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 2018

– Disposal of Optical Business for HK$400 million in cash

– Payment of conditional special distribution of HK$0.19 dollars per share

– Group Net Loss reduced by 15.3% to HK$150.6 million

– Operating costs of Continuing Operations reduced by around 14%

Disposal of the Optical Business

On 26 January 2018, the Group announced the disposal of its entire optical retail and wholesale businesses (the "Optical Business") to its controlling shareholder (the "Disposal"). Following the satisfaction of certain conditions of sale, including approval of the Disposal by the Company's independent shareholders, the Disposal was completed on 1 June 2018 (the "Completion"). The Disposal has generated sale proceeds of HK$400 million in cash, of which HK$198.8 million has been distributed as a special distribution to shareholders of the Group.

In accordance with Hong Kong Financial Reporting Standard 5, the Optical Business is now classified as Discontinued Operations. This management discussion and analysis together with the financial results will focus on the remaining businesses within the Group after the Disposal, classified here as Continuing Operations.

The Continuing Operations comprise of watch retailing under the "CITY CHAIN" brand; the wholesale trading of watches, including the "SEIKO" brand, watch supply chain management and watch movement manufacture related to its house brands, including "CYMA" and "Solvil et Titus".

The Discontinued Operations will be presented separately as a single line item in the Group consolidated profit and loss account.

* *For identification purpose only*

Summary of Results

For the year under review, turnover from the Continuing Operations fell by 7.7% to HK$1,509.1 million (2017: HK$1,634.9 million). A loss attributable to Group equity holders of HK$150.6 million (2017: loss of HK$177.9 million) for the Continuing Operations and the Discontinued Operations was reported, representing a y-o-y reduction of around 15.3%. This loss included a loss of HK$4.5 million (2017: loss of HK$45.2 million) for the Discontinued Operations.

After excluding the following non-cash items:–

(i) an impairment of intangible assets of HK$30.3 million (2017: HK$3.7 million) given softened demand in the watch industry and a gain on re-measurement of deferred consideration payable of HK$10 million (2017: nil) related to the Group's Swiss movement assembly facilities;

(ii) a provision for stocks of HK$23.2 million (2017: HK$23.4 million);

(iii) an impairment for property plant and equipment of HK$10.9 million (2017: HK$9.5 million) mainly for certain non-performing shops;

(iv) an income from utilisation of provision of onerous contracts of HK$25.0 million (2017: a provision charge HK$23.9 million); and

(v) nil gain on redemption of convertible bonds (2017: net gain of HK$25.4 million),

the Group reported a loss attributable to its shareholders of HK$121.2 million (which included the impact from the increase in income tax expense of HK$18.6 million mainly due to non-cash movement in deferred tax assets and liabilities), for the Continuing Operations and the Discontinued Operations (2017: loss of HK$142.8 million).

Gross profit margin of the Continuing Operations was 50.9% compared to 53.5% in the previous financial year.

Operating costs for the Continuing Operations (other than impairment of intangible assets related to our Swiss movement production facility and the accounting impact of the convertible bonds) decreased by around 14% due mainly to a reduction in shop operating expenses and other office overheads.

Inventory of the Continuing Operations remained comparably stable at HK$670.9 million (2017: HK$693.3 million), with inventory turnover days of 331 days (2017: 333 days).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: nil per ordinary share).

CITY CHAIN GROUP

– City Chain Group turnover down 7.4%

– City Chain Group Loss before interest and tax (LBIT) of HK$48.7 million

The City Chain Group operates around 240 stores in Hong Kong, Macau, Mainland China (the "Greater China"), Singapore, Thailand and Malaysia together with on-line stores at https://citychain-hk.tmall.hk/, https://titus.world.tmall.com/, http://mall.jd.com/index-54221.html, https://www.solvil-et-titus.hk/, https://www.solvil-et-titus.sg/ and https://www.solvil-et-titus.co.th.

With returning positive sentiment, performance at the City Chain Group gradually improved during the review period. A smaller 7.4% fall in turnover (1H 17/18: 11.1%) to HK$1,227.8 million was reported (2017: HK$1,325.3 million) despite number of shops declining by around 15.4%. LBIT narrowed by 58.9% to HK$48.7 million (2017: LBIT of HK$118.6 million) as closure of non-performing shops and containment of rental and other operating expenses also contributed.

The City Chain Group reported moderate recovery as same store sales growth resumed in Greater China and Thailand, with sustainable momentum further seen in the second half of the financial year. Therefore, LBIT in 2H 17/18 was further reduced to HK$11.0 million (1H 17/18: HK$37.7 million). After a series of store revamps, a refreshed store image projecting an open lifestyle vibe contributed to increased customer traffic. Up to May 2018, around one-third of stores have been revamped or fitted out with our new lifestyle concept. Further store revamp will continue in FY 18/19. Moreover, enhancements to brand and product mix also converted into higher sell-through.

