STELUX Holdings International Limited

寶光實業(國際)有限公司*

Incorporated in Bermuda with limited liability

Website: http://www.stelux.com

Stock Code: 84

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH 2013

The directors of Stelux Holdings International Limited (the "Company") have pleasure in announcing the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st March 2013 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH 2013

	Note	2013 HK$'000	2012 HK$'000
Revenues	2,3	**3,647,197**	3,330,887
Cost of sales	6	**(1,361,894)**	(1,275,561)
Gross profit		**2,285,303**	2,055,326
Other gains, net	4	**38,389**	18,472
Other income	5	**25,448**	19,471
Selling expenses	6	**(1,639,500)**	(1,413,751)
General and administrative expenses	6	**(341,178)**	(324,460)
Other operating expenses	6	**(50,260)**	(35,459)
Operating profit		**318,202**	319,599
Finance costs		**(17,670)**	(9,219)
Profit before income tax		**300,532**	310,380
Income tax expense	7	**(67,034)**	(59,434)
Profit for the year		**233,498**	250,946
Attributable to:			
Equity holders of the Company		**232,900**	250,325
Non-controlling interests		**598**	621
		233,498	250,946
Dividends	8	**76,392**	85,620
		HK cents	HK cents (restated)
Earnings per share for profit attributable to the equity holders of the Company	9		
– Basic		**22.26**	23.92
– Diluted		**21.41**	23.92

* *For identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2013

	2013	2012
	HK$'000	*HK$'000*
Profit for the year	**233,498**	250,946
Other comprehensive income:		
Exchange differences	**3,892**	(4,057)
Revaluation of available-for-sale financial assets	**27**	951
Other comprehensive income for the year, net of tax	**3,919**	(3,106)
Total comprehensive income for the year	**237,417**	247,840
Attributable to:		
Equity holders of the Company	**236,666**	247,377
Non-controlling interests	**751**	463
Total comprehensive income for the year	**237,417**	247,840

CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**511,416**	376,728
Investment property		**–**	66,000
Prepayment of lease premium		**60,079**	64,477
Intangible assets		**60,497**	60,323
Deferred tax assets		**60,416**	61,997
Available-for-sale financial assets		**15,617**	15,590
Debtors, deposits and prepayments	*10*	**183,580**	127,461
		891,605	772,576
Current assets			
Stocks		**1,167,029**	1,008,902
Debtors, deposits and prepayments	*10*	**314,565**	328,173
Bank balances and cash		**388,330**	220,855
		1,869,924	1,557,930
Total assets		**2,761,529**	2,330,506
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**104,647**	95,134
Reserves		**1,292,345**	1,077,651
Shareholders' funds		**1,396,992**	1,172,785
Non-controlling interests		**8,179**	8,656
Total equity		**1,405,171**	1,181,441
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**2,337**	2,752
Borrowings		**143,364**	85,688
Convertible bonds		**316,419**	–
		462,120	88,440
Current liabilities			
Creditors and accruals	*11*	**518,147**	593,570
Income tax payable		**24,811**	44,554
Borrowings		**351,280**	422,501
		894,238	1,060,625
Total liabilities		**1,356,358**	1,149,065
Total equity and liabilities		**2,761,529**	2,330,506
Net current assets		**975,686**	497,305
Total assets less current liabilities		**1,867,291**	1,269,881

NOTES:–

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, except that investment property, available-for-sale financial assets, and certain financial assets and financial liabilities (including derivative instruments) are measured at fair value, as appropriate.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Adoption of new standards and amendments to standards

The following new standards and amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1st April 2012 and are adopted by the Group:

HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 7 (Amendment)	Financial instruments: disclosures on transfer of financial assets
HKAS 12 (Amendment)	Deferred tax: recovery of underlying assets

The Group has early adopted HKAS 12 (Amendment) retrospectively for the financial year ended 31st March 2012. The early adoption of this amendment did not result in any significant financial impact to the Group for the years ended 31st March 2012 and before.

The adoption of the other amendments to standards above has no significant impact on the results and financial position of the Group.

2. SEGMENT INFORMATION

The chief operating decision-makers have been identified as the executive directors. The executive directors review the Group's financial information mainly from product and geographical perspectives. From a geographical perspective, management assesses the performance of watch and optical operations in Hong Kong, Macau and Mainland China and rest of Asia.

Sales between operating segments are carried out on terms equivalent to those prevailing in arm's length transactions. The executive directors assess the performance of the operating segments based on a measure of adjusted earnings before interest and tax (EBIT). This measurement basis excludes unallocated income and net corporate expenses.

Net corporate expenses mainly represent staff costs and provision for senior management bonus. Unallocated assets represent equipment and debtors at corporate level, available-for-sale financial assets, deferred tax assets and bank balances and cash. Unallocated liabilities represent creditors and accruals at corporate level, borrowings, convertible bonds, deferred tax liabilities and income tax payable.

Other segment primarily relates to rental income received from an investment property in Macau and building management fee income from a related company.

