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 31 MARCH 2014

HIGHLIGHTS

Profit Attributable to Shareholders of HK$171.7 million

Group Turnover up 6.7%

Greater China Turnover up 12.5%; EBIT up 17.2%

Improved Operational Efficiencies

Improved Balance Sheet

* *For identification purpose only*

The Board of directors ("Board") 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 31 March 2014 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 HK$'000	2013 HK$'000
Revenues	2,3	**3,891,572**	3,647,197
Cost of sales	6	**(1,512,885)**	(1,361,894)
Gross profit		**2,378,687**	2,285,303
Other (losses)/gains, net	4	**(4,400)**	38,389
Other income	5	**25,717**	25,448
Selling expenses	6	**(1,720,009)**	(1,639,500)
General and administrative expenses	6	**(384,249)**	(341,178)
Other operating expenses	6	**(33,416)**	(50,260)
Operating profit		**262,330**	318,202
Finance costs		**(37,139)**	(17,670)
Share of profit of an associate		**1,267**	–
Profit before income tax		**226,458**	300,532
Income tax expense	7	**(54,285)**	(67,034)
Profit for the year		**172,173**	233,498
Attributable to:			
Equity holders of the Company		**171,712**	232,900
Non-controlling interests		**461**	598
		172,173	233,498
Dividends	8	**76,392**	76,392
		HK cents	*HK cents*
Earnings per share for profit attributable to the equity holders of the Company	9		
– Basic		**16.41**	22.26
– Diluted		**15.98**	21.41

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2014

	2014	2013
	HK$'000	*HK$'000*
Profit for the year	**172,173**	233,498
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Exchange differences	**(34,417)**	3,892
Revaluation of available-for-sale financial assets	**(286)**	27
Other comprehensive income for the year, net of tax	**(34,703)**	3,919
Total comprehensive income for the year	**137,470**	237,417
Attributable to:		
Equity holders of the Company	**137,738**	236,666
Non-controlling interests	**(268)**	751
Total comprehensive income for the year	**137,470**	237,417

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**493,473**	511,416
Investment property		**–**	–
Prepayment of lease premium		**47,256**	60,079
Investment in an associate		**54,989**	–
Intangible assets		**63,197**	60,497
Deferred tax assets		**63,775**	60,416
Available-for-sale financial assets		**15,331**	15,617
Debtors, deposits and prepayments	*10*	**152,521**	183,580
		890,542	891,605
Current assets			
Stocks		**1,194,031**	1,167,029
Debtors, deposits and prepayments	*10*	**423,494**	314,565
Bank balances and cash		**457,683**	388,330
		2,075,208	1,869,924
Total assets		**2,965,750**	2,761,529
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**104,647**	104,647
Reserves		**1,353,691**	1,292,345
Shareholders' funds		**1,458,338**	1,396,992
Non-controlling interests		**7,483**	8,179
Total equity		**1,465,821**	1,405,171
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**2,126**	2,337
Borrowings		**70,464**	143,364
Convertible bonds		**331,456**	316,419
		404,046	462,120
Current liabilities			
Creditors and accruals	*11*	**595,839**	518,147
Income tax payable		**35,921**	24,811
Borrowings		**464,123**	351,280
		1,095,883	894,238
Total liabilities		**1,499,929**	1,356,358
Total equity and liabilities		**2,965,750**	2,761,529
Net current assets		**979,325**	975,686
Total assets less current liabilities		**1,869,867**	1,867,291

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 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, amendments to standards and interpretation

The following new standards, amendments to standards and interpretation are mandatory for the first time for the financial year beginning 1 April 2013 and are adopted by the Group:

HKAS 1 (Amendment)	Presentation of items of other comprehensive income
HKAS 19 (revised 2011)	Employee benefits
HKAS 27 (revised 2011)	Separate financial statements
HKAS 28 (revised 2011)	Associates and joint ventures
HKFRS 1 (Amendment)	First time adoption: Government loans
HKFRS 7 (Amendment)	Financial instruments: Disclosures on asset and liability offsetting
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine
Annual Improvements Project	Annual Improvements 2009-2011 Cycle

Except for the adoption of HKAS 1 (Amendment), HKFRS 7 (Amendment) and HKFRS 13 which have resulted in changes in disclosures in the consolidated financial statements as described below, the adoption of the above standards, amendments to standards and interpretation have no significant impact on the results and financial position of the Company.