Greater China

Turnover performance for Greater China reported improvement, falling 8.3% to HK$884.1 million (2017: HK$964.5 million) given a reduction in number of shops by 13.5%. LBIT was significantly reduced by 50.5% to HK$53.0 million (2017: HK$107.1 million) due to an uplift in shop productivity and cost efficiencies.

Our operations in Hong Kong and Macau recorded a y-o-y uptrend in same store sales growth, reporting a stronger performance by leveraging operating efficiencies, rental reductions and an income from utilisation of onerous lease provision. With retail confidence gradually returning, same store sales in Hong Kong and Macau recorded satisfactory growth of around 8% in 2H 17/18, and the momentum has picked up further with same store sales nearing 16% in April and May 2018. A refreshed "CITY CHAIN" image, marketing campaigns focused on social media for "Solvil et Titus" and "CITY CHAIN", an enriched brand portfolio together with increased local and tourist spending resulted in higher sales per shop.

During the reporting period, the closure of non-performing shops, the positive impact from the expiry of leases with high rentals, rental reductions upon lease renewals and other stringent cost control measures contributed to about a 21.4% fall in operating costs. Further positive financial impact from rental savings in Hong Kong and Macau will also be realised in FY18/19.

LBIT in Mainland China narrowed by around 17.9% due to encouraging growth in shop sell-through in Southern China and the closure of non-productive shops. Single-digit growth in same store sales continued into April and May 2018.

The turnover of our watch e-commerce business at https://citychain-hk.tmall.hk/, https://titus.world.tmall.com/, and http://mall.jd.com/index-54221.html, increased by about 43% compared to last year. New online shopping platforms for "Solvil et Titus" in Hong Kong, Singapore and Thailand have commenced operations with further rollout for Malaysia expected in the next few months.

Southeast Asia

Performance at our Southeast Asia operations improved with a rebound in sales revenue per shop. Despite reporting a 17.6% reduction in number of operating shops, turnover fell 4.7% to HK$343.7 million (2017: HK$360.8 million). Together with stringent cost containment, an EBIT of HK$4.2 million (2017: LBIT of HK$11.5 million) was reported for the full year under review.

EBIT at our Malaysian operations improved by 32% while our Singapore operations also achieved a strong turnaround posting an EBIT of around HK$1.41 million after several successive years of losses (2017: LBIT HK$9.35 million). Turnover at our Thai operations was sustained and near break-even results were posted by this subsidiary in 2H 17/18. This positive momentum in Thailand has continued with same store sales growth of around 30% recorded in April and May 2018.

SUPPLY CHAIN MANAGEMENT AND WHOLESALE TRADING

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

Turnover fell by 9.1% to HK$281.3 million (2017: HK$309.6 million) and a LBIT of HK$4.6 million was recorded (2017: EBIT of HK$21.5 million). The loss was mainly due to a non-cash impairment for intangible assets of our Swiss movement facility of HK$30.3 million (2017: HK$3.7 million), gain on re-measurement of deferred consideration payable of HK$10 million (2017: nil) and a stock provision of HK$17.9 million which was mainly related to watch movements (2017: HK$9.4 million).

During the year, various marketing campaigns were implemented by our wholesale trading business to drive performance. These campaigns were positively received and focussed on promoting "GRAND SEIKO" as an independent luxury brand and also a SEIKO watch sports collection.

Discontinued Operations – Optical Retail and Wholesale

The turnover for the Discontinued Operations increased by 4.6% to HK$1,271.0 million (2017: HK$1,215.5 million) and the loss was reduced to HK$4.5 million (2017: loss of HK$45.2 million).

GROUP OUTLOOK

Over the last decade or so, like many retailers in Hong Kong, the Group's customer base was composed of mainly Mainland Chinese tourists. However, the consumer landscape has changed significantly over the last few years, and since then, we have worked to adapt to a new generation of consumers delighting in lifestyle and travel. We have adopted measures to refresh the "CITY CHAIN" image and our house brand portfolio to attract a younger clientele.

The measures adopted have so far yielded positive results, not only drawing higher store footfall but also younger customers. Average revenue per shop has improved, despite a lower average selling price (compared to 2014), and same store sales growth has also seen healthy increase. In the last three months, we have seen the uptrend in turnover gaining momentum, and as we expect this to continue, we will, where appropriate commence to grow store numbers in the coming year.

This change process has been slow but necessary to bring us back to a position of growth. Therefore, the various operational and financial strategies and initiatives already in place since FY 16/17 and FY 17/18 will continue and are expected to further improve the Group's competitiveness and to drive performance in the next year.

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.