2. SEGMENT INFORMATION (CONTINUED)

	For the year ended 31st March 2013						
	Watch retail		Optical retail				
	Hong Kong, Macau and Mainland China	Rest of Asia	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale trading	Other segment	Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenues							
Gross segment	**1,446,474**	**561,936**	**864,105**	**320,776**	**867,910**	**17,581**	**4,078,782**
Inter-segment	**–**	**–**	**–**	**–**	**(415,174)**	**(16,411)**	**(431,585)**
	1,446,474	**561,936**	**864,105**	**320,776**	**452,736**	**1,170**	**3,647,197**
Segment results	**192,115**	**20,795**	**29,144**	**17,794**	**96,791**	**24,877**	**381,516**
Unallocated income							**4,509**
Net corporate expenses							**(67,823)**
Operating profit							**318,202**
Finance costs							**(17,670)**
Profit before income tax							**300,532**
Income tax expense							**(67,034)**
Profit for the year							**233,498**

	For the year ended 31st March 2013							
	Watch retail		Optical retail					
	Hong Kong, Macau and Mainland China	Rest of Asia	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale trading	Other segment	Unallocated	Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditures	**(34,532)**	**(75,297)**	**(27,211)**	**(19,851)**	**(4,127)**	**(9)**	**(2,104)**	**(163,131)**
Depreciation	**(36,222)**	**(24,894)**	**(29,290)**	**(18,374)**	**(1,165)**	**(5,301)**	**(993)**	**(116,239)**
Amortisation of prepayment of lease premium	**–**	**(4,069)**	**–**	**(3,404)**	**–**	**–**	**–**	**(7,473)**
Fair value gain of an investment property	**–**	**–**	**–**	**–**	**–**	**30,000**	**–**	**30,000**
Provision for stocks	**(7,283)**	**(5,074)**	**(4,168)**	**(2,066)**	**(4,480)**	**–**	**–**	**(23,071)**
Impairment of property, plant and equipment	**(1,190)**	**(2,168)**	**(4,262)**	**(1,904)**	**–**	**–**	**–**	**(9,524)**
Write back of provision/(provision) for onerous contracts	**1,242**	**–**	**(3,074)**	**–**	**–**	**–**	**–**	**(1,832)**

2. SEGMENT INFORMATION (CONTINUED)

	As at 31st March 2013						
	Watch retail		**Optical retail**				
	Hong Kong, Macau and Mainland China	**Rest of Asia**	**Hong Kong, Macau and Mainland China**	**Rest of Asia**	**Wholesale trading**	**Other segment**	**Group Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**704,677**	**429,935**	**331,289**	**210,007**	**369,527**	**210,729**	**2,256,164**
Unallocated assets							**505,365**
Total assets							**2,761,529**
Segment liabilities	**205,451**	**56,056**	**134,606**	**43,862**	**43,940**	**655**	**484,570**
Unallocated liabilities							**871,788**
Total liabilities							**1,356,358**

	For the year ended 31st March 2012						
	Watch retail		Optical retail				
	Hong Kong, Macau and Mainland China	Rest of Asia	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale trading	Other segment	Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenues							
Gross segment	1,268,441	535,073	800,005	301,071	896,970	15,512	3,817,072
Inter-segment	–	–	–	–	(472,233)	(13,952)	(486,185)
	1,268,441	535,073	800,005	301,071	424,737	1,560	3,330,887
Segment results	171,388	19,366	65,586	18,900	94,438	9,395	379,073
Unallocated income							4,773
Net corporate expenses							(64,247)
Operating profit							319,599
Finance costs							(9,219)
Profit before income tax							310,380
Income tax expense							(59,434)
Profit for the year							250,946

2. SEGMENT INFORMATION (CONTINUED)

	For the year ended 31st March 2012							
	Watch retail		Optical retail					
	Hong Kong, Macau and Mainland China	Rest of Asia	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale trading	Other segment	Unallocated	Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditures	(44,781)	(35,833)	(41,540)	(26,056)	(39,377)	–	(2,463)	(190,050)
Depreciation	(27,246)	(19,751)	(21,406)	(14,918)	(1,274)	(4,821)	(1,246)	(90,662)
Amortisation of prepayment of lease premium	–	(4,242)	–	(3,415)	–	–	–	(7,657)
Fair value gain of an investment property	–	–	–	–	–	14,000	–	14,000
(Provision)/write back of provision for stocks	(12,154)	(5,076)	(2,887)	(4,605)	868	–	–	(23,854)
Impairment of property, plant and equipment	(1,824)	–	–	(1,041)	–	–	–	(2,865)
Provision for onerous contracts	(2,833)	–	–	–	–	–	–	(2,833)

	As at 31st March 2012						
	Watch retail		Optical retail				
	Hong Kong, Macau and Mainland China	Rest of Asia	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale trading	Other segment	Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	660,441	368,776	302,119	202,848	299,119	186,008	2,019,311
Unallocated assets							311,195
Total assets							2,330,506
Segment liabilities	205,049	52,057	162,231	39,103	95,962	1,024	555,426
Unallocated liabilities							593,639
Total liabilities							1,149,065

2. SEGMENT INFORMATION (CONTINUED)

An analysis of the Group's revenue by geographical area is as follows:

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**2,022,821**	1,828,679
Macau	**231,101**	178,326
Mainland China	**281,743**	261,251
Rest of Asia	**1,111,268**	1,062,134
Europe	**264**	497
	3,647,197	3,330,887

An analysis of the Group's non-current assets (other than financial instruments and deferred tax assets) by geographical area is as follows:

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**293,290**	260,522
Macau	**165,396**	139,866
Mainland China	**46,452**	28,259
Rest of Asia	**275,389**	230,995
Others	**35,045**	35,347
	815,572	694,989

3. REVENUES

	2013	2012
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**3,646,027**	3,329,327
Gross rental income	**1,170**	1,560
	3,647,197	3,330,887

4. OTHER GAINS, NET

	2013	2012
	HK$'000	*HK$'000*
Loss on disposal of property, plant and equipment, net	**(1,276)**	(312)
Fair value gain of an investment property	**30,000**	14,000
Exchange gain, net	**9,665**	4,784
	38,389	18,472

5. OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
Building management fee income	**2,142**	2,142
Dividend income from investments	**4,509**	4,682
Interest income	**1,020**	569
Sundries	**17,777**	12,078
	25,448	19,471