HKAS 1 (Amendment) requires entities to group items presented in "other comprehensive income" ("OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

HKFRS 7 (Amendment) requires new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs.

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 the 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) and share of results of an associate. 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, investment in an associate, 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 service income from a related company. For the year ended 31 March 2013, it also included the rental income received from the investment property in Macau.

	For the year ended 31 March 2014						
	Watch retail		Optical retail				
	Hong Kong, Macau and Mainland China *HK$'000*	Rest of Asia *HK$'000*	Hong Kong, Macau and Mainland China *HK$'000*	Rest of Asia *HK$'000*	Wholesale trading *HK$'000*	Other segment *HK$'000*	Group Total *HK$'000*
Revenues							
Gross segment	**1,664,493**	**515,720**	**967,513**	**300,514**	**874,072**	**18,049**	**4,340,361**
Inter-segment	–	–	–	–	**(430,740)**	**(18,049)**	**(448,789)**
	1,664,493	**515,720**	**967,513**	**300,514**	**443,332**	–	**3,891,572**
Segment results	**232,797**	**(17,396)**	**25,778**	**5,149**	**94,042**	**(6,956)**	**333,414**
Unallocated income							**3,175**
Net corporate expenses							**(74,259)**
Operating profit							**262,330**
Finance costs							**(37,139)**
Share of profit of an associate							**1,267**
Profit before income tax							**226,458**
Income tax expense							**(54,285)**
Profit for the year							**172,173**

2. SEGMENT INFORMATION (CONTINUED)

	For the year ended 31 March 2014							
	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	(26,172)	(15,410)	(44,472)	(11,345)	(3,127)	–	(20,947)	(121,473)
Depreciation	(30,744)	(27,869)	(32,940)	(17,726)	(1,797)	(6,742)	(2,574)	(120,392)
Amortisation of prepayment of lease premium	–	(3,817)	–	(3,307)	–	–	–	(7,124)
Write back of provision/(provision) for stocks	234	(2,823)	(1,263)	(1,297)	4,854	–	–	(295)
Impairment of property, plant and equipment	(1,620)	(1,062)	(564)	(214)	–	–	–	(3,460)
Write back of provision for onerous contracts	1,930	–	2,703	–	–	–	–	4,633

	As at 31 March 2014						
	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	827,255	333,769	360,866	172,357	421,230	203,870	2,319,347
Unallocated assets							646,403
Total assets							2,965,750
Segment liabilities	252,075	53,280	151,737	33,131	86,924	441	577,588
Unallocated liabilities							922,341
Total liabilities							1,499,929

2. SEGMENT INFORMATION (CONTINUED)

	For the year ended 31 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 31 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 31 March 2013						
	Watch retail		Optical retail				
	Hong Kong, Macau and Mainland China *HK$'000*	Rest of Asia *HK$'000*	Hong Kong, Macau and Mainland China *HK$'000*	Rest of Asia *HK$'000*	Wholesale trading *HK$'000*	Other segment *HK$'000*	Group Total *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

An analysis of the Group's revenues by geographical area (excluding Other segment) is as follows:

	2014 *HK$'000*	2013 *HK$'000*
Hong Kong	**2,231,728**	2,022,557
Macau	**284,913**	229,931
Mainland China	**334,445**	281,743
Taiwan	**7,687**	7,995
Rest of Asia	**1,031,735**	1,103,273
Europe	**1,064**	528
	3,891,572	3,646,027
Other segment	**–**	1,170
	3,891,572	3,647,197

An analysis of the Group's segment results by geographical area (excluding Other segment) is as follows:

	2014 *HK$'000*	2013 *HK$'000*
Hong Kong	**341,093**	306,421
Macau	**87,069**	65,340
Mainland China	**(102,725)**	(93,211)
Taiwan	**(2,439)**	(3,022)
Rest of Asia	**19,766**	81,841
Europe	**(2,394)**	(730)
	340,370	356,639
Other segment	**(6,956)**	24,877
	333,414	381,516

2. SEGMENT INFORMATION (CONTINUED)

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

	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**272,673**	293,290
Macau	**165,667**	165,396
Mainland China	**61,386**	46,452
Rest of Asia	**220,613**	275,389
Europe	**91,097**	35,045
	811,436	815,572

3. REVENUES

	2014	2013
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**3,891,572**	3,646,027
Gross rental income	**–**	1,170
	3,891,572	3,647,197