The gearing ratio of the Continuing Operations was 67.4% (61.3% of the Group as at 31 March 2017) with shareholders' funds standing at HK$1,020.6 million (31 March 2017: HK$919.1 million) and net debts of the Continuing Operations at HK$688.1 million (HK$563.6 million of the Group as at 31 March 2017). The net debts are based on the bank borrowings of the Continuing Operations of HK$934.4 million (HK$1,097.4 million of the Group as at 31 March 2017) less the cash and cash equivalents of the Continuing Operations of HK$246.3 million (HK$533.8 million of the Group as at 31 March 2017). The cash position of the Discontinued Operations as at 31 March 2018 was HK$ 143.1 million. At Completion, cash held by the Discontinued Operations in excess of HK$56.0 million was transferred to the Continuing Operations as part of the purchase consideration adjustments on a debt free basis.

Following the Completion of the Disposal of the Discontinued Operations, the Group received proceeds of HK$400 million, of which a special distribution of HK$198.8 million was paid to its shareholders and the remaining balance will be deployed to settle bank borrowings to strengthen the balance sheet of the Group.

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 Macanese Pataca, the natural hedge mechanism was applied.

As at 31 March 2018, the Group's total equity funds amounted to HK$1,028.8 million. The Group's cash inflow from operations amounted to HK$45.1 million and coupled with its existing cash and unutilized banking facilities will fund its future needs.

As at 31 March 2018, the current assets and current liabilities were approximately HK$1,883.7 million (HK$1,885.3 million as at 31 March 2017) and HK$1,600.6 million (31 March 2017: HK$1,699.9 million), respectively. The current ratio was approximately 1.18 (1.11 as at 31 March 2017).

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

The Group does not engage in speculative derivative trading.

As at 31 March 2018, the Group does not have any significant contingent liabilities except as disclosed in Note 14 to the Consolidated Financial Statements.

Other than the Disposal, the Group does not have plans for material investments or change of capital assets.

Other than the Disposal, there was no change in the capital structure of the Group and no change in the composition of the Group during the period under review.

At at 31 March 2018, certain property, plant and equipment and an investment property of the Continuing Operations amounting to HK$452.7 million (HK$272.8 million of the Group's property, plant and equipment at 31 March 2017) were pledged to secure banking facilities granted to the Group.

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 at 31 March 2018, the Group had 2,863 (2017: 3,102) employees. Excluding the Discontinued Operations, the Group had 1,656 employees as of 31 March 2018 (2017: 1,835). 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 24 August 2018 (Friday) (or any adjournment thereof), the Register of Members of the Company will be closed from 20 August 2018 (Monday) to 24 August 2018 (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 17 August 2018 (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.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, the consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

The Board of directors (the "**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 2018 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2018

	Note	**2018**	2017
		HK$'000	*HK$'000*
			(Restated)
Continuing Operations			
Revenue	*2*	**1,509,122**	1,634,863
Cost of sales	*5*	**(740,468)**	(759,648)
Gross profit		**768,654**	875,215
Other gains, net	*3*	**21,247**	61,298
Other income	*4*	**15,119**	15,042
Selling expenses	*5*	**(608,236)**	(727,001)
General and administrative expenses	*5*	**(229,116)**	(242,976)
Other operating expenses	*5*	**(67,753)**	(61,016)
Operating loss		**(100,085)**	(79,438)
Finance costs		**(23,309)**	(56,671)
Loss before income tax		**(123,394)**	(136,109)
Income tax (expense)/credit	*6*	**(22,454)**	3,642
Loss for the year from Continuing Operations		**(145,848)**	(132,467)
Discontinued Operations			
Loss for the year from Discontinued Operations		**(4,464)**	(45,246)
Loss for the year		**(150,312)**	(177,713)

CONSOLIDATED INCOME STATEMENT (CONTINUED)

	Note	2018 HK$'000	2017 HK$'000 (Restated)
Attributable to:			
Equity holders of the Company		**(150,577)**	(177,921)
Non-controlling interests		**265**	208
		(150,312)	(177,713)
Loss attributable to the equity holders of the Company arise from:			
– Continuing Operations		**(146,113)**	(132,675)
– Discontinued Operations		**(4,464)**	(45,246)
		(150,577)	(177,921)
		HK cents	*HK cents*
Loss per share for loss from Continuing Operations attributable to the equity holders of the Company	*8*		
– Basic and diluted		**(13.96)**	(12.68)
Loss per share for loss attributable to the equity holders of the Company	*8*		
– Basic and diluted		**(14.39)**	(17.00)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Loss for the year	**(150,312)**	(177,713)
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss:		
Exchange differences of translation of foreign operations	**32,889**	(54,798)
Change in fair value of available-for-sale financial assets	**1,141**	(896)
Other comprehensive income/(loss) arising from Discontinued Operations	**17,262**	(162)
	51,292	(55,856)
Items that will not be reclassified to profit or loss:		
Gain on revaluation of property, plant and equipment	**201,644**	–
Other comprehensive income/(loss) for the year, net of tax	**252,936**	(55,856)
Total comprehensive income/(loss) for the year	**102,624**	(233,569)
Attributable to:		
Equity holders of the Company	**101,511**	(233,634)
Non-controlling interests	**1,113**	65
Total comprehensive income/(loss) for the year	**102,624**	(233,569)
Total comprehensive income/(loss) for the year attributable to the equity holders of the Company arises from:		
Continuing Operations	**88,779**	(188,213)
Discontinued Operations	**12,732**	(45,421)
	101,511	(233,634)