6. EXPENSES BY NATURE

	2013	2012
	HK$'000	*HK$'000*
Cost of stocks sold and raw materials consumed	**1,361,894**	1,275,561
Amortisation of prepayment of lease premium	**7,473**	7,657
Depreciation of property, plant and equipment		
– Owned	**115,999**	90,234
– Leased	**240**	428
Impairment of property, plant and equipment	**9,524**	2,865
Provision for onerous contracts	**1,832**	2,833
Auditor's remuneration		
– Audit services	**6,574**	7,873
– Non-audit services	**1,869**	1,147
Operating leases on buildings	**634,216**	528,875
Provision for stocks	**23,071**	23,854
Impairment of debtors	**215**	156
Reversal of bad debts provision	**(18)**	(191)
Donations	**6,498**	1,477
Employee benefit expenses	**629,501**	568,092
Others	**593,944**	538,370
Total cost of sales, selling expenses, general and administrative expenses and other operating expenses	**3,392,832**	3,049,231

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year ended 31st March 2013 (2012: 16.5%) less relief for available tax losses. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the territories in which the Group operates.

The amount of income tax charged to the consolidated income statement represents:

	2013	2012
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**35,226**	43,316
– Overseas profits tax	**29,110**	30,986
– Under/(over) provisions in respect of prior years	**1,256**	(9,157)
	65,592	65,145
Deferred income tax	**1,442**	(5,711)
Income tax expense	**67,034**	59,434

8. DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Interim, paid, of HK$0.036 (2012: HK$0.035) per ordinary share	**37,673**	33,297
Final, proposed, of HK$0.032 (2012: HK$0.045) per ordinary share	**33,487**	42,810
Special, proposed, of HK$0.005 (2012: HK$0.010) per ordinary share	**5,232**	9,513
	76,392	85,620

9. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the Group's profit attributable to equity holders by the weighted average number of ordinary shares in issue during the year, adjusted to take into account the effects arising from the bonus issue on 31st August 2012. The basic earnings per share for 2012 has been restated with the above adjustment.

	2013	2012
		(restated)
Weighted average number of ordinary shares in issue (thousands)	**1,046,474**	1,046,474
Profit attributable to equity holders of the Company (HK$'000)	**232,900**	250,325
Basic earnings per share (HK cents)	**22.26**	23.92

9. EARNINGS PER SHARE (CONTINUED)

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group's dilutive potential ordinary shares in existence represent convertible bonds. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the expense relating to the convertible bonds less the tax effect.

	2013	2012 *(restated)*
Number of ordinary shares in issue throughout the year (thousands)	**1,046,474**	1,046,474
Effect of conversion of convertible bonds (thousands)	**63,596**	–
Weighted average number of ordinary shares adjusted for effect of dilution (thousands)	**1,110,070**	1,046,474
Profit attributable to equity holders of the Company (HK$'000)	**232,900**	250,325
Borrowing cost on convertible bonds (HK$'000)	**5,393**	–
Tax relief thereon (HK$'000)	**(613)**	–
Adjusted profit attributable to equity holders of the Company (HK$'000)	**237,680**	250,325
Diluted earnings per share (HK cents)	**21.41**	23.92

There were no dilutive potential ordinary shares in existence during the year ended 31st March 2012.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

	2013 *HK$'000*	2012 *HK$'000*
Trade debtors, gross	**171,580**	191,151
Provision for impairment of trade debtors	**(630)**	(692)
Trade debtors, net	**170,950**	190,459
Deposits, prepayments and other debtors	**327,195**	265,175
	498,145	455,634
Less: non-current portion	**(183,580)**	(127,461)
Current portion	**314,565**	328,173
Trade debtors analysed by invoice date *(note)*		
Below 60 days	**63,393**	110,310
Over 60 days	**108,187**	80,841
	171,580	191,151

Note:

The Group allows an average credit period of 60 days from the invoice date to its trade debtors.

11. CREDITORS AND ACCRUALS

	2013	2012
	HK$'000	*HK$'000*
Trade creditors		
Below 60 days	**194,783**	270,482
Over 60 days	**47,573**	55,448
	242,356	325,930
Other creditors and accruals	**275,791**	267,640
	518,147	593,570

12. COMMITMENTS

(a) Capital commitments for property, plant and equipment

	2013	2012
	HK$'000	*HK$'000*
Contracted but not provided for	**22,256**	2,575
Authorised but not contracted for	**24,420**	–
	46,676	2,575

(b) Commitments under operating leases (where the Group is the lessee)

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2013	2012
	HK$'000	*HK$'000*
Buildings		
Not later than one year	**587,205**	564,606
Later than one year but not later than five years	**608,075**	583,987
Later than five years	**14,900**	16,051
	1,210,180	1,164,644

(c) Operating lease arrangements (where the Group is the lessor)

The Group had future aggregate minimum lease receivables under non-cancellable operating leases as follows:

	2013	2012
	HK$'000	*HK$'000*
Investment property		
Not later than one year	**–**	2,394
Later than one year but not later than five years	**–**	897
	–	3,291

FINANCIAL HIGHLIGHTS
Expressed in HK$'m

	2012-13	2011-12	**Variance**
Revenue	**3,647.2**	3,330.9	9.5%
Gross Profit	**2,285.3**	2,055.3	11.2%
Adjusted Operating Profit	**300.2**	301.5	(0.4%)
Net Profit	**232.9**	250.3	(7.0%)
Basic EPS (HK cents)	**22.26**	23.92	(6.9%)
Gross Profit margin	**62.7%**	61.7%	1.0%
Adjusted Operating Profit margin	**8.2%**	9.1%	(0.9%)
Net Profit margin	**6.4%**	7.5%	(1.1%)
Return on equity	**16.6%**	21.2%	(4.6%)
Interim and final dividend payment	**71.2**	76.1	(6.4%)
Dividend payout ratio (exclude special dividend)	**30%**	30%	–

STELUX became a constituent member of Morgan Stanley Capital International ('MSCI') Global Small Cap Indices – Hong Kong Index in June 2013.

