STELUX Holdings International Limited

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

INTERIM REPORT AND CONDENSED ACCOUNTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2000

The Directors are pleased to present the Group's interim report and condensed accounts for the six months ended 30th September 2000. The Group reported a profit attributable to shareholders of HK\$15.6 million for the period under review. The consolidated results of the Group for the six months ended 30th September 2000, the consolidated balance sheet as at 30th September 2000, the condensed consolidated cash flow statement and the condensed statement of recognised gains and losses of the Group for the six months ended 30th September 2000, all of which are unaudited, along with the relevant explanatory notes, are set out below.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2000

		Unaudit Six Months ended 3 2000	
	Note	HK\$'000	HK\$'000
Turnover	2	593,174	550,213
Cost of sales		(261,136)	(220,980)
Gross profit		332,038	329,233
Other income		16,515	19,565
Selling expenses General and administrative expenses Other operating expenses		(176,807) (77,034) (72,457)	(186,666) (80,705) (75,319)
Profit on repurchase of convertible notes Foreign exchange gain on convertible notes Net profit/(loss) on sales of land and buildings Net unrealised (loss/gain on marketable securities		4,228 5,365 17,799 (11,541)	34,580 7,133 (15,410) 9,015
Operating profit	3	38,106	41,426
Finance costs		(21,642)	(20,405)
Profit before taxation		16,464	21,021
Taxation	4	(780)	(559)
Profit after taxation		15,684	20,462
Minority interests			(83)
Profit attributable to shareholders		15,684	20,379
Earnings per share	6	cents	cents
– basic – diluted		1.68 1.66	2.18 2.17
CONSOLIDATED BALANCE SHEET			

AT 30TH SEPTEMBER 2000 AND 31ST MARCH 2000			
	Note	Unaudited 30th September 2000 HK\$'000	31st March 2000 HK\$'000
Fixed assets Investment securities Trademarks and patents		957,963 4,299 28,459	1,047,772 4,299 29,606
Current assets Stocks Debtors and prepayments Marketable securities Cash and bank balances	7	379,770 351,675 10,722 63,007	361,912 328,073 22,265 45,082
Current liabilities Bank overdrafts and short term loans			757,552
Secured Unsecured Creditors and accruals Convertible notes Current portion of other long term liabilities Taxation payable	8 9 11	100,207 4,913 331,676 240,459 8,662 10,952	55,396 25,009 322,118 275,652 36,358 14,024
		696,869	728,557
Net current assets		108,305	28,775
Employment of funds		1,099,026	1,110,452
Financed by:	10	02.624	02.624
Share capital Reserves	10	93,634 631,246	93,634 631,262
Shareholders' funds		724,880	724,896
Minority interests Deferred taxation Loans from shareholders Other long term liabilities	11	1,749 134 3,892 368,371	1,670 149 3,892 379,845
Funds employed		1,099,026	1,110,452

CONDENSED STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2000

	Unaudited Six Months ended 30th September	
	2000 HK\$'000	0tn September 1999 HK\$'000
Exchange losses arising from translation of overseas subsidiary companies not recognised in the profit and loss account	(15.700)	(6,815)
Profit attributable to shareholders	15,684	20,379

NOTES TO CONDENSED INTERIM ACCOUNTS

Total recognised (losses)/gains Principal accounting policies

> These unaudited consolidated condensed interim accounts ("interim accounts") are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, (as applicable to condensed interim accounts), and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited. As a result of adoption of SSAP 2.101 "Presentation of financial statements", the presentation and classification of certain comparative figures have been adjusted or extended to conform with the current period's presentation

The accounting policies adopted in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31st March 2000.