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**322,772**	403,213
Investment property		**230,000**	–
Prepayment of lease premium		**14,266**	31,282
Intangible assets		**69,436**	99,699
Deferred tax assets		**62,471**	87,944
Available-for-sale financial assets		**12,374**	11,233
Deposits and prepayments	*9*	**56,921**	129,590
Total non-current assets		**768,240**	762,961
Current assets			
Stocks		**670,863**	926,504
Trade and other receivables	*9*	**351,702**	424,992
Cash and cash equivalents		**246,278**	533,774
		1,268,843	1,885,270
Assets classified as held for sale	*10*	**614,856**	–
Total current assets		**1,883,699**	1,885,270
Total assets		**2,651,939**	2,648,231
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**104,647**	104,647
Reserves		**915,943**	814,432
Shareholders' funds		**1,020,590**	919,079
Non-controlling interests		**8,193**	7,080
Total equity		**1,028,783**	926,159
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**7,064**	7,474
Borrowings		**15,483**	14,710
Total non-current liabilities		**22,547**	22,184
Current liabilities			
Trade and other payables	*11*	**369,653**	611,905
Income tax payable		**15,609**	5,338
Borrowings		**918,926**	1,082,645
		1,304,188	1,699,888
Liabilities directly associated with assets classified as held for sale	*10*	**296,421**	–
Total current liabilities		**1,600,609**	1,699,888
Total liabilities		**1,623,156**	1,722,072
Total equity and liabilities		**2,651,939**	2,648,231

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 ("HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for the available-for-sale financial assets and investment property, which are measured 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.

(a) New and amended standards adopted by the Group

The Group has applied the following standards, amendments to standards and annual improvements for the first time for their annual reporting period commencing 1 April 2017:

HKAS 7 (Amendments)	Disclosure initiative
HKAS 12 (Amendments)	Recognition of deferred tax assets for unrealised losses
HKFRSs (Amendments)	Annual improvements to HKFRSs 2014-2016 cycle in relation to HKFRS 12 "Disclosure of interest in other entities"

The adoption of these amendments did not have any impact on the amounts recognised in prior periods.

(b) New standards, amendments to standards and interpretations not yet adopted

HKFRS 1 (Amendments)	First time adoption of HKFRS[1]
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transaction[1]
HKFRS 4 (Amendments)	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"[1]
HKFRS 9	Financial instruments[1]
HKFRS 9 (Amendments)	Prepayment features with negative compensation[2]
HKFRS 15	Revenue from contracts with customers[1]
HKFRS 15 (Amendments)	Clarification to HKFRS 15[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance contracts[3]
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture[4]
HKAS 28 (Amendments)	Investments in associates and joint ventures[1]
HKAS 28 (Amendments)	Long-term interests in associates and joint ventures[2]
HKAS 40 (Amendments)	Transfers of investment property[1]
HK (IFRIC) 22	Foreign currency transactions and advance consideration[1]
HK (IFRIC) 23	Uncertainty over income tax treatments[2]
HKFRSs (Amendments)	Annual improvements to HKFRSs 2015-2017 cycle[2]

[1] Effective for financial years beginning on or after 1 April 2018
[2] Effective for financial years beginning on or after 1 April 2019
[3] Effective for financial years beginning on or after 1 April 2021
[4] No mandatory effective date yet determined

1. BASIS OF PREPARATION (CONTINUED)

(b) New standards, amendments to standards and interpretations not yet adopted (Continued)

Certain new standards, amendments to standards and interpretations have been published that are not mandatory for 31 March 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

HKFRS 9 "Financial Instruments"

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 April 2018.

The financial assets held by the Group include equity instruments currently classified as available-for-sale ("AFS") for which fair value through other comprehensive income ("FVOCI") election is available.

Based on an analysis of the Company's financial instruments as at 31 March 2018, the directors of the Company expect the adoption of HKFRS 9 will allow the Company make an irrevocable selection to present the change in fair value through OCI or profit or loss for the available-for-sale financial asset ("AFS") currently measured at fair value through OCI. Other than this, the directors do not expect to have a significant impact on the classification and measurement of the Company's other financial assets and financial liabilities.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects it may result in earlier recognition of credit losses but the impact is not expected to be material.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by Group

Must be applied for financial years commencing on or after 1 April 2018. The Group will apply the new rules retrospectively from 1 April 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

1. BASIS OF PREPARATION (CONTINUED)

(b) New standards, amendments to standards and interpretations not yet adopted (Continued)

HKFRS 15 "Revenue from Contracts with Customers"

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

The Group has performed a preliminary assessment and expect that the application of HKFRS 15 would not result in any significant impact on the Group's financial position and results of operations based on the current business model. Meanwhile, there will be additional disclosure requirements under HKFRS 15 upon its adoption.