GROUP BUSINESS REVIEW

During the year under review, the Group operated under challenging conditions. Slowing economic growth on the Mainland and the lingering global downturn dampened retail sentiment affecting customer spending domestically and also in Hong Kong and Macau.

Despite this however, Group sales stayed fairly resilient. Group turnover for FY12/13 increased a respectable 9.5% to HK$3,647.2 million (2012: HK$3,330.9 million). Our Greater China operations (i.e. Hong Kong, Macau, Mainland China and Taiwan) continued to be the major driver of turnover growth accounting for around 69.7% (2012: 68.2%) of Group turnover. "CITY CHAIN", "OPTICAL 88" and the Group's wholesale business all reported turnover growth. Further, a stable pricing policy and healthy sales mix was maintained amidst the tough environment with Group gross profit margin improving from 61.7% to 62.7%.

For FY12/13, the Group reported an Adjusted Operating Profit before tax and non-controlling interests ("Adjusted Operating Profit") of HK$300.2 million, a marginal decrease of 0.4% from last year (2012: HK$301.5 million).

For FY12/13, the Group reported a net profit attributable to equity holders (after tax and non-controlling interests) of HK$232.9 million (2012: HK$250.3 million) a decrease of 7%, as a result of adjusting the following items from the Adjusted Operating Profit:

- the impact of expenses of HK$7.3 million (2012: nil) arising from the issuance of convertible bonds;
- rationalisation costs of HK$6.2 million from our Mainland operations (2012: HK$0.8 million);
- impairment costs of assets of HK$9.5 million due to non-performing shops (2012: HK$2.9 million);
- severance payment due to restructuring of HK$1.5 million (2012: nil);
- donation of HK$6.5 million (2012: HK$1.5 million);
- written back provision of legal fees of HK$1.4 million (2012: nil); and
- a fair value gain of an investment property of HK$30 million (2012: HK$14 million).

A major milestone was reached as in the second half of FY12/13, the Group entered into a strategic partnership with Boyu Capital to drive strategic transformations and to raise performance levels within the Group. Convertible Bonds with a 5 year maturity date were issued by the Company to a wholly owned subsidiary of Boyu Capital and HK$371 million was raised in the process.

The CEO Office set up in the second half of FY12/13 is now fully operational. The CEO office comprises of key individuals, like the Group CEO and the Group COO. The CEO Office is tasked with driving improvements in operational efficiency, performance, and changing management culture. Over the past six months, we have worked closely with Boyu Capital to develop business strategies, improve operational processes, drive accountability, proactivity and professionalism within our business units.

Despite the harsh operating environment, it is evident from the Group's top line performance that the changes implemented so far have been successful. The Group is committed to achieve long term sustainable performance growth for its shareholders. With our proven business model, and the ongoing improvements and changes made so far, we believe that we are steadily moving towards this goal.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.032 (2012: HK$0.045) per share. Together with the interim dividend of HK$0.036, this represents a payout of 30% for FY12/13 (2012: 30%).

SPECIAL DIVIDEND FOR 50TH ANNIVERSARY

To celebrate the 50th anniversary of the establishment of STELUX and to acknowledge the continuous support of our shareholders, the Board recommends the payment of a one-off special dividend of HK$0.005 per share (2012: HK$0.010) for FY12/13.

WATCH RETAIL BUSINESS – "CITY CHAIN"

For FY12/13, turnover from our watch retail business grew 11.4% to HK$2,008.4 million (2012: HK$1,803.5 million) accounting for 55.1% of Group sales. This turnover growth was achieved with the same number of shops as the previous year and under a difficult operating environment. Earnings before interest and tax ("EBIT") rose to HK$212.9 million, up by 11.6% compared to HK$190.8 million last year. Gross profit margin improved from 62.4% to 63.2%.

As of 31 March 2013, "CITY CHAIN" has 400 stores (2012: 400 stores). Breakdown by geographical region is presented as follows:–

	2013	2012	Change
Hong Kong & Macau	**113**	98	+15
Mainland China	**88**	101	-13
Southeast Asia	**199**	201	-2
Total	**400**	400	0

Hong Kong and Macau

In FY11/12, a significant yoy increase in turnover growth of 40% was reported, but this year turnover growth, particularly for Hong Kong, was affected by declining Mainland tourist spending. Turnover at our Hong Kong and Macau operations grew a respectable 15.6% to HK$1,281.6 million (2012: HK$1,109.1 million).

EBIT grew by 9.4% to HK$248.6 million (2012: HK$227.3 million) as sharp rises in store rentals affected profitability. EBIT growth was affected as store renewals or leases for new stores were committed before the slowdown. Rents stayed high in FY12/13 despite the weak retail sentiment but the escalation appears to be slowing in Q1 of FY13/14. However, gross profit margins for this business segment improved from 64.8% to 66.6% due to the promotion of our house brands.

Mainland China

Even though the slowdown hit hard and turnover contribution came from a declining number of shops, our Mainland watch retail operations reported a marginal turnover increase of 3.5%. A turnover of HK$164.9 million (2012: HK$159.4 million) was posted and a loss of HK$56.5 million was recorded (2012: HK$55.9 million). Over the past 18 months, losses have been narrowing – from the second half of FY11/12 to the first half of FY12/13, losses slipped from HK$37 million to HK$33 million and losses fell further to HK$23.5 million in the second half of FY 12/13. The loss for this year includes rationalisation costs of HK$6.2 million. In a favourable operating environment losses would have narrowed further.