Turnover and profit before taxation

The analysis of the Group's turnover and profit before taxation by activities and geography are as follows

	Tumo ver Unaudited Six months ended 30th September		Profit before taxation Unaudited Six months ended 30th Septeml	
	2000 <i>HK</i> '000	1999 HK'000	2000 <i>HK</i> '000	1999 HK'000
Analysis by activities:				
Investment Property Retailing and trading Group administration overheads	906 58,970 533,298	24,729 19,211 506,273	(7,115) 20,734 15,871 (13,026)	52,702 (15,544) (3,749) (12,388)
	593,174	550,213	16,464	21,021
Geographical analysis:				
Hong Kong South East and Far East Asia Europe North America Others Group administration overheads	385,461 117,820 71,964 10,262 7,667	300,478 107,574 118,071 17,719 6,371	17,619 (1,075) 11,951 (499) 1,494 (13,026)	9,278 (224) 23,365 646 344 (12,388)
	593,174	550,213	16,464	21,021

	2000	1999
	HK\$'000	HK\$'000
Operating profit is stated after charging:		
Depreciation		
Owned fixed assets	23,319	22,452
Leased fixed assets	168	169
Amortisation of trademarks and patents	1,042	1,046
Loss on disposal of fixed assets	1,539	646
Provision for stock obsolescence and stocks written off	3,354	4,100
Provision for doubtful debts and bad debts written off	1,141	4,273
and after crediting:		
Gain on sales of marketable securities		10,404
Taxation		

Operating profit

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

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

	Unaudited Six Months ended 30th September		
	2000 HK\$`000 HK\$		
Hong Kong profits tax Overseas taxation Under provision in prior periods	(405) (169) (206)	(367) (192)	
	(780)	(559)	

The Directors have resolved not to declare an interim dividend for this period (1999: nil).

Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$15,684,000 (1999: HK\$20,379,000) and on the weighted average number of 936,340,023 shares (1999: 936,340,023 shares) in issue during the period.

The calculation of diluted earnings per share is based on profit attributable to shareholders of HK\$15,684,000 (1999: HK\$20,379,000) and on the weighted average number of 936,340,023 shares (1999: 936,340,023 shares) in issue during the period plus the weighted average number of 5,857,627 shares (1999: 4,230,769 shares) deemed to have been issued at no consideration pursuant to the relevant outstanding options having been

Debtors and prepayments

	Unaudited 30th September 2000 HK\$'000	31st Marcl 2000 HK\$'000
	HK\$ 000	11K\$ 000
Trade debtors	24.424	20.55
1-60 days	24,426	20,56
Over 60 days	20,426	13,86
	44,852	34,42
Deposits, prepayments and other debtors	306,823	293,64
	351,675	328,07
Creditors and accruals		
Included in creditors and accruals are trade creditors with the following aging analysis:		
Included in creditors and accruals are trade creditors with the following a ging analysis:	Unaudited	21st Mono
Included in creditors and accruals are trade creditors with the following aging analysis:	30th September	31st Marc 200
Included in creditors and accruals are trade creditors with the following aging analysis:		31st Marc 200 HK\$'00
	30th September 2000	200
Trade creditors	30th September 2000 HK\$`000	200 HK\$'00
	30th September 2000	200
Trade creditors 1-60 days	30th September 2000 HK\$*000 92,092 116,279	200 HK\$*00 58,34 113,83
	30th September 2000 HK\$*000	200 HK\$'00 58,34

During the period, Swiss Francs Convertible Notes (the "Notes") amounting to SFr 6.2 million were repurchased at an average discount of 12%. As the balance sheet date, forward contracts for purchase of SFr 40.47 million at an average exchange rate of HK\$4.5818 to SFr 1 had been arranged. Therefore, the same amount of the Notes outstanding were converted at the average exchange rate while the unhedged balance of the Notes were converted at current rate of the closing date.

There was no change in the Company's share capital during the half year ended 30th September 2000. During the period, no further share options were granted by the Company and no share options outstanding as at 31st March 2000 were exercised by the option holders.