4. OTHER (LOSSES)/GAINS, NET

	2014	2013
	HK$'000	*HK$'000*
Loss on disposal of property, plant and equipment, net	**(794)**	(1,276)
Fair value gain of an investment property	**–**	30,000
Exchange (loss)/gain, net	**(3,606)**	9,665
	(4,400)	38,389

5. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Building management fee income	**2,340**	2,142
Dividend income from investments	**3,175**	4,509
Interest income	**1,123**	1,020
Sundries	**19,079**	17,777
	25,717	25,448

6. EXPENSES BY NATURE

	2014 *HK$'000*	2013 *HK$'000*
Cost of stocks sold and raw materials consumed	**1,512,885**	1,361,894
Amortisation of prepayment of lease premium	**7,124**	7,473
Depreciation of property, plant and equipment		
– Owned	**120,045**	115,999
– Leased	**347**	240
Impairment of property, plant and equipment	**3,460**	9,524
(Write back of provision)/provision for onerous contracts	**(4,633)**	1,832
Auditors' remuneration		
– Audit services	**5,536**	6,574
– Non-audit services	**1,867**	1,869
Operating leases on buildings	**686,057**	634,216
Provision for stocks	**295**	23,071
Impairment of debtors	**44**	215
Write back of bad debts provision	**(197)**	(18)
Donations	**10,256**	6,498
Employee benefit expenses	**693,155**	629,501
Others	**614,318**	593,944
Total cost of sales, selling expenses, general and administrative expenses and other operating expenses	**3,650,559**	3,392,832

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 31 March 2014 (2013: 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:

	2014 *HK$'000*	2013 *HK$'000*
Current income tax		
– Hong Kong profits tax	**39,601**	35,226
– Overseas profits tax	**21,198**	29,110
– (Over)/under provisions in respect of prior years	**(1,058)**	1,256
	59,741	65,592
Deferred income tax	**(5,456)**	1,442
Income tax expense	**54,285**	67,034

8. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Interim, paid, of HK$0.036 (2013: HK$0.036) per ordinary share	**37,673**	37,673
Final, proposed, of HK$0.037 (2013: HK$0.032) per ordinary share	**38,719**	33,487
Special, proposed, of HK$Nil (2013: HK$0.005) per ordinary share	**–**	5,232
	76,392	76,392

9. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2014	2013
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)	**171,712**	232,900
Basic earnings per share (HK cents)	**16.41**	22.26

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.

	2014	2013
Number of ordinary shares in issue throughout the year (thousands)	**1,046,474**	1,046,474
Effect of conversion of convertible bonds (thousands)	**190,268**	63,596
Weighted average number of ordinary shares adjusted for effect of dilution (thousands)	**1,236,742**	1,110,070
Profit attributable to equity holders of the Company (HK$'000)	**171,712**	232,900
Borrowing cost on convertible bonds (HK$'000)	**28,180**	5,393
Tax relief thereon (HK$'000)	**(2,233)**	(613)
Adjusted profit attributable to equity holders of the Company (HK$'000)	**197,659**	237,680
Diluted earnings per share (HK cents)	**15.98**	21.41

10. DEBTORS, DEPOSITS AND PREPAYMENTS

	2014	2013
	HK$'000	*HK$'000*
Trade debtors, gross	**225,380**	171,580
Less: provision for impairment of trade debtors	**(445)**	(630)
Trade debtors, net	**224,935**	170,950
Deposits, prepayments and other debtors	**351,080**	327,195
	576,015	498,145
Less: non-current portion	**(152,521)**	(183,580)
Current portion	**423,494**	314,565
Trade debtors analysed by invoice date *(note)*:		
Below 60 days	**73,930**	63,393
Over 60 days	**151,450**	108,187
	225,380	171,580

Note:

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

11. CREDITORS AND ACCRUALS

	2014	2013
	HK$'000	*HK$'000*
Trade creditors analysed by invoice date:		
Below 60 days	**264,563**	194,783
Over 60 days	**48,997**	47,573
	313,560	242,356
Other creditors and accruals	**282,279**	275,791
	595,839	518,147

12. COMMITMENTS

(a) Capital commitments of the Group for property, plant and equipment

	2014	2013
	HK$'000	*HK$'000*
Contracted but not provided for	**21,066**	22,256
Authorised but not contracted for	**–**	24,420
	21,066	46,676

(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:

	2014	2013
	HK$'000	*HK$'000*
Buildings		
Not later than one year	**633,404**	587,205
Later than one year but not later than five years	**567,485**	608,075
Later than five years	**11,919**	14,900
	1,212,808	1,210,180

The leases have varying terms, escalation clauses and renewal rights. The operating lease rentals of certain outlets are based on the higher of a minimum guaranteed rental or a sales level based rental. The minimum guaranteed rental has been used to arrive at the above commitments.