During the year, various initiatives like centralised product procurement from Hong Kong, efforts to increase brand awareness and sales force training were undertaken in Mainland China to improve operating efficiencies. Rationalisation of our existing store portfolio was undertaken with the closure of poorly performing stores and new shop development strategies were adopted. In tandem with the foregoing initiatives, cost control measures were further implemented to reduce losses. Our recently reorganised China team is now headed by a CEO with strong local retail experience.

The positive effects from the above are becoming evident and will continue to be seen in the next financial year. We are still looking to breakeven by FY14/15 amidst a challenging economic environment on the Mainland.

To sustain the longer term development of our "CITY CHAIN" business on the Mainland, we will look to:

- reposition "CITY CHAIN" as a leading Mainland shopping platform for watch brands;
- adopt an effective product strategy;
- improve store productivity;

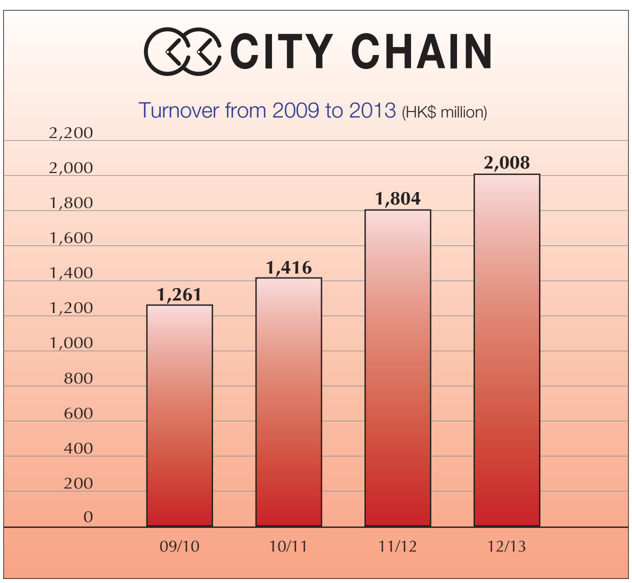
- adopt an efficient shop opening strategy; and
- reduce fixed costs.

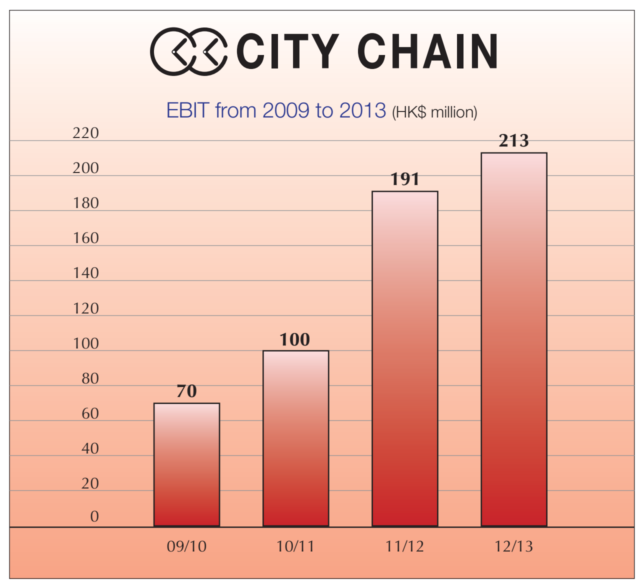
Southeast Asia

Our watch retail operations in Malaysia and Thailand posted satisfactory turnover growth and improved EBIT whilst Singapore reported disappointing results as sluggish retail sentiment and shop impairment costs affected performance.

A turnover of HK$561.9 million was achieved by these three regions (2012: HK$535.1 million) and an EBIT of HK$20.8 million was posted, up by 5.0% and 7.2% respectively from the previous year.

In FY13/14, improvements will be made to gross margins and inventory management as management leadership and accountability will be strengthened in these 3 regions. Meanwhile, our Singapore operations are undergoing major restructuring and this will continue in the first half of FY13/14. We expect the performance of our Southeast Asian operations to improve next year with our Singapore operations improving in the second half of FY13/14 after the restructuring is completed.





OPTICAL RETAIL BUSINESS – "OPTICAL 88"

For FY12/13, turnover from our optical retail business grew modestly by 5.4% to HK$1,160.9 million (2012: HK$1,101.1 million) accounting for around 31.8% of Group sales. However, a combination of slower turnover growth and rising rentals eroded EBIT performance. EBIT fell yoy by 29.9% to HK$59.2 million compared to HK$84.5 million last year. Gross profit margin remained stable at 64.1% compared to 64.4% last year.

As of 31 March 2013, "OPTICAL 88" has 227 stores (2012: 226 stores). Breakdown by geographical region is presented as follows:–

	2013	2012	Change
Hong Kong & Macau	**93**	100	-7
Mainland China	**40**	35	+5
Southeast Asia	**94**	91	+3
Total	**227**	226	+1

Hong Kong and Macau

During the year, our "OPTICAL 88" operations in Hong Kong and Macau posted mediocre results as competition in the industry remained intense and the slowdown in Chinese tourist spending adversely impacted.

Nonetheless, turnover increased 4.1% to HK$752.1 million (2012: HK$722.2 million) as EBIT declined by a disappointing 14.3% to HK$65.5 million (2012: HK$76.4 million). However, gross profit margin remained stable at around 65%.

There were several contributing factors to the fall in EBIT. Firstly, like our watch retail operations, rising shop rentals eroded profitability as shop renewals or leases for new shops were committed before the slowdown (there are signs of easing rental pressures in Q1 of FY13/14). Secondly, factored into the EBIT slide is an investment cost of around HK$3 million for the setting up of two new eye care centres. These centres which are located in Quarry Bay and Shatin were set up to expand our professional eye care services. In the long term, we expect these centres to further enhance "OPTICAL 88" 's professional image and strengthen our customer base. Thirdly, higher shop impairment costs of around HK$2.6 million also affected EBIT performance.