Other long term liabilities

		30th September 2000	31st March 2000
	Note	HK\$'000	HK\$'000
Bank loans, secured	(a)	273,590	308,478
Obligations under finance leases	(a)	1,037	5,319
Loan from a related company	(b)	32,000	32,000
Retention money payable		70,406	70,406
		377,033	416,203
Amount payable within one year included under current liabilities		8,662	36,358
		368,371	379,845

	Bank loans, secured		Obligations under finance leases	
	Unaudited		Unaudited	
	30th September	31st March	30th September	31st March
	2000	2000	2000	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	8,018	32,317	644	4,041
In the second year	8,466	18,378	393	1,255
In the third to fifth year	243,581	252,213	_	23
After the fifth year	13,525	5,570		
	273,590	308,478	1,037	5,319

The loan is unsecured, carries interest at prime rate and is repayable after 30th September 2001

Contingent liabilities

		Group		Company	
		Unaudited 30th September 2000 HK\$'000	31st March 2000 <i>HK</i> \$'000	Unaudited 30th September 2000 HK\$`000	31st March 2000 <i>HK</i> \$'000
(a)	Guarantees to secure banking facilities for: Subsidiary companies Third parties	_ _	1,190	902,341	674,841
	Other guarantees Subsidiary companies			240,459	491,450
(b)	Bills discounted	901	1,093	_	
(c)	Liability not provided for in respect of employees who have completed the required number of year of service under the Employment Ordinance to be eligible for long service payments on termination of their employment	s 8,669	8,150		

The status of the Group's litigation, arbitrations and liability for latent defects in respect of the sale of Titus Square were fully disclosed in the Annual Report 2000 except that determinations of the arbitrations are anticipated in the later part of 2001.

Unaudited

HK\$'000

31st March 2000 HK\$'000

(b)

Commitments in respect of expenditure on leasehold improvements

Contracted but not provided for

,	follows:	in the next twelve months, analysed according to the Land and buildings		Plant and n	•
		Unaudited		Unaudited	•
		30th September 2000	31st March 2000	30th September 2000	31st March 2000
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
	Within one year	46,582	48,907	383	398
	In the second to fifth year	162,622	114,026	172	315
	After the fifth year		225		

reviously sold were fully disclosed in the Annual Report 2000

related party transactions			
	Unaudited Six Months ended 30th September		
	2000	1999	
	HK\$'000	HK\$'000	
Purchases of goods from a related company	16,269	4,062	
Rental income from related companies	975	975	
Interest income from a related company	2,235	2,181	
Interest expense paid to a related company	1,499	857	
Management fee receivable from a related company	· _	980	

The terms of these related party transactions had not changed from those disclosed in the Annual Report 2000.

13.564

(16)

Unaudited

Six Months ended 30th September

331,676

After 30th September 2000, the Group's Notes in a total nominal sum of SFr 23,300,000 were repurchased at an average discount of 10% and were subsequently cancelled.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF GROUP OPERATIONS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2000. The Group reported a profit attributable to shareholders of HK\$15.6 million compared to HK\$20.4 million last year.

Retail and Trading Division

The results of the Group's Retail and Trading Division have largely improved. A profit of HK\$15.9 million was recorded compared to a loss of HK\$3.8 million over the same period last year. All our local retail chains recorded favourable growth both in terms of turnover and operating results. Turnover at City Chain, Optical 88 and Hipo.fant improved by 39%, 14% and 31% respectively.

City Chain Hong Kong and Macau reported a profit of HK\$6.6 million this year, a substantial turnaround from the same period last year when losses of HK\$12.9 million were reported. However, turnover and profits of our watch operations in South East Asia and Taiwan were undermined by political instability in Indonesia and Taiwan. Therefore, turnover for this region only improved by 7%. Watch operations in the PRC reported a healthy16% increase in tumover as a result of an improvement in sales at department stores and an increase in the number of adidas watch counters.

During the period under review, we continued to build upon City Chain's reputation further consolidating its market position in Hong Kong and regionally as a forefront fashion and trend setting watch chain. Shop renovations undertaken to create a fresh and sophisticated look and the introduction of new watch brands has helped us further to improve results. To meet the challenges of the e-commerce revolution and to complement our aspirations to become a formidable leader in the watch industry, City Chain launched its own cybermall, www.citychain.com in December this year. www.citychain.com provides latest news on watch trends and also offers on-line sales. Continuing to take advantage of relatively low rentals, more stores were opened at selected prime sites.

Optical 88 also reported improved profits compared to the same period last year. We continued to increase our market share by opening more shops. We will continue with our franchising strategy as this has proven to be successful.

Hipo fant continued to report favourable growth and improvement during the period. Increase in turnover was due to several reasons; an increase in number of outlets and favourable response to our products. Breakeven figures were recorded compared to a loss for the same period last year.

