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 2017

The Board of directors ("Board") of Stelux Holdings International Limited (the "Company") announce the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2017 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

	Note	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*2*	**2,850,410**	3,401,716
Cost of sales	*5*	**(1,173,680)**	(1,370,752)
Gross profit		**1,676,730**	2,030,964
Other gains, net	*3*	**55,485**	12,180
Other income	*4*	**26,400**	22,370
Selling expenses	*5*	**(1,429,330)**	(1,657,260)
General and administrative expenses	*5*	**(364,456)**	(406,717)
Other operating expenses	*5*	**(80,098)**	(96,472)
Operating loss		**(115,269)**	(94,935)
Finance costs		**(59,755)**	(90,778)
Loss before income tax		**(175,024)**	(185,713)
Income tax expense	*6*	**(2,689)**	(4,066)
Loss for the year		**(177,713)**	(189,779)

* *For identification purpose only*

CONSOLIDATED INCOME STATEMENT (CONTINUED)

	Note	**2017** ***HK$'000***	2016 *HK$'000*
Attributable to:			
Equity holders of the Company		**(177,921)**	(190,009)
Non-controlling interests		**208**	230
		(177,713)	(189,779)
Dividends	*7*	**–**	–
		HK cents	*HK cents*
Loss per share attributable to the equity holders of the Company	*8*		
– Basic and diluted		**(17.00)**	(18.16)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	2017	2016
	HK$'000	*HK$'000*
Loss for the year	**(177,713)**	(189,779)
Other comprehensive loss:		
Items that may be reclassified to profit or loss:		
Exchange differences	**(54,960)**	(16,245)
Revaluation of available-for-sale financial assets	**(896)**	(523)
Other comprehensive loss for the year, net of tax	**(55,856)**	(16,768)
Total comprehensive loss for the year	**(233,569)**	(206,547)
Attributable to:		
Equity holders of the Company	**(233,634)**	(206,212)
Non-controlling interests	**65**	(335)
Total comprehensive loss for the year	**(233,569)**	(206,547)

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2017

	Note	**2017** *HK$'000*	2016 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**403,213**	451,192
Prepayment of lease premium		**31,282**	29,777
Intangible assets		**99,699**	104,200
Deferred tax assets		**87,944**	76,162
Available-for-sale financial assets		**11,233**	12,129
Debtors, deposits and prepayments	*9*	**129,590**	153,846
		762,961	827,306
Current assets			
Stocks		**926,504**	1,098,607
Debtors, deposits and prepayments	*9*	**424,992**	433,250
Bank balances and cash		**533,774**	599,225
		1,885,270	2,131,082
Total assets		**2,648,231**	2,958,388
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**104,647**	104,647
Reserves		**814,432**	1,125,156
Shareholders' funds		**919,079**	1,229,803
Non-controlling interests		**7,080**	7,015
Total equity		**926,159**	1,236,818
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**7,474**	7,342
Borrowings		**14,710**	18,048
Convertible bonds	*12*	**–**	336,475
		22,184	361,865
Current liabilities			
Creditors and accruals	*10*	**611,905**	589,235
Income tax payable		**5,338**	4,082
Borrowings		**1,082,645**	656,439
Convertible bonds	*12*	**–**	109,949
		1,699,888	1,359,705
Total liabilities		**1,722,072**	1,721,570
Total equity and liabilities		**2,648,231**	2,958,388

NOTES:–

1. BASIS OF PREPARATION

The consolidated financial statements of the Company and its subsidiaries (together, the "Group") have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and the liability component of the convertible bonds, which are carried at fair value.

The preparation of consolidated 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 are mandatory for the first time for the financial year beginning 1 April 2016 and are adopted by the Group during the year:

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortization
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Project	Annual Improvements 2012-2014 Cycle

The adoption of the above new standards and amendments to standards 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 mainly assesses the performance of watch and optical operations in Hong Kong, Macau and Mainland China and rest of Asia.

Revenue represents sales of goods. 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.

Unallocated income represents dividend income from investment. Net corporate expenses mainly represent corporate staff costs and provision for senior management bonus. Unallocated assets represent property, plant and equipment, deposits and prepayments 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.