Despite the adverse conditions last year, our optical retail operations in Hong Kong and Macau continued to sustain its leading position. In the second half of FY12/13, improvements were made to boost operational efficiencies. The positive impact from these improvements and other key initiatives to be implemented, like a new KPI scheme designed around accountability, proactivity and professionalism to boost staff performance, will be seen in FY13/14. Further, we will continue to review our shop development strategies and look at new ways to generate turnover growth.

Mainland China

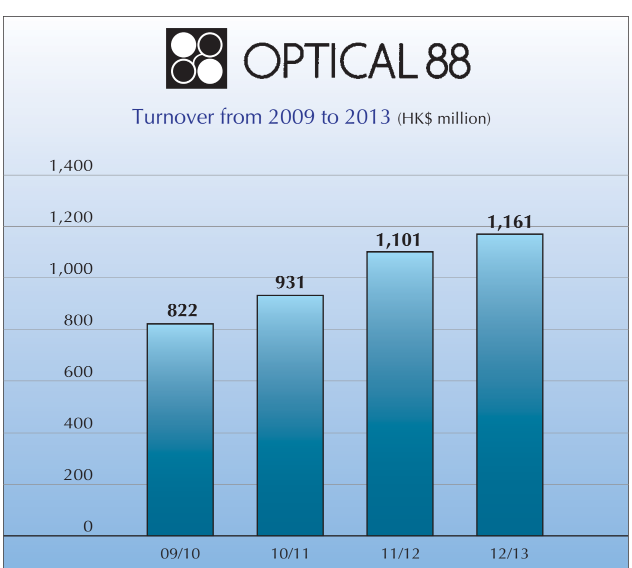
Our "OPTICAL 88" operations on the Mainland recorded a 13.1% rise in turnover during the period under review as turnover stood at HK$88.0 million compared to HK$77.8 million last year. The slowing business and rising rentals, particularly in Guangzhou where many of our shops are concentrated and the addition of 4 new shops in Shanghai, posed a challenge extending losses to HK$24.1 million (2012: HK$10.8 million). In the next year, store expansion will slow for "OPTICAL 88" and non-performing stores with upcoming lease renewals will be closed.

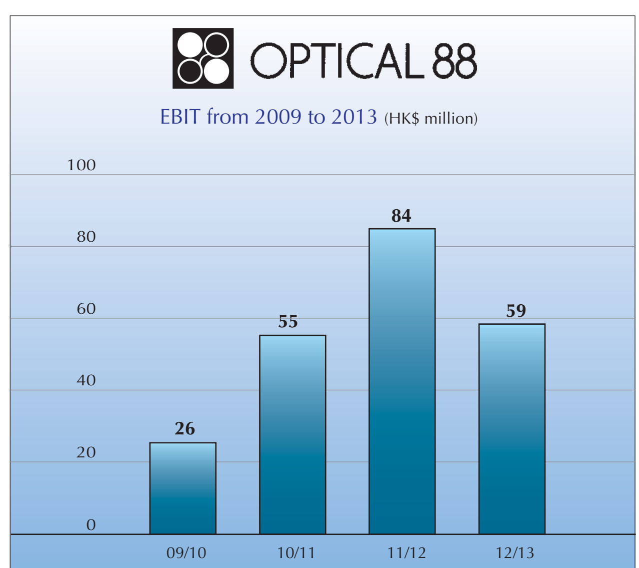
To sustain the longer term development of our "OPTICAL 88" business on the Mainland, we will look to

- differentiate "OPTICAL 88" from our competitors through the enhancement of our professional eye care services;
- grow our customer base by targeting the increasingly elderly population through the provision of eye care services for multi-focal and progressive lenses; and
- fine tune shop development strategy to build a local and repeat customer base.

Southeast Asia

Our optical retail operations in Malaysia and Thailand reported positive results but our under performing Singapore operations offset the improved EBIT performance recorded by the other two countries. Aggregate turnover from these operations rose 6.5% to HK$320.8 million (2012: HK$301.1 million) but EBIT slipped 5.8% to HK$17.8 million (2012: HK$18.9 million). In FY13/14, we will focus on bettering gross margins, inventory management, and strengthening management leadership and accountability in these 3 regions. Currently, our Singapore operations are undergoing major restructuring. We expect the performance of our Southeast Asian operations to improve next year with our Singapore operations improving in the second half of FY13/14, after the completion of the restructuring in the first half of FY13/14.





OPTICAL RETAIL BUSINESS – "eGG"

"eGG" is based on a simple operation model offering a single brand lens and frame shopping concept aimed at younger and fashion conscious customers with a core price range of between HK$380 to HK$780 and a quick service turnaround time of under 2 hours. The first "eGG" optical shop opened in Hong Kong in July 2011 and was well received by both landlords and customers. There are now 13 "eGG" shops located in Hong Kong, Beijing, Shanghai and Chongqing. Turnover was within expectation at around HK$24.0 million. Although an operating loss of HK$12.3 million was posted for the year under review, several shops are currently reporting breakeven results.

We believe that the "eGG" concept will become a new driver for growth of our optical business in Mainland China and Southeast Asia. In the next fiscal year, we will continue to invest and build up the "eGG" brand with plans underway to open more shops in Mainland China.

SUPPLY CHAIN MANAGEMENT AND WHOLESALE TRADING

For FY12/13, our supply chain management and wholesale business accounted for nearly 12.4% of the Group's overall sales. A turnover of HK$452.7 million and an EBIT of HK$96.8 million was reported (2012: HK$424.7 million and 2012: HK$94.4 million respectively) representing a yoy increase of 6.6% and 2.5% respectively.

Our supply chain management business unit for the Group's watch business which engages in product marketing, procurement management and provision of ancillary value-added services achieved a positive EBIT.

