Postale 70
CH-1226 Thonex
Geneve
SWITZERLAND

UNITED STATES OF AMERICA

Trading

- Stelux Watch USA, Inc.
37100 Central Court
Newark, CA 94560
U.S.A