2. SEGMENT INFORMATION (CONTINUED)

	For the year ended 31 March 2017					
	Watch retail		Optical retail			
	Hong Kong, Macau and Mainland China	Rest of Asia	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale Trading	Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenues						
Gross segment	964,464	360,831	1,001,191	197,127	557,089	3,080,702
Inter-segment	–	–	–	–	(230,292)	(230,292)
	964,464	360,831	1,001,191	197,127	326,797	2,850,410
Segment results	(107,097)	(11,475)	28,620	(31,571)	22,288	(99,235)
Unallocated income						1,938
Net corporate expenses						(17,972)
Operating loss						(115,269)
Finance costs						(59,755)
Loss before income tax						(175,024)
Income tax expense						(2,689)
Loss for the year						(177,713)

2. SEGMENT INFORMATION (CONTINUED)

	For the year ended 31 March 2017						
	Watch retail		Optical retail				
	Hong Kong, Macau and Mainland China	Rest of Asia	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale Trading	Unallocated	Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditures	(14,196)	(10,665)	(32,664)	(13,807)	(3,380)	(3,992)	(78,704)
Depreciation	(21,794)	(12,446)	(33,983)	(11,247)	(2,494)	(12,679)	(94,643)
Amortisation of prepayment of lease premium	–	(2,960)	–	(2,835)	–	–	(5,795)
Amortisation of intangible assets	–	–	–	–	(2,311)	–	(2,311)
(Provision)/write back of provision for stocks	(10,772)	3,297	(4,715)	35	(11,214)	–	(23,369)
Impairment of property, plant and equipment	(3,643)	(1,264)	(2,820)	(1,734)	–	–	(9,461)
Impairment of intangible assets	–	–	–	–	(3,736)	–	(3,736)
Provision for onerous contracts	(17,713)	(827)	(3,271)	(2,084)	–	–	(23,895)

	As at 31 March 2017					
	Watch retail		Optical retail			
	Hong Kong, Macau and Mainland China	Rest of Asia	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale Trading	Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	680,919	167,066	331,699	112,898	490,313	1,782,895
Unallocated assets						865,336
Total assets						2,648,231
Segment liabilities	289,455	35,733	156,745	23,918	70,537	576,388
Unallocated liabilities						1,145,684
Total liabilities						1,722,072

2. SEGMENT INFORMATION (CONTINUED)

	For the year ended 31 March 2016					
	Watch retail		Optical retail			
	Hong Kong, Macau and Mainland China	Rest of Asia	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale Trading	Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenues						
Gross segment	1,387,825	415,946	1,025,062	228,746	613,815	3,671,394
Inter-segment	–	–	–	–	(269,678)	(269,678)
	1,387,825	415,946	1,025,062	228,746	344,137	3,401,716
Segment results	(30,770)	(199)	22,950	(10,590)	10,159	(8,450)
Unallocated income						3,506
Net corporate expenses						(89,991)
Operating loss						(94,935)
Finance costs						(90,778)
Loss before income tax						(185,713)
Income tax expense						(4,066)
Loss for the year						(189,779)

	For the year ended 31 March 2016						
	Watch retail		Optical retail				
	Hong Kong, Macau and Mainland China	Rest of Asia	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale Trading	Unallocated	Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditures	(28,827)	(11,096)	(39,957)	(18,174)	(76,947)	(9,042)	(184,043)
Depreciation	(27,590)	(17,136)	(36,957)	(10,674)	(3,157)	(12,760)	(108,274)
Amortisation of prepayment of lease premium	–	(3,126)	–	(2,774)	–	–	(5,900)
Amortisation of intangible assets	–	–	–	–	(2,346)	–	(2,346)
(Provision)/write back of provision for stocks	(4,947)	6,545	(5,678)	(673)	(29,477)	–	(34,230)
Impairment of property, plant and equipment	(3,438)	(568)	(2,620)	(395)	–	–	(7,021)
Impairment of intangible assets	–	–	–	–	(26,431)	–	(26,431)
Provision for onerous contracts	(15,424)	–	(2,136)	–	–	–	(17,560)