Our watch wholesale unit, the Thong Sia Group is the sole distributor for "SEIKO" watches and clocks in Hong Kong, Singapore and Malaysia. The Thong Sia Group also distributes several of our house brands, including, "CYMA" in Asia. For FY12/13, the Thong Sia Group posted satisfactory improvements in both turnover and EBIT.

LOOKING AHEAD

It has been a year of challenge, opportunity and change for the Group. Challenge as we faced a tough operating environment with slowing growth on the Mainland. Opportunity as we entered into a strategic partnership with Boyu Capital to raise our performance levels. Change as we addressed structural and operational inefficiencies within the Group.

In the next year, we will focus on:

- growing our business and consolidating non-performing operations in Mainland China to achieve breakeven by FY14/15;

- entrenching a performance driven culture in our employees by focusing on accountability, proactivity and professionalism;

- restructuring KPI systems to incentivize, support and align staff performance with the Group's goals and financial performance;

- further improvements in operational efficiencies, including, developing a Group wide ERP system, tightening cost control, reviewing shop development strategies and inventory management, introducing agency brands with higher gross profit margins; and

- generating new revenue growth through new distribution platforms like our "eGG" concept stores, e-commerce, TV home shopping and travel retailing.

Barring a further deterioration in the external operating environment, we are cautiously optimistic that the Group will return a positive performance in FY13/14.

BACKGROUND

The Group was founded in Hong Kong in 1963 and is principally engaged in watch and optical retail and wholesale trading. Our portfolio includes "CITY CHAIN" and "OPTICAL 88", both leading retailers in the mid-range priced watch and optical markets operating over 600 stores in Hong Kong, Macau, Mainland China and Southeast Asia.

"CITY CHAIN" and "OPTICAL 88" carry more than 100 brands, including well known international names and the Group's house brands, "Solvil et Titus", "CYMA", "ellesse" and "PRONTO" therefore offering a diverse mix of stylish, quality and affordable lifestyle products.

Our wholesale business includes the distribution of "SEIKO" watches and clocks in Hong Kong, Singapore and Malaysia and "CYMA" watches in Asia.

BUSINESS MODEL AND STRATEGY

The Group's business is premised on a successful business model that gives us a unique market position and allows us to generate value over the long term.

- We are a brand owner, wholesaler and retailer, covering all aspects of the value chain to fully maximize returns

- We have strong bargaining power due to our extensive retail networks and ownership of several popular brands

- We target the middle income class with our mid-priced products

- We offer multi-brands, both house brands and foreign brands to form a diversified revenue base with high gross profit margins for house brands

FINANCE

The Group's gearing ratio at balance sheet date was 30% (2012: 25%), which was calculated based on the Group's net debt of HK$423 million (2012: HK$287 million) and shareholders' funds of HK$1,397 million (2012: HK$1,173 million). The Group's net debt was calculated based on the Group's borrowings of HK$495 million (2012: HK$508 million) and convertible bonds of HK$316 million (2012: nil) less the Group's bank balances and cash of HK$388 million (2012: HK$221 million). Of the Group's borrowings at balance sheet date, HK$351 million (2012: HK$423 million) were repayable within 12 months.

Of the Group's borrowings, 9% (2012: 4%) were denominated in foreign currencies. The Group's bank borrowings denominated in Hong Kong Dollars were on a floating rate basis at either bank prime lending rates or short term inter-bank offer rates.

The Group does not engage in speculative derivative trading.

As at 31st March 2013, the Group does not have any significant contingent liabilities.

CAPITAL STRUCTURE OF THE GROUP

There was no change in the capital structure of the Group during the year.

CHANGES IN THE COMPOSITION OF THE GROUP

There was no change in the composition of the Group during the year.

NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES, BONUS 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 31st March 2013, the Group had 3,603 (2012: 3,512) employees. The Group offers discretionary bonuses to eligible employees based on the performance of the Group and the individual employee. The Group also provides related training programmes to improve the quality, competence and skills of its employees.

DETAILS OF THE CHARGES ON GROUP ASSETS

At 31st March 2013, certain of the Group's property, plant and equipment amounting to HK$285 million (2012: HK$193 million) and leasehold land amounting to HK$10 million (2012: HK$21 million) were pledged to secure banking facilities granted to the Group. At 31st March 2013, no investment property (2012: HK$66 million) was pledged.

CLOSURE OF REGISTER OF MEMBERS

To determine entitlement to attend and vote at the forthcoming Annual General Meeting on 9th August 2013 (Friday), the Register of Members of the Company will be closed from 6th August 2013 (Tuesday) to 9th August 2013 (Friday) both days inclusive ("First Book Close"), during which period no transfer of shares will be effected.

To qualify for the entitlement to the proposed final dividend and special dividend for the year ended 31st March 2013, the Register of Members of the Company will be closed from 15th August 2013 (Thursday) to 19th August 2013 (Monday) both days inclusive ("Second Book Close"), during which period no transfer of shares will be effected.

All transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 5th August 2013 (Monday) for the First Book Close and on 14th August 2013 (Wednesday) for the Second Book Close. The final dividend and special dividend will be payable on 6th September 2013 (Friday).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

CORPORATE GOVERNANCE

During the year ended 31st March 2013, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code Provisions") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), except for the following deviations:

Code Provision A.2.1

Under Code Provision A.2.1, the roles of Chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. Under the current organisation structure of the Group, Mr. Joseph C.C. Wong is both Chairman and CEO. The Company believes that vesting the roles of both Chairman and CEO in Mr. Joseph C.C. Wong has the benefit of ensuring consistent leadership within the Group thus enabling more effective and efficient strategic planning for the Group. The Board of directors (the "Board") also believes that the balance of power and authority will not be compromised and is adequately ensured by the existing Board which comprises experienced and competent individuals with two-thirds of the Board comprising of non-executive and independent non-executive directors.