13. POST BALANCE SHEET DATE EVENT

Subsequent to year end, the Group acquired a further 10% equity interest in CATENA SA for a consideration of CHF2,000,000. After this transaction, the Group holds a 40% equity interest in CATENA SA.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board presents a discussion and analysis of the Group's audited consolidated results for the year ended 31 March 2014.

BUSINESS REVIEW

In the midst of weaker consumer demand in Mainland China and South East Asia ("SEA"), the Group faced a further challenging year. In general, our business units in Mainland China, Hong Kong, Macau and Taiwan ("Greater China") posted satisfactory results under these very difficult conditions. Nevertheless, overall performance was weighed down by our SEA operations.

However, the implementation of effective marketing strategies contributed to the Group's top line growth of 6.7% and a turnover of HK$3,891.6 million was recorded (2013: HK$3,647.2 million), as gross profit margin eased down to 61.1% (2013: 62.7%).

Our watch and optical businesses in Greater China reported a turnover of HK$2,858.8 million (2013: HK$2,542.2 million); representing a y-o-y increase of 12.5%.

For the year under review, the Group posted a Profit Attributable to Shareholders of HK$171.7 million (2013: HK$232.9 million).

Nevertheless, a Profit Attributable to Shareholders of HK$195.5 million (2013: HK$ 196.8 million) was reported after excluding the following items:

- a nil revaluation gain on investment property (2013: gain of HK$30 million);

- a non-cash impact from convertible bonds on a full year basis of HK$20.2 million compared to HK$3.6 million last year on a three month basis; and

- an exchange loss of HK$3.6 million compared to an exchange gain last year (2013: HK$9.7 million).

Our Greater China operations was a key contributor to Group performance returning an earnings before interest and tax ("EBIT") growth of 17.2% to HK$323.0 million (2013: HK$275.5 million).

During FY13/14, we have worked to raise levels of financial discipline and productivity within the Group. The drive for accountability, the shift to a matrix focused management and a host of other initiatives, including, tighter cost controls on shop fit out to lower CAPEX spending, tighter stock management control, redefined shop opening strategies, redefined KPI reward systems and centralised product buying have brought about improved efficiencies that have largely contributed to the above set of Group results.

As a percentage of Group turnover, key operating expenses were well controlled and increases were moderate:

- rental 2014: 17.6% vs 2013: 17.4%;

- store staff costs 2014: 11.3% vs 2013: 11.7%; and

- marketing and advertising expenses 2014: 4.1% vs 2013: 4.2%.

During the year, we have also achieved improvements in some key areas as highlighted below:

- Group stock turn has improved to 285 days (2013: 292 days);

- Group stock provision charges of HK$0.3 million (2013: HK$23.1 million);

- Net cash inflow from operating activities of HK$271.4 million (2013: HK$83.0 million); and

- Lower Group gearing ratio of 28.0% (2013: 30.3%).

FINAL DIVIDEND

The Board is pleased to recommend the payment of a final dividend of HK$0.037 (2013: HK$0.032) per share. Together with the interim dividend payment of HK$0.036, this represents a payout of 44.5% for FY13/14 (2013: 32.8%).

WATCH RETAIL BUSINESS – "CITY CHAIN"

In FY13/14, our watch retail business saw turnover growth of 8.6% to HK$2,180.2 million (2013: HK$2,008.4 million), representing 56% of Group sales achieved from a reduced number of stores.

EBIT was up 1.2% to HK$215.4 million (2013: HK$212.9 million) but gross profit margin fell to 61.1% from 63.2% in the previous fiscal year.

As at 31 March 2014, "CITY CHAIN" has 392 stores (2013: 400 stores). Breakdown by geographical region is presented as follows:-

	2014	2013	Change
Hong Kong & Macau	**110**	113	-3
Mainland China	**96**	88	+8
Southeast Asia	**186**	199	-13
Total	**392**	400	-8

Hong Kong and Macau – "CITY CHAIN"

In FY13/14, this segment continued to see turnover growth with a y-o-y 15.2% increase to HK$1,477.0 million (2013: HK$1,281.6 million) whilst EBIT grew 12.4% to HK$279.5 million (2013: HK$248.6 million).