2. SEGMENT INFORMATION (CONTINUED)

	As at 31 March 2016					
	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$'000*	Group Total *HK$'000*
Segment assets	787,577	200,472	365,570	136,079	536,047	2,025,745
Unallocated assets						932,643
Total assets						2,958,388
Segment liabilities	256,077	40,140	155,551	28,333	85,909	566,010
Unallocated liabilities						1,155,560
Total liabilities						1,721,570

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

	2017	2016
	HK$'000	*HK$'000*
Hong Kong, Macau and Mainland China	**2,135,881**	2,577,680
Rest of Asia	**711,973**	823,003
Europe	**2,556**	1,033
	2,850,410	3,401,716

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

	2017	2016
	HK$'000	*HK$'000*
Hong Kong, Macau and Mainland China	**(55,268)**	20,761
Rest of Asia	**(23,948)**	4,450
Europe	**(20,019)**	(33,661)
	(99,235)	(8,450)

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:

	2017	2016
	HK$'000	*HK$'000*
Hong Kong, Macau and Mainland China	**434,090**	481,835
Rest of Asia	**154,310**	176,459
Europe	**75,384**	80,721
	663,784	739,015

3. OTHER GAINS, NET

	2017	2016
	HK$'000	*HK$'000*
(Loss)/gain on disposal of property, plant and equipment, net	**(3,758)**	265
Exchange losses, net	**(16,658)**	(2,170)
Gain on redemption of convertible bonds	**75,901**	–
Gain on bargain purchase of a subsidiary	**–**	9,863
Gain on remeasuring to fair value of the existing interest in an associate upon acquisition of control	**–**	4,222
	55,485	12,180

4. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Building management fee income	**2,340**	2,340
Dividend income from investments	**1,938**	3,506
Interest income	**2,827**	1,946
Sundries	**19,295**	14,578
	26,400	22,370

5. EXPENSES BY NATURE

	2017	2016
	HK$'000	*HK$'000*
Cost of stocks sold and raw materials consumed	**1,173,680**	1,370,752
Amortisation of intangible assets	**2,311**	2,346
Amortisation of prepayment of lease premium	**5,795**	5,900
Depreciation of property, plant and equipment		
– Owned	**94,589**	108,220
– Leased	**54**	54
Impairment of property, plant and equipment	**9,461**	7,021
Impairment of intangible assets	**3,736**	26,431
Provision for onerous contracts	**23,895**	17,560
Auditor's remuneration		
– Audit services	**5,813**	5,350
– Non-audit services	**1,208**	1,777
Operating leases on buildings	**650,046**	715,354
Provision for stocks	**23,369**	34,230
Impairment of debtors	**813**	80
Write back of bad debt provision	**(63)**	(55)
Donations	**963**	293
Employee benefit expenses	**594,022**	683,546
Others	**457,872**	552,342
Total cost of sales, selling expenses, general and administrative expenses and other operating expenses	**3,047,564**	3,531,201

6. 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 2017 (2016:16.5%) 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:

	2017	2016
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**9,012**	11,188
– Overseas profits tax	**5,680**	6,145
– Over provisions in respect of prior years	**(184)**	(1,048)
	14,508	16,285
Deferred income tax	**(11,819)**	(12,219)
Income tax expense	**2,689**	4,066

7. DIVIDENDS

The directors did not recommend any interim or final dividend in respect of the years ended 31 March 2017 and 2016.

8. LOSS PER SHARE

Basic

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

	2017	2016
Weighted average number of ordinary shares in issue (thousands)	**1,046,474**	1,046,474
Loss attributable to equity holders of the Company (HK$'000)	**(177,921)**	(190,009)
Basic loss per share (HK cents)	**(17.00)**	(18.16)

Diluted

Diluted loss per share for the years ended 31 March 2017 and 2016 equal the basic loss per share as the conversion of convertible bonds was anti-dilutive.