Code Provision A.4.2

Under Code Provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Not all directors of the Company retire strictly under Code Provision A.4.2 but in accordance with the Company's Bye-Laws. Bye-Law 110(A) stipulates that one-third of the directors of the Company who have been longest serving in office since their last election, except the Chairman or CEO, shall retire from office by rotation at each annual general meeting.

Code Provision B.1.3

This Code Provision deals with the terms of reference of a remuneration committee. The Company has adopted the terms of reference under Code Provision B.1.3 except that the terms of reference do not include reviewing and determining the remuneration packages of senior management. The Company believes that the remuneration packages of senior management should be the responsibility of the executive directors as they are in a better position to appraise the performance of senior management.

Code Provision E.1.2

Under the first part of Code Provision E.1.2, the Chairman of the Board should attend annual general meetings. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 23rd August 2012 but two independent non-executive directors including the chairman of the Audit Committee were present.

Strategy Committee

On 17th December 2012, a Strategy Committee comprising of three executive directors, namely, Mr. Joseph C.C. Wong (Chairman of the Strategy Committee, Group Chairman and CEO), Mr. Vincent Lau Tak Bui (Group Chief Operating Officer) ("COO") and Mr. Anthony Chu Kai Wah (resignation effective from 2nd July 2013) and two non-executive directors, namely, Ms. Mary Ma Xuezheng and Mr. Alex Wong Yu Tsang was set up. The Committee held meetings on 15th January 2013, 5th March 2013, 30th April 2013 and 11th June 2013 to provide recommendations to the Board on changes to the Group's organisational structure; formulate key performance indicators for the Group's businesses, annual budgets; and to advise the Board on strategic matters as thought fit and necessary for the expansion and future development of the Group.

Audit Committee

The Audit Committee comprises of three independent non-executive directors, namely, Mr. Nelson Wu Chun Sang (Chairman of the Audit Committee), Professor Lawrence Wu Chi Man and Dr. Agnes Kwong Yi Hang and two non-executive directors, namely, Ms. Mary Ma Xuezheng and Mr. Alex Wong Yu Tsang. The principal responsibilities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Committee held meetings on 19th June 2012, 22nd November 2012, 21st March 2013 and 19th June 2013 to discuss matters, including, the Group's audit service plan, the review of accounting principles and practices adopted by the Group and other financial reporting matters; to ensure the completeness, accuracy and fairness of the financial statements of the Company; to discuss the effectiveness of the systems of internal control throughout the Group including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and their training programmes and budget; to review all significant business affairs managed by the executive directors in particular on continuing connected transactions and to review the Group's results for the years ended 31st March 2012 and 2013 and interim results for 2012/2013 before they were presented to the Board for approval.

Remuneration Committee

The Remuneration Committee comprises of Professor Lawrence Wu Chi Man (Chairman of the Remuneration Committee), Mr. Nelson Wu Chun Sang, Dr. Agnes Kwong Yi Hang (all independent non-executive directors), Ms. Mary Ma Xuezheng (non-executive director) and Mr. Joseph C.C. Wong (Group Chairman and CEO). The Committee held meetings on 27th June 2012 and 19th June 2013 to conduct annual salary reviews of the basic salaries of its executive directors and the determination of the annual bonus scheme for FY13/14 for its executive directors.

Nomination Committee

The Nomination Committee comprises of Mr. Joseph C.C. Wong (Chairman of the Nomination Committee, Group Chairman and CEO), three independent non-executive directors, namely, Professor Lawrence Wu Chi Man, Mr. Nelson Wu Chun Sang, Dr. Agnes Kwong Yi Hang and non-executive director Mr. Alex Wong Yu Tsang. The Committee held meetings on 7th December 2012, 21st March 2013 and 19th June 2013 to review the structure, size and composition of the Board, discuss the Company's policy on board diversity, and recommend Ms. Mary Ma Xuezheng and Mr. Alex Wong Yu Tsang to be appointed as non-executive directors and Mr. Wallace Kwan Chi Kin to be appointed as an executive director of the Company.

Corporate Governance Committee

The Corporate Governance Committee comprises of Mr. Vincent Lau Tak Bui (Chairman of the Corporate Governance Committee and COO), three independent non-executive directors, namely, Professor Lawrence Wu Chi Man, Mr. Nelson Wu Chun Sang, Dr. Agnes Kwong Yi Hang and two non-executive directors, namely, Ms. Mary Ma Xuezheng and Mr. Alex Wong Yu Tsang. The Committee held a meeting on 21st March 2013 to review the Company's compliance with the Code Provisions and disclosure in the Corporate Governance Report amongst other things.

PUBLICATION OF FINANCIAL INFORMATION AND ANNUAL REPORT

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk under "Latest Listed Company Information" and the Company's website at http://www.stelux.com under "Announcements & Notices". The Company's Annual Report for 2013 will be despatched to the shareholders of the Company and will also be available on the above websites in due course.

On behalf of the Board
Joseph C. C. Wong
Chairman and Chief Executive Officer

"Unless the Lord builds the house, the builders labor in vain.
Unless the Lord watches over the city, the guards stand watch in vain."
Psalm 127:1

Hong Kong, 25th June 2013

Directors of the Company as at the date hereof:

Executive directors:
Chumphol Kanjanapas (alias Joseph C. C. Wong) *(Chairman and Chief Executive Officer)*, Vincent Lau Tak Bui *(Chief Operating Officer)* and Anthony Chu Kai Wah

Non-Executive directors:
Sakorn Kanjanapas, Ma Xuezheng (also known as Mary Ma), Wong Yu Tsang Alex (also known as Alex Wong), Wu Chun Sang (independent), Lawrence Wu Chi Man (independent) and Agnes Kwong Yi Hang (independent)