However, top line momentum was slower in the second half year ("2H") as the Hong Kong economy began to feel the double impact from the Mainland's anti-corruption drive and the slow down in Mainland Chinese tourist spending.

Various initiatives were, therefore, put into place to accelerate turnover growth and to improve same store productivity.

In FY14/15, we are likely to see some pressure on top line growth in Hong Kong due to the underlying fragile retail sentiment. But with appropriate strategies and measures in place, unless external conditions worsen further, we expect this business segment to continue growing moderately and to be a major contributor to the Group's business in FY14/15.

Very recently our "Solvil et Titus" advertising campaign, "The Time Tree" was awarded with the "Best of the Best Award" at the TVB Most Popular TV Commercial Awards 2014. This is the second consecutive year we have been bestowed with this award. The "Best of the Best Award" is garnered by votes from the advertising industry and the general public. This award is a great honour and affirms the marketing efforts the Group has made.

Mainland China – "CITY CHAIN"

For FY13/14, turnover from our watch retail operations on the Mainland; given reduced shop months; rose 13.7% to HK$187.5 million (2013: HK$ 164.9 million); with the 2H growing by 18.4% compared to the 2H of FY12/13.

Losses narrowed by nearly 17.2% to HK$46.8 million (2013: HK$56.5 million) due to measures including aligning staff remuneration to sales, increased training, renegotiating rentals, closing non-performing stores and costs consolidation.

In line with our current store opening strategy to expand into second and third tier cities where costs are lower, 9 stores were opened in Chongqing and Chengdu and 17 non-performing stores were closed in Beijing and Shanghai.

We expect to see further improvements in same store productivity in FY14/15 and our operations in Guangdong Province are already starting to see break even results at store level.

Our "Solvil et Titus" on-line store, http://titus.tmall.com/, was launched during the year with satisfactory results. To further tap into the very fast growing e-commerce market, our "City Chain" on-line store, http://citychain.tmall.com/,was also launched on Tmall in May this year.

Regrettably, our objective to break even by FY14/15 is no longer realistic. The target was set in Q1 FY12/13 when the Mainland economy was growing strongly. Since then the economy has deteriorated continuously, impacting on our efforts to achieve this.

Nevertheless, we remain fully committed to achieve break even results in the near term. We are confident that from the improvements in efficiencies we have seen so far, we can expect a consistent narrowing of losses in the next fiscal year.

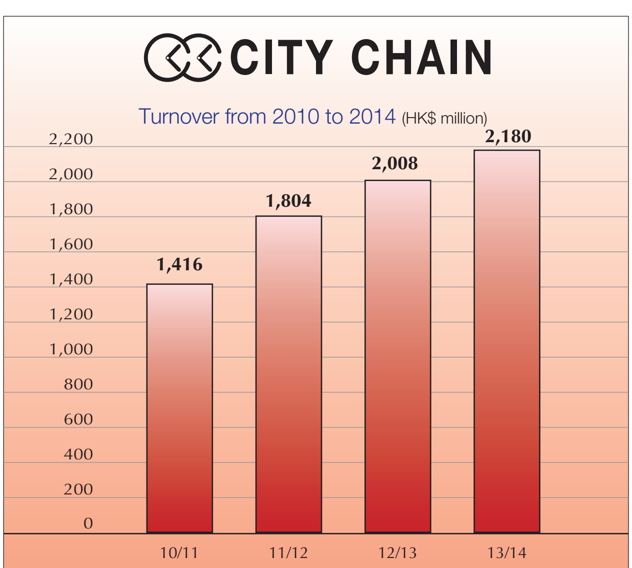
South East Asia – "CITY CHAIN"

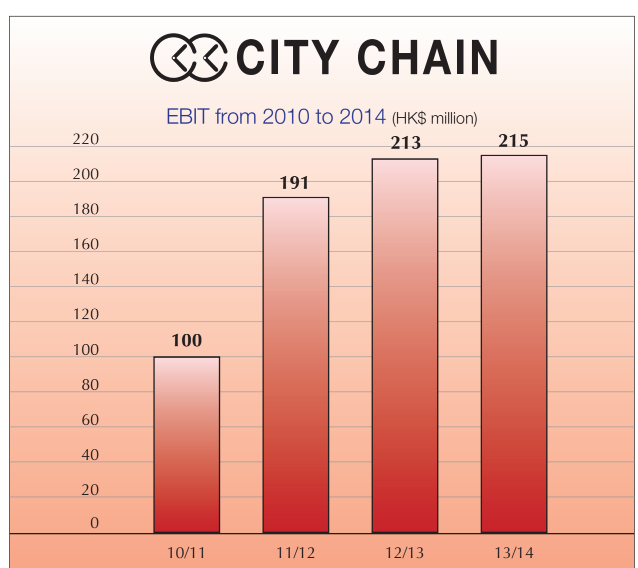
In FY13/14, the performance of our "CITY CHAIN" operations in SEA was badly affected by bleak retail sentiment as turnover fell 8.2% to HK$515.7 million (2013: HK$561.9 million) and losses of HK$17.3 million were reported against an EBIT of HK$20.8 million last year.