9. DEBTORS, DEPOSITS AND PREPAYMENTS

	2017	2016
	HK$'000	*HK$'000*
Trade debtors, gross	**252,701**	249,337
Less: provision for impairment of trade debtors	**(1,253)**	(549)
Trade debtors, net	**251,448**	248,788
Deposits, prepayments and other debtors	**303,134**	338,308
	554,582	587,096
Less: non-current portion	**(129,590)**	(153,846)
Current portion	**424,992**	433,250
Trade debtors analysed by invoice date *(note)*:		
Below 60 days	**48,458**	54,902
Over 60 days	**204,243**	194,435
	252,701	249,337

Note:

Trade debtors include a balance of HK$175,081,000 (2016: HK$159,755,000) due from import and export agents which are settled on a back-to-back basis upon the settlement from the Group's subsidiaries in the Mainland China and have no fixed terms of settlement. Other than the balances due from import and export agents, trade debtors are substantially aged less than one year.

10. CREDITORS AND ACCRUALS

	2017	2016
	HK$'000	*HK$'000*
Trade creditors analysed by invoice date:		
Below 60 days	**125,986**	157,259
Over 60 days	**187,196**	164,002
	313,182	321,261
Other creditors and accruals	**298,723**	267,974
	611,905	589,235

11. COMMITMENTS

(a) Capital expenditure contracted for at the end of the year but not yet incurred is as follow:

	2017	2016
	HK$'000	*HK$'000*
Property, plant and equipment	**–**	6,275

(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 follow:

	2017	2016
	HK$'000	*HK$'000*
Buildings		
Not later than one year	**524,186**	581,130
Later than one year but not later than five years	**347,852**	453,802
Later than five years	**4,624**	4,935
	876,662	1,039,867

The leases have varying terms, escalation clauses and renewal rights. The operating lease rentals of certain stores 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.

11. COMMITMENTS (CONTINUED)

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

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

	2017	2016
	HK$'000	*HK$'000*
Properties		
Not later than one year	**1,091**	869
Later than one year but not later than five years	**1,093**	1,202
	2,184	2,071

12. CONVERTIBLE BONDS

On 15 September 2016, the convertible bonds were fully redeemed and the convertible bonds were re-measured at its fair value at the date of redemption. The Group has recognised a gain of HK$75,901,000 upon redemption.

13. POST BALANCE SHEET DATE EVENT

Prior to the date of this report, the Group obtained a one-off waiver from a bank from strict compliance with certain covenant requirements; and the Group has further agreed revisions to certain covenant requirements of bank borrowings amounting to HK$660,830,000 with the same bank.

MANAGEMENT DISCUSSION AND ANALYSIS

– Group Turnover decreased by 16.2% (FX neutral: 15.2%)
– Group Net Loss at HK$177.9 million
– Group Gross Profit Margin down from 59.7% to 58.8%
– Operating costs reduced by 13.3%
– Group Inventory reduced by HK$172.1 million, or 15.7%
– Net cash inflow from operating activities of HK$89.4 million

The Group's businesses comprise principally of watch retailing ("CITY CHAIN"), optical retailing ("OPTICAL 88" and "eGG Optical Boutique"); and the wholesale trading of watches and optical frames. The Group operates shops in Hong Kong, Macau, Mainland China ("Greater China"), Singapore, Malaysia and Thailand.

During the year under review, Group financial performance continued to be affected by the persistent economic slowdown in the regions where we operate due to weak tourist spending in Hong Kong and weak Southeast Asian currencies. These factors impacted our business divisions and geographical units to varying degrees, with the impact more apparent in our watch business; the optical business by its nature is more resilient.

The Group posted a turnover of HK$2,850.4 million (2016: HK$3,401.7 million), a decline of 16.2% (FX neutral: 15.2%) and a loss attributable to Group equity holders of HK$177.9 million (2016: loss of HK$190.0 million). The net loss included the impairment of intangible assets related to our Swiss movement production facility of HK$3.7 million (2016: HK$26.4 million) and the non-cash impact of the redemption of convertible bonds (fully settled in September 2016) as follows:

– the gain on redemption of convertible bonds of HK$75.9 million;
– the amortization of share-based payment of convertible bonds of HK$9.3 million; and
– an increase in the liability component of convertible bonds of HK$41.2 million as at date of redemption.