The Group's total stores increased from 356 as at 31st March 2000 to 403 as at 30th November 2000.

Our export division and overseas subsidiaries recorded a 37% fall in tumover during the period dragging down profits. This was due partly to the strength of the US\$ resulting in high unit export prices and partly to the life cycle of previous product ranges. We see turnover improving as new and more price competitive products are launched in the later half of the year.

Property Investment

During the period, two shop properties were disposed of at an aggregate sales proceeds of HK\$107 million. The net profit was about HK\$18 million. Stelux House continues to contribute stable income and leases due for renewal have been renewed at satisfactory

Prospects

rents.

image.

We are optimistic that the Group's core business - retail and trading will continue to post positive results for the second half of the year as we benefit from largely improved consumer sentiment in the region and reengineering efforts to the City Chain brand and

FINANCIAL RESOURCES

Financing and cash management activities of the Group are coordinated at head office for the best utilisation of the Group's financial resources

The Group's bank borrowings at balance sheet date were HK\$379 million (at 31st March 2000: HK\$389 million), out of which, HK\$113 million were repayable within 12 months. 39% (at 31st March 2000: 42%) of the Group's borrowings (including bank borrowings and the Notes) were denominated in Swiss Francs and the other borrowings were denominated in Hong Kong Dollars. The Notes carry a fixed interest rate of 1.75% per annum. All other borrowings are on a floating rate basis at either bank prime lending rates or short-term inter-bank offer rates. 60% (at 31st March 2000: 55%) of the Group's borrowings were of secured.

The Group's gearing ratio at 30th September 2000 was 0.85 (at 31st March 2000: 0.92), which was calculated based on the Group's of HK\$619 million (at 31st March 2000: HK\$665 million) and the shareholders' funds of HK\$725 million (at 31st March 2000: HK\$725 million.)

Additional banking facilities net of repayment upon refinancing during the period amounted to HK\$123 million. The additional banking facilities were utilised for investment in new retail outlets and working capital. Net cash inflow from disposal of land and building and investment properties during the period amounted to HK\$44 million.

After 30th September 2000, Notes amounting to SFr 23.3 million were repurchased at an average price of 90%. The Notes outstanding as of the reporting date (SFr 29.4 million) will be due for redemption on 31st March 2001, and the currency exposure has been fully hedged at an average exchange rate of HK\$4.525 to SFr 1.

The Group does not engage in speculative derivative trading.

CAPITAL STRUCTURE OF THE GROUP

There was no change in the capital structure of the Group during the period. SIGNIFICANT INVESTMENTS HELD

Stelux House is fully leased and contributes stable rental income to the Group.

secure banking facilities granted to the Group.

CHANGES IN THE COMPOSITION OF THE ENTERPRISE DURING THE INTERIM PERIOD

There was no change in the composition of the Group during the interim period. NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES, BONUS AND SHARE OPTION

SCHEMES AND TRAINING SCHEMES The Group's remuneration policies are reviewed on a regular basis and remuneration packages are in line with market practices in the relevant countries where the Group operates. As of 30th September 2000, the Group had 1814 employees. Details of the outstanding share options were disclosed in the Annual Report 2000.

DETAILS OF THE CHARGES ON GROUP ASSETS At 30th September 2000, certain of the Group's land and buildings amounting to HK\$231,088,000 (at 31st March 2000: HK\$285,373,000) and investment properties amounting to HK\$565,037,000 (at 31st March 2000: HK\$604,000,000) were pledged to

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the period, there was no purchase, sale or redemption by the Company, or any of its subsidiary companies, of the Company's listed securities except that a wholly owned subsidiary company had repurchased Swiss Francs 6.2 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 6,200,000	Swiss Francs 5,434,000 (average of 88 per cent of nominal value)
CODE OF PEST DDACTICE			

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 period except that the independent non-executive directors of the Company are not appointed for a specific term. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed

the internal controls and financial reporting matters related to the preparation of the unaudited condensed financial statements for the six months ended 30th September 2000. Joseph C. C. Wong

Managing Directo

HONG KONG, 21st December 2000