Our operations in Malaysia reported a decline in EBIT due to slower first half year ("1H") sales but there was a pickup in sales in the 2H which has continued into Q1 FY14/15.

Due to the long drawn out political situation in Thailand, our business there reported a fall in turnover and break even results. Cost containment measures are in place to ensure that at least break even is maintained in the next fiscal year.

Suffering from a high cost structure and a shortage of labour, losses from our operations in Singapore almost doubled during the year. Aggressive cost and shop consolidation measures will be undertaken in FY14/15 to stem losses until break even is achieved.





OPTICAL RETAIL BUSINESS – "OPTICAL 88"

Turnover at "OPTICAL 88" rose 3.9% to HK$1,206.1 million (2013: HK$1,160.9 million) but EBIT was dragged down by losses from our Mainland operations, falling 8.3% to HK$54.3 million (2013: HK$59.2 million).

As at 31 March 2014, "OPTICAL 88" has 234 stores (2013: 227 stores). Breakdown by geographical region is presented as follows:-

	2014	2013	Change
Hong Kong & Macau	**95**	93	+2
Mainland China	**48**	40	+8
Southeast Asia	**91**	94	-3
Total	**234**	227	+7

Hong Kong and Macau – "OPTICAL 88"

In FY13/14, our Hong Kong and Macau operations saw turnover increase by 7% to HK$804.5 million (2013: HK$752.1 million) as EBIT rose 21.8% to HK$79.8 million (2013: HK$65.5 million).

Our optical retail business being less dependent on Mainland tourist spending was less affected by the Mainland slowdown.

Several factors contributed to these positive results. Store rental growth was well controlled; and measures implemented to improve operational efficiencies led to an EBIT growth outpacing turnover growth.

With this positive momentum being carried into Q1 FY14/15, we are confident we will see a good performance next year.

Mainland China – "OPTICAL 88"

Our "OPTICAL 88" operations on the Mainland reported a rise in turnover of 14.8%, with the opening of several new stores in Chengdu, but losses widened to HK$30.7 million (2013: HK$24.1 million).

Restructuring of our Mainland operations commenced in Q3 FY13/14, with the appointment in November 2013 of a China CEO, solely responsible for managing our China "OPTICAL 88" business.

After the restructuring, measures introduced earlier in the year to improve performance were accelerated and brought into sharper focus.

Therefore, we have seen a better performance in turnover in Q4 FY13/14 compared to Q3 FY13/14. As this positive momentum has continued into Q1 FY14/15, we expect to see a good improvement in performance next year.

South East Asia – "OPTICAL 88"

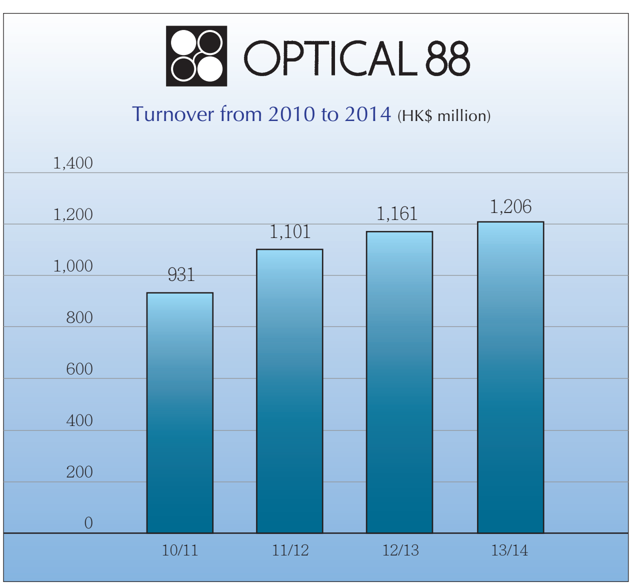
Our optical retail business in SEA was likewise affected by the poor external conditions with turnover down 6.3% to HK$300.5 million (2013: HK$320.8 million) and EBIT falling to HK$5.2 million (2013: HK$ 17.8 million). During the year, similar measures for "CITY CHAIN" in SEA were by and large adopted.