Financial performance of the Group was further impacted by the non-cash provision of onerous lease and impairment on fixed assets of certain retail shops of HK$33.4 million (2016: HK$24.6 million) and a non-cash stock provision of HK$23.4 million (2016: HK$34.2 million), given the weak retail sentiment. Gross profit margin was 58.8% compared to 59.7% in the previous financial year.

Group shop portfolio was rationalised to streamline cost structures to alleviate the burden of high shop rentals, operating overheads and back-end office costs.

Operating costs (other than the accounting impact of convertible bonds and impairment of intangible assets related to our Swiss movement production facility) decreased by around 13.3%.

To improve performance, initiatives to rationalise operating costs in regions we operate in will continue in the current financial year. However, because of the rigid nature of leases and the time lag, we expect further improvements in rental and cost structures to be reflected more substantially in FY2018/19, and to a lesser extent in FY2017/18.

Inventory was reduced by 15.7% with inventory turnover days falling to 288 days (2016: 293 days).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: Nil per ordinary share).

CITY CHAIN GROUP

– City Chain Group turnover down 26.5%
– City Chain Group Loss before interest and tax (LBIT) of HK$118.6 million

The City Chain Group operates stores in Hong Kong, Macau, Mainland China, Singapore, Thailand and Malaysia together with on-line stores at https://citychain-hk.tmall.hk/, https://titus.world.tmall.com/ and http://mall.jd.com/index-54221.html. Turnover declined by 26.5% to HK$1,325.3 million (2016: HK$1,803.8 million) and a LBIT of HK$118.6 million (2016: LBIT of HK$31 million) was reported.

Greater China

Turnover for Greater China fell by 30.5% to HK$964.5 million (2016: HK$1,387.9 million), caused by a significant fall in tourist spending and weak local consumption. Hence, a LBIT of HK$107.1 million (2016: HK$30.8 million) was recorded.

To address the unfavourable operating environment, we continued to close non-performing shops and negotiate better leasing terms, and as such, y-o-y rental expenses fell by 13.2%. With other robust cost containment measures, total operating costs decreased by 21.9%. With the expected expiry of leases with high rentals in the next 12 months, the Group expects the performance from this region to improve.

South East Asia

Faced with a challenging retail environment and depreciation of currencies in Southeast Asia, turnover in Malaysia, Singapore and Thailand fell by 13.3% to HK$360.8 million (2016: HK$415.9 million). A LBIT of HK$11.5 million (2016: LBIT of HK$0.2 million) was reported but without accounting for exchange loss, an earnings before interest and tax (EBIT) of HK$0.1 million (2016: EBIT of HK$0.4 million) was posted.

Malaysia remained profitable with underperformance in Singapore. We have seen some gradual recovery in Thailand since Q4 of FY2016/17 and satisfactory same-store sales growth has been sustained since March 2017 to report date.

A Young Fresh Image

During the year under review, we embarked on a major project to rejuvenate our stores to align the CITY CHAIN image with current trends. Our refreshed stores come with changed layouts and a sharp focus on connected wearables, creating a younger lifestyle shopping environment to enhance customer experience.

Further, with positive performance from our e-commerce business in Mainland China, we will invest in e-commerce platforms in Hong Kong and South East Asia and also expand marketing on social media.

OPTICAL 88 GROUP

– Optical 88 Group turnover down by 8.3%
– Optical 88 Group EBIT down 21.5% to HK$25.6 million

The Optical 88 Group operates shops throughout Hong Kong, Macau, Mainland China, Singapore, Malaysia and Thailand; and as one of the leading optical retailers in Asia, it delivers quality professional eye care/eyewear products and services, and hearing care products and services.

Turnover at Optical 88 Group decreased 8.3% to HK$1,001.6 million (2016: HK$1,092.2 million) due to mild market demand. Southeast Asia under-performed, dragging the Optical 88 Group to record a lower EBIT of HK$25.6 million (2016: HK$32.6 million).