Date of adoption by Group

It is mandatory for financial years commencing on or after 1 April 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated.

HKFRS 16 "Leases"

Nature of change

It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$1,059,414,000.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

1. BASIS OF PREPARATION (CONTINUED)

(b) New standards, amendments to standards and interpretations not yet adopted (Continued)

HKFRS 16 "Leases" (Continued)

Date of adoption by Group

It is mandatory for financial years commencing on or after 1 April 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards, amendments to standards and interpretations that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Restatements due to Discontinued Operations

The presentation of comparative information in respect of the consolidated income statement and consolidated statement of comprehensive income for the year ended 31 March 2017 has been restated in order to disclose the Discontinued Operations separately from continuing operations.

As the restatements do not affect the consolidated balance sheet, it is not necessary to disclose comparative information as at 1 April 2016.

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 (i) Hong Kong, Macau and Mainland China and (ii) 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.

The optical retail segment and certain subsidiaries under wholesale trading segment (the "Disposal group") were discontinued and were classified as held for sale as at balance sheet date. The comparative figures in the consolidated income statement have been restated to re-present the results of Disposal group as Discontinued Operations.

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 at corporate level, available-for-sale financial assets, deferred tax assets and bank balances and cash. Unallocated liabilities represent other payables and accruals at corporate level, borrowings, deferred tax liabilities and income tax payable.

2. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 March 2018

	Continuing Operations				Discontinued Operations				
	Watch retail				Optical retail				
	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale Trading	Sub-total	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale Trading	Sub-total	Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenues									
Gross segment	884,101	343,718	398,410	1,626,229	1,063,450	190,575	21,659	1,275,684	2,901,913
Inter-segment	–	–	(117,107)	(117,107)	–	–	(4,707)	(4,707)	(121,814)
	884,101	343,718	281,303	1,509,122	1,063,450	190,575	16,952	1,270,977	2,780,099
Segment results	(52,955)	4,231	(4,573)	(53,297)	49,464	(13,140)	2,244	38,568	(14,729)
Unallocated income				3,599				–	3,599
Net corporate expenses				(50,387)				(33,006)	(83,393)
Operating (loss)/gain				(100,085)				5,562	(94,523)
Finance costs				(23,309)				(2,219)	(25,528)
(Loss)/profit before income tax				(123,394)				3,343	(120,051)
Income tax expense				(22,454)				(7,807)	(30,261)
Loss for the year				(145,848)				(4,464)	(150,312)

2. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 March 2018

	Continuing Operations					Discontinued Operations				
	Watch retail					Optical retail				
	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale Trading	Unallocated	Sub-total	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale Trading	Sub-total	Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditures	(35,422)	(12,764)	(1,273)	(8,942)	(58,401)	(42,201)	(7,960)	(2)	(50,163)	(108,564)
Depreciation	(18,052)	(10,426)	(2,536)	(13,438)	(44,452)	(31,113)	(10,897)	(73)	(42,083)	(86,535)
Amortisation of prepayment of lease premium	–	(2,822)	–	–	(2,822)	–	(3,085)	–	(3,085)	(5,907)
Amortisation of intangible assets	–	–	(2,376)	–	(2,376)	–	–	–	–	(2,376)
Write back/(provision) for stocks	6,499	6,684	(32,108)	–	(18,925)	(5,204)	10	963	(4,231)	(23,156)
Impairment of property, plant and equipment	(3,195)	(351)	–	–	(3,546)	(5,120)	(2,271)	–	(7,391)	(10,937)
Impairment of intangible assets	–	–	(30,273)	–	(30,273)	–	–	–	–	(30,273)
Utilisation/(provision) for onerous contracts	23,097	–	–	–	23,097	2,575	(637)	–	1,938	25,035
Re-measurement of deferred consideration payable in respect of acquisition of a subsidiary in prior years	–	–	10,000	–	10,000	–	–	–	–	10,000

As at 31 March 2018

	Continuing Operations				Discontinued Operations				
	Watch retail				Optical retail				
	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale Trading	Sub-total	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale Trading	Sub-total	Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	564,864	175,937	549,535	1,290,336	334,994	105,917	17,223	458,134	1,748,470
Unallocated assets				746,747				156,722	903,469
Total assets				2,037,083				614,856	2,651,939
Segment liabilities	240,357	41,372	50,408	332,137	189,083	24,600	936	214,619	546,756
Unallocated liabilities				994,598				81,802	1,076,400
Total liabilities				1,326,735				296,421	1,623,156

2. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 March 2017 (Restated)