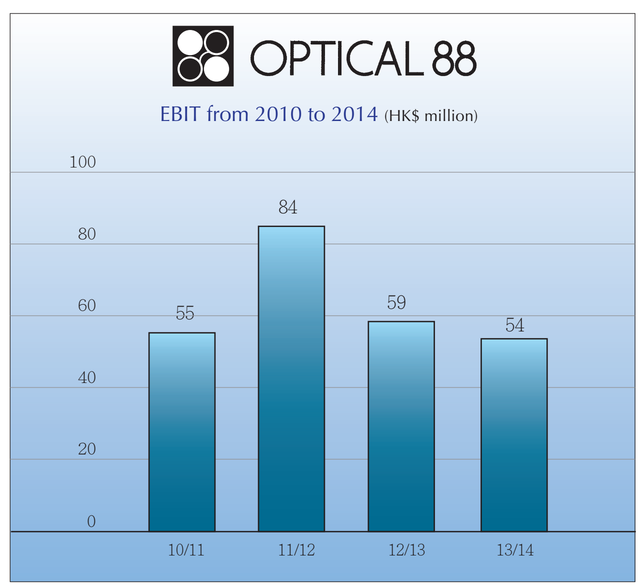
Our Malaysian operations posted faster EBIT growth in the 2H compared to the 1H, with a full year EBIT of HK$4.2 million, a y-o-y improvement of 62%.

Our Thai operations reported an EBIT of HK$13.8 million, albeit a 30% decline, despite the unrest in Thailand. To prevent further deterioration in FY14/15, measures similar to those implemented for our watch retail operations have been adopted.

However, the progress made in the 2H in Malaysia, and the efforts by our Thai unit to maintain profitability, despite adverse circumstances, were offset by the loss reported in Singapore.

To stabilise the situation in Singapore; which likewise suffers from a high cost structure and a shortage of qualified staff; further aggressive cost and shop consolidation will be carried out in FY14/15 until break even is achieved.





OPTICAL RETAIL BUSINESS – "eGG"

Hong Kong – "eGG"

In Hong Kong, turnover at our "eGG" optical business nearly doubled to HK$46.9 million (2013: HK$24.0 million) as full year losses narrowed to HK$7.3 million (2013: HK$12.3 million). Store expansion was according to plan and there are presently 12 stores in Hong Kong. In Q1 FY14/15, our Hong Kong stores have turned profitable, and unless retail sentiment worsens considerably, we expect the momentum to continue.

Mainland China – "eGG"

Our Mainland "eGG" operations recorded an initial loss of HK$16.0 million in FY13/14 due to the opening of new shops.

With rising affluence on the Mainland, fast fashion optical retailing has grown rapidly and is widely embraced by the average consumer. As such our "eGG optical boutique" business model targeting the fashion conscious crowd captures this growing trend. Our first "eGG" store was opened in December 2012.

During the year under review, the slowdown on the Mainland created an oversupply of retail space. In view of this, a prudent outlook was adopted and we revised our store opening strategy, subsequently scaling back expansion to the current 18 stores.

Competition was also intense but despite this, our "eGG" operations performed close to expectation as our distinctive brand image, product and service quality differentiated us from others.

In the next year, we will work at improving gross profit margin, strengthening supply chain management and existing work processes, including reducing CAPEX spending.

Further, to complement our "brick and mortar" stores, our "eGG" online store, http://eggyj.tmall.com/, was launched on Tmall in January 2014 and response has been within expectation.

SUPPLY CHAIN MANAGEMENT AND WHOLESALE TRADING

This business division comprises of the Group's watch Supply Chain Management Unit and its Wholesale Business Unit.

Our Supply Chain Management Unit is responsible for design, procurement and other ancillary services for the Group's watch house brands.

The latter, our Wholesale Business Unit engages in watch and optical wholesale trading and, includes, the Thong Sia Group, the sole distributor for "SEIKO" and "ALBA" watches and clocks in Hong Kong, Singapore and Malaysia and a subsidiary that is the exclusive distributor for "Suunto" watches in Hong Kong.