Greater China

Turnover in Greater China posted a decline of 6.8% to HK$804.5 million (2016: HK$863.5 million) given softened consumer demand. Enhanced operational efficiency due to a nearly 9% reduction in operating costs uplifted profitability as EBIT increased by 32.1% to HK$57.2 million (2016: HK$43.3 million).

South East Asia

Faced with intense competition and weak local currencies, our Southeast Asia operations posted a decrease in turnover of 13.8% to HK$197.1 million (2016: HK$228.7 million). A LBIT of HK$31.6 million (2016: HK$10.6 million) was recorded, largely attributable to a HK$12.6 million one-off charge and exchange losses from the weaker Ringgit and Singapore dollar. To achieve better returns, the Group has been refining operating and marketing strategies to improve shop performance.

Healthcare Aspirations

In line with our major strategy change to focus on healthcare in recent years, Optical 88's first Family Eye Care concept store in Hong Kong has been well received; and further store rollout adopting this new concept will be undertaken in other regions. Further, in addition to the existing two Professional Eye Care Centres in Hong Kong and a recently opened Centre in Singapore, another two new Centres will soon open, with one Centre in Guangzhou and another Centre in Hong Kong.

eGG OPTICAL BOUTIQUE

– eGG Group turnover up by 21.8%
– eGG Hong Kong recorded positive same store sales growth

There are eGG stores in Hong Kong, Mainland China and Southeast Asia together with an online store at https://eggyj.tmall.com. In FY2016/17, our eGG business continued to deliver momentum as turnover increased by 21.8% (FX neutral: 24.4%) to HK$196.8 million (2016: HK$161.6 million). eGG Hong Kong continued to enjoy turnover growth, increasing 22.9% as its popularity gained traction amongst consumers looking for fast fashion and stylish eyewear. In Mainland China, turnover was up 20.0% with gradual shop rollout. However, intense competition in some areas impacted profitability. As new shops have a longer run in time to reach scalable business volume, diseconomies led to a higher LBIT of HK$28.5 million (2016: HK$20.3 million). Meanwhile, our supply chain has been restructured to shorten production lead time and to offer fresher products. The Group expects the positive momentum in this business segment to carry forward as a prudent approach to shop rollout continues.

SUPPLY CHAIN MANAGEMENT AND WHOLESALE TRADING

This business division is made up of the Group's supply chain and watch and optical wholesale units.

As a result of sluggish retail performance and contracted procurement, turnover decreased by 5.0% to HK$326.8 million (2016: HK$344.1 million). But EBIT increased to HK$22.3 million (2016: HK$10.2 million) due to a non-cash impairment for our Swiss movement production facility of HK$3.7 million incurred in this financial year compared to HK$26.4 million booked in the previous financial year.

OUTLOOK

In the preceding few months, we have started to see stabilising turnover in certain regions where we operate. However, at this stage it is premature to say that we are witnessing a turnaround in retail sentiment since many external uncertainties still prevail. Therefore, in the first half of FY2017/18, we will focus on consolidation measures and continue with initiatives and policies put in place to maintain a stable cash flow and robust fiscal discipline.

As new technologies impact consumer behavior, we are committed to our customers and will continue to invest in areas to enrich customer engagement and experience so as to embrace the fast-changing retail ecosystem.

FINANCE

The Group's capital management, currency and interest rate movement are constantly monitored and reviewed by the management of the Group to address and manage relevant financial risks relating to the Group's operations. The Group maintains prudent treasury management policies to address liquidity to finance both short-term and long-term working capital needs for business operations. Funds are generated from business operating activities and banking facilities in the form of term loans and short-term trading facilities. Forecast and actual cash flow analyses are continuously monitored. Maturity of assets and liabilities and requirement of financial resources for business operations are prudently managed. The Group did not enter into any derivative financial instruments for speculative purposes.

Gearing ratio increased to 61.3% (2016: 42.4%) as shareholders' funds contracted to HK$919.1 million (31 March 2016: HK$1,229.8 million) and net debts rose by 8.0% to HK$563.6 million (31 March 2016: HK$521.7 million). The Group's net debts are based on the Group's bank borrowings of HK$1,097.4 million (31 March 2016: HK$674.5 million) and convertible bonds of HK$446.4 million at 31 March 2016 less the Group's bank balances and cash of HK$533.8 million (31 March 2016: HK$599.2 million).