	Continuing Operations				Discontinued Operations				
	Watch retail				Optical retail				
	Hong Kong, Macau and Mainland China *HK$'000*	Rest of Asia *HK$'000*	Wholesale Trading *HK$'000*	Sub-total *HK$'000*	Hong Kong, Macau and Mainland China *HK$'000*	Rest of Asia *HK$'000*	Wholesale Trading *HK$'000*	Sub-total *HK$'000*	Group Total *HK$'000*
Revenues									
Gross segment	964,464	360,831	535,248	1,860,543	1,001,191	197,127	21,841	1,220,159	3,080,702
Inter-segment	–	–	(225,680)	(225,680)	–	–	(4,612)	(4,612)	(230,292)
	964,464	360,831	309,568	1,634,863	1,001,191	197,127	17,229	1,215,547	2,850,410
Segment results	(107,097)	(11,475)	21,483	(97,089)	28,620	(31,571)	805	(2,146)	(99,235)
Unallocated income				1,938				–	1,938
Net corporate income/(expenses)				15,713				(33,685)	(17,972)
Operating loss				(79,438)				(35,831)	(115,269)
Finance costs				(56,671)				(3,084)	(59,755)
Loss before income tax				(136,109)				(38,915)	(175,024)
Income tax credit/(expense)				3,642				(6,331)	(2,689)
Loss for the year				(132,467)				(45,246)	(177,713)

2. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 March 2017 (Restated)

	Continuing Operations					Discontinued Operations				
	Watch retail					Optical retail				
	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale Trading	Unallocated	Sub-total	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale Trading	Sub-total	Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	(14,196)	(10,665)	(3,265)	(3,992)	(32,118)	(32,664)	(13,807)	(115)	(46,586)	(78,704)
Depreciation	(21,794)	(12,446)	(2,369)	(12,679)	(49,288)	(33,983)	(11,247)	(125)	(45,355)	(94,643)
Amortisation of prepayment of lease premium	–	(2,960)	–	–	(2,960)	–	(2,835)	–	(2,835)	(5,795)
Amortisation of intangible assets	–	–	(2,311)	–	(2,311)	–	–	–	–	(2,311)
(Provision)/write back of stocks	(10,772)	3,297	(11,214)	–	(18,689)	(4,715)	35	–	(4,680)	(23,369)
Impairment of property, plant and equipment	(3,643)	(1,264)	–	–	(4,907)	(2,820)	(1,734)	–	(4,554)	(9,461)
Impairment of intangible assets	–	–	(3,736)	–	(3,736)	–	–	–	–	(3,736)
Provision for onerous contracts	(17,713)	(827)	–	–	(18,540)	(3,271)	(2,084)	–	(5,355)	(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)

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

Continuing Operations	2018 *HK$'000*	2017 *HK$'000* (Restated)
Hong Kong	**751,520**	852,079
Macau	**119,501**	117,802
Mainland China	**146,318**	153,757
Rest of Asia	**489,864**	508,669
Europe	**1,919**	2,556
	1,509,122	1,634,863

Discontinued Operations	2018 *HK$'000*	2017 *HK$'000* (Restated)
Hong Kong	**824,810**	784,445
Macau	**58,452**	63,240
Mainland China	**191,013**	164,558
Rest of Asia	**196,702**	203,304
	1,270,977	1,215,547

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

Continuing Operations	2018 *HK$'000*	2017 *HK$'000* (Restated)
Hong Kong	**7,501**	(24,048)
Macau	**22,524**	17,937
Mainland China	**(59,444)**	(79,668)
Rest of Asia	**22,967**	8,709
Europe	**(46,845)**	(20,019)
	(53,297)	(97,089)

2. SEGMENT INFORMATION (CONTINUED)

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

Discontinued Operations	**2018** ***HK$'000***	2017 *HK$'000* (Restated)
Hong Kong	**70,345**	62,707
Macau	**11,536**	2,020
Mainland China	**(29,546)**	(34,216)
Rest of Asia	**(13,767)**	(32,657)
	38,568	(2,146)

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

	2018 ***HK$'000***	2017 *HK$'000*
Hong Kong	**365,919**	216,084
Macau	**158,675**	161,999
Mainland China	**18,525**	56,007
Rest of Asia	**106,630**	154,310
Europe	**43,646**	75,384
	693,395	663,784

3. OTHER GAINS, NET

	2018 ***HK$'000***	2017 *HK$'000* (Restated)
Loss on disposal of property, plant and equipment, net	**(786)**	(2,399)
Exchange gains/(losses), net	**12,033**	(12,204)
Gain on redemption of convertible bonds	**–**	75,901
Re-measurement of deferred consideration payable in respect of acquisition of a subsidiary in prior years	**10,000**	–
	21,247	61,298

4. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Building management fee income	**2,340**	2,340
Rental income	**2,729**	648
Dividend income from investments	**3,599**	1,938
Interest income	**1,180**	2,428
Sundries	**5,271**	7,688
	15,119	15,042