During the fiscal year, turnover from this business division edged down 2.1% to HK$443.3 million (2013: HK$452.7 million) as the adverse external environment in SEA led to a fall in orders from third party retailers. An EBIT of HK$94.0 million was recorded (2013: HK$96.8 million) down 2.9%.

Losses from our PRC Wholesale Unit narrowed by 32%, and, we expect to see further improvement in FY14/15.

THE FUTURE

It is evident from the above set of results that we are moving in the right direction and the positive changes realised so far will underpin the Group's objective to achieve long term sustainable growth for its shareholders. However, more needs to be accomplished in this respect.

In the more immediate term, owing to the weak global economy and a deepening slowdown on the Mainland, we expect an even more challenging year ahead. Nevertheless, so far in Q1 FY14/15, our Greater China operations, including, Hong Kong and Macau continue to report top line growth at sustained gross profit margins.

As we shall continue to drive productivity and financial discipline, we remain cautiously optimistic that, unless external conditions worsen significantly, the Group is expected to return an improved performance next year.

FINANCE

The Group's gearing ratio at balance sheet date was 28% (2013: 30%), which was calculated based on the Group's net debt of HK$408 million (2013: HK$423 million) and shareholders' funds of HK$1,458 million (2013: HK$1,397 million). The Group's net debt was calculated based on the Group's borrowings of HK$535 million (2013: HK$495 million) and convertible bonds of HK$331 million (2013: HK$316 million) less the Group's bank balances and cash of HK$458 million (2013: HK$388 million). Of the Group's borrowings at balance sheet date, HK$464 million (2013: HK$351 million) were repayable within 12 months.

Of the Group's borrowings, 5% (2013: 9%) were denominated in foreign currencies. The Group's bank borrowings denominated in Hong Kong Dollars were on a floating rate basis determined with reference to either bank prime lending rates or short term inter-bank offer rates.

The Group does not engage in speculative derivative trading.

As at 31 March 2014, 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 31 March 2014, the Group had 3,812 (2013: 3,603) employees. The Group offers KPI related 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 31 March 2014, certain of the Group's property, plant and equipment amounting to HK$307 million (2013: HK$285 million) and prepayment of lease premium amounting to HK$6 million (2013: HK$10 million) were pledged to secure banking facilities granted to the Group.

CLOSURE OF REGISTER OF MEMBERS

To determine entitlement to attend and vote at the forthcoming Annual General Meeting on 8 August 2014 (Friday), the Register of Members of the Company will be closed from 5 August 2014 (Tuesday) to 8 August 2014 (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 for the year ended 31 March 2014, the Register of Members of the Company will be closed from 14 August 2014 (Thursday) to 18 August 2014 (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 Share 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 4 August 2014 (Monday) for the First Book Close and on 13 August 2014 (Wednesday) for the Second Book Close. The final dividend will be payable on 5 September 2014 (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 31 March 2014, 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 also believes that the balance of power and authority will not be compromised since the existing directors comprise of experienced and competent individuals, with two-thirds of the Board made up 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.

Strategy Committee

The Strategy Committee comprises of three executive directors; 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. Wallace Kwan Chi Kin (Group Chief Financial Officer) and two non-executive directors, Ms. Mary Ma Xuezheng and Mr. Alex Wong Yu Tsang. Between April 2013 and June 2014, 9 meetings were held where matters like the Group's businesses, annual budgets; and other strategic matters were discussed.

Audit Committee

The Audit Committee comprises of three independent non-executive directors; 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 22 November 2013, 9 April 2014 and 23 June 2014 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 31 March 2014 and interim results for 2013/2014 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). A meeting was held on 23 June 2014 to conduct annual salary reviews of the basic salaries of its executive directors and the determination of the annual bonus scheme for FY14/15 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; 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 one meeting on 9 April 2014 to consider the independence of Professor Lawrence Wu Chi Man, who would have served 9 years by the forthcoming Annual General Meeting.

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 9 April 2014 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 www.stelux.com under "Announcements & Notices". The Company's Annual Report for 2014 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

"And we know that in all things God works for the good of those who love Him,
who have been called according to His purpose."

Romans 8:28

Hong Kong, 26 June 2014

Directors of the Company as at the date hereof:

Executive directors:
Chumphol Kanjanapas (also known as Joseph C. C. Wong) *(Chairman and Chief Executive Officer)*, Vincent Lau Tak Bui *(Chief Operating Officer)* and Wallace Kwan Chi Kin *(Chief Financial Officer)*

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)