The Group's major borrowings are in Hong Kong dollars and mostly based on a floating rate at HIBOR or bank prime lending rates. As major revenues of the Group are in Hong Kong dollars and Macau dollars, the natural hedge mechanism was applied.

As at 31 March 2017, the Group's total equity funds amounted to HK$926.2 million. The Group's cash inflow from its operations amounted to HK$89.4 million and coupled with its existing cash and unutilized banking facilities will fund its future needs.

As at 31 March 2017, the Group's current assets and current liabilities were approximately HK$1,885.3 million (2016: HK$2,131.1 million) and HK$1,699.9 million (2016: HK$1,359.7 million), respectively. Group current ratio was approximately 1.11 (2016: approximately 1.57).

Prior to the date of this report, the Group obtained a one-off waiver from a bank from strict compliance with certain covenant requirements; and the Group has further agreed revisions to certain covenant requirements of bank borrowings amounting to HK$660,830,000 with the same bank.

On 15 September 2016, the convertible bonds of HK$371,022,600 were fully redeemed, together with the payment of accrued interest of HK$6,493,000 and the put option of HK$111,306,780. Details can be referred to an announcement dated 23 June 2016.

The Group does not use any financial instruments for hedging purposes.

The Group does not engage in speculative derivative trading.

As at 31 March 2017, the Group does not have any significant contingent liabilities.

The Group does not have plans for material investments or change of capital assets.

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

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

At 31 March 2017, certain of the Group's property, plant and equipment amounting to HK$272,796,000 (at 31 March 2016: HK$283,382,000) were pledged to secure banking facilities granted to the Group.

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 2017, the Group had 3,102 (2016: 3,668) 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.

CLOSURE OF REGISTER OF MEMBERS

To determine entitlement to attend and vote at the forthcoming Annual General Meeting on 18 August 2017 (Friday) (or any adjournment thereof), the Register of Members of the Company will be closed from 14 August 2017 (Monday) to 18 August 2017 (Friday) both days inclusive, 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 11 August 2017 (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 2017, 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 the Chairman and CEO of the Group. The Company believes that with Mr. Joseph C.C. Wong acting as both Chairman and CEO ensures consistent leadership and further enables better strategic planning for the Group. The Board also believes that the non-separation of roles does not affect the balance of power and authority within the Board since the Board comprises of experienced and competent individuals, with the majority of the Board made up of 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.

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. The principal responsibilities of the Audit Committee include the review and supervision of the Group's financial reporting process, risk management and internal control systems. The Committee held meetings on 20 June 2016, 21 November 2016, 17 March 2017 and 19 June 2017 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 risk management and internal controls 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 year ended 31 March 2017 and interim results for 2016/2017 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) and Mr. Joseph C.C. Wong (Group Chairman and CEO). A meeting was held on 19 June 2017 to conduct annual salary reviews of the basic salaries of its executive directors and the determination of the annual bonus scheme for FY17/18 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 and Dr. Agnes Kwong Yi Hang. The Committee held one meeting on 19 June 2017 to consider the independence of Professor Lawrence Wu Chi Man. Professor Wu, an independent non-executive director will retire by rotation at the forthcoming Annual General Meeting and by then would have served more than 9 years.

Corporate Governance Committee

The Corporate Governance Committee comprises of Mr. Wallace Kwan Chi Kin (Chairman of the Corporate Governance Committee and CFO) and three independent non-executive directors, namely, Professor Lawrence Wu Chi Man, Mr. Nelson Wu Chun Sang and Dr. Agnes Kwong Yi Hang. The Committee held a meeting on 29 March 2017 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 2017 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

But the path of the just is like the shining sun,
That shines ever brighter unto the perfect day.

Proverbs 4:18

Hong Kong, 22 June 2017

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)* and Wallace Kwan Chi Kin *(Chief Financial Officer)*

Independent Non-Executive directors:

Wu Chun Sang, Lawrence Wu Chi Man and Agnes Kwong Yi Hang