5. EXPENSES BY NATURE

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Cost of stocks sold and raw materials consumed	**740,468**	759,648
Amortisation of intangible assets	**2,376**	2,311
Amortisation of prepayment of lease premium	**2,822**	2,960
Depreciation of property, plant and equipment		
– Owned	**44,397**	49,234
– Leased	**55**	54
Impairment loss of property, plant and equipment	**3,546**	4,907
Impairment loss of intangible assets	**30,273**	3,736
(Utilisation)/provision for onerous contracts	**(23,097)**	18,540
Operating leases on buildings	**333,042**	386,566
Provision for stocks	**18,925**	18,689
(Write back)/provision for bad debt	**(64)**	750
Donations	**615**	932
Employee benefit expenses	**324,122**	359,812

6. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the year ended 31 March 2018 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:

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Current income tax		
– Hong Kong profits tax	**6,242**	9,012
– Overseas profits tax	**5,532**	5,680
– Over provisions in respect of prior years	**(76)**	(184)
	11,698	14,508
Deferred income tax expenses/(credit)	**18,563**	(11,819)
Income tax expense	**30,261**	2,689
Income tax expense/(credit) is attributable to:		
– Loss from Continuing Operations	**22,454**	(3,642)
– Loss from Discontinued Operations	**7,807**	6,331
	30,261	2,689

7. DIVIDENDS

The directors did not recommend the declaration and payment of any interim or final dividends in respect of the years ended 31 March 2018 and 2017.

A conditional special distribution in cash of HK$0.19 dollars per share was proposed by the Board of Directors on 23 January 2018 relating to the disposal of the Optical Business and approved by the shareholders in the special general meeting on 19 April 2018. This proposed special distribution, amounting to HK$198,830,000, is conditional upon the approval of the disposal of the Optical Business by the shareholders and has not been recognised as a liability in the consolidated financial statements.

8. LOSS PER SHARE

Basic

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

	2018	2017 (Restated)
Weighted average number of ordinary shares in issue (thousands)	**1,046,474**	1,046,474
Loss from Continuing Operations attributable to equity holders of the Company (HK$'000)	**(146,113)**	(132,675)
Loss from Discontinued Operations attributable to equity holders of the Company (HK$'000)	**(4,464)**	(45,246)
Loss attributable to equity holders of the Company (HK$'000)	**(150,577)**	(177,921)
Basic loss per share from Continuing Operations (HK cents)	**(13.96)**	(12.68)
Basic loss per share from Discontinued Operations (HK cents)	**(0.43)**	(4.32)
Basic loss per share (HK cents)	**(14.39)**	(17.00)

Diluted

Diluted loss per share for the year ended 31 March 2018 equal the basic loss per share as there were no potentially dilutive ordinary shares outstanding as at 31 March 2018.

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

9. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables, gross	**246,450**	252,701
Less: provision for impairment of trade receivables	**(933)**	(1,253)
Trade receivables, net	**245,517**	251,448
Deposits	**109,015**	236,473
Other receivables	**33,013**	40,203
Prepayment	**21,078**	26,458
	408,623	554,582
Less: non-current portion	**(56,921)**	(129,590)
Current portion	**351,702**	424,992

	2018	2017
	HK$'000	*HK$'000*
At 31 March 2018 and 2017, the ageing analysis of the trade receivables based on invoice date were as follows:		
0-60 days	**53,825**	48,458
Over 60 days	**192,625**	204,243
	246,450	252,701

Note:

The Group engages designated import and export agents for the importation of products from the subsidiaries in Hong Kong to the subsidiaries in the Mainland China. The balances due from and due to the import and export agents are settled on a back-to-back basis, and hence, there are no fixed terms of settlement for such balances. The Group's trade receivables and trade payables include balances due from and due to the import and export agents of HK$174,961,000 (2017: HK$175,081,000).

10. ASSETS CLASSIFIED AS HELD FOR SALE, LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

(a) Assets classified as held for sale and liabilities directly associated with assets classified as held for sale

On 26 January 2018, the Group entered into a share purchase agreements with a related party for disposal of its entire optical retail and wholesale business (the "Disposal"). The Disposal was communicated to shareholders on 22 March 2018 through a circular. The Disposal was subsequently approved by the shareholders in the special general meeting. The completion of the Disposal took place on 1 June 2018. Assets and liabilities of the Disposal group were classified as held for sale as at 31 March 2018.

The following assets and liabilities were reclassified as held for sale as at 31 March 2018:

	2018
	HK$'000
Assets classified as held for sale	
Property, plant and equipment	**71,516**
Prepayment of lease premium	**14,343**
Non-current deposits and prepayments	**55,369**
Deferred tax assets	**9,427**
Stocks	**215,622**
Trade and other receivables	**101,284**
Cash and cash equivalents	**143,084**
Income tax recoverable	**4,211**
Total assets of the Disposal group held for sale	**614,856**
Liabilities directly associated with assets classified as held for sale	
Deferred tax liabilities	**920**
Trade and other payables	**214,619**
Borrowings	**80,882**
Total liabilities of the Disposal group held for sale	**296,421**

(b) Discontinued Operations

(i) Description

Upon the classification of the assets and liabilities of Disposal group as held for sales, the Disposal group is reported in the current period as a Discontinued Operations. Financial information relating to the Discontinued Operations for the year is set out below.

10. ASSETS CLASSIFIED AS HELD FOR SALE, LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

(ii) Financial performance

The financial performance presented are for the year ended 31 March 2018 and 2017.

	2018	2017
	HK$'000	*HK$'000*
Revenue	**1,270,977**	1,215,547
Other gains/(losses), net	**4,803**	(5,813)
Other income	**14,324**	11,358
Expenses	**(1,286,761)**	(1,260,007)
Profit/(loss) before income tax	**3,343**	(38,915)
Income tax expense	**(7,807)**	(6,331)
Loss from Discontinued Operations	**(4,464)**	(45,246)
Exchange differences on translation of Discontinued Operations	**17,262**	(162)
Total comprehensive income/(loss) from Discontinued Operations	**12,798**	(45,408)

11. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**221,776**	313,182
Accruals and other payables	**147,877**	298,723
Total trade and other payables	**369,653**	611,905

11. TRADE AND OTHER PAYABLES (CONTINUED)

Trade payables are unsecured and usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

At 31 March 2018 and 2017, the ageing analysis of the trade payables based on invoice date were as follows:

	2018	2017
	HK$'000	*HK$'000*
0-60 days	**44,007**	125,986
Over 60 days	**177,769**	187,196
	221,776	313,182

12. COMMITMENTS

(a) Non-cancellable operating leases (where the Group is the lessee)

The Group leases certain stores under non-cancellable operating leases expiring within 2 to 5 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Lease payments are based on the higher of a minimum guaranteed rent or a sales level based rent.

	2018	2017
	HK$'000	*HK$'000*
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Not later than one year	**611,562**	524,186
Later than one year but not later than five years	**443,790**	347,852
Later than five years	**4,062**	4,624
	1,059,414	876,662

(b) Non-cancellable operating leases (where the Group is the lessor)

Minimum lease payments receivable on leases of certain land and buildings are as follows:

	2018	2017
	HK$'000	*HK$'000*
Leases of investment properties		
Commitments for minimum lease payments receivable in relation to non-cancellable operating leases are payable as follows:		
Not later than one year	**4,720**	–
Later than one year but not later than five years	**8,024**	–
	12,744	–

12. COMMITMENTS (CONTINUED)

(b) Non-cancellable operating leases (where the Group is the lessor) (Continued)

	2018	2017
	HK$'000	*HK$'000*
Properties		
Commitments for minimum lease payments receivable in relation to non-cancellable subleases of operating leases are payable as follows:		
Not later than one year	**1,201**	1,091
Later than one year but not later than five years	**214**	1,093
	1,415	2,184

13. POST BALANCE SHEET DATE EVENT

Disposal of shares in a group of subsidiaries

On 26 January 2018, the Group entered into a share purchase agreement with a related party for the disposal of its entire optical retail and wholesale businesses (the "Disposal") at a consideration of HK$400,000,000, subjected to adjustments. The Disposal was completed on 1 June 2018 and a gain on disposal will be recorded in the year ending 31 March 2019.

Subsequent to the year ended 31 March 2018, the Group obtained renewed banking facilities for the Continuing Operations.

14. CONTINGENT LIABILITIES

In April 2018, a third party filed a legal claim against one of the subsidiaries (the "Subsidiary") of the Group for outstanding services fees plus interest and surcharges. Based on the legal opinion provided by the Subsidiary's external legal counsel, the directors are of the opinion that the outcome of this claim will not have a material adverse effect on the Group's financial position or results of operations.

CORPORATE GOVERNANCE

During the year ended 31 March 2018, 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 the Chairman and CEO of the Group. The Company believes that with Mr. Joseph C.C. Wong acting as both Chairman and CEO, consistent leadership is ensured further enabling 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 and maintaining an appropriate relationship with the Company's auditors. The Committee held meetings on 19 June 2017, 20 November 2017, 24 April 2018, and 19 June 2018 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 2018 and interim results for 2017/2018 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 21 June 2018 to conduct annual salary reviews of the basic salaries of 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 16 May 2018 to consider the independence of Mr. Nelson Wu Chun Sang and Dr. Agnes, Kwong Yi Hang and to consider proposing them for re-election at the Company's AGM on 24 August 2018, since Mr. Wu and Dr. Kwong, will retire by rotation at the AGM, 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 17 April 2018 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 2018 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

Above all else, guard your heart, for everything you do flows from it.

Proverbs 4:23

Hong Kong, 21 June 2018

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