CEC-COILS®

CEC INTERNATIONAL HOLDINGS LIMITED

CEC 國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 759)

2016/2017 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "Board") of CEC International Holdings Limited (the "Company") would like to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 April 2017 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 APRIL 2017

	Note	**2017** **HK$'000**	2016 *HK$'000*
Revenue	2	**2,150,614**	2,458,839
Cost of sales	4	**(1,418,766)**	(1,637,414)
Gross profit		**731,848**	821,425
Other gains/(losses), net	3	**17,199**	(5,568)
Selling and distribution expenses	4	**(626,751)**	(663,972)
General and administrative expenses	4	**(147,619)**	(158,759)
Operating loss		**(25,323)**	(6,874)
Finance income		**294**	143
Finance costs		**(27,550)**	(22,664)
Finance costs, net	5	**(27,256)**	(22,521)
Loss before income tax		**(52,579)**	(29,395)
Income tax credit/(expense)	6	**2,586**	(320)
Loss attributable to equity holders of the Company		**(49,993)**	(29,715)
Loss per share, basic and diluted, attributable to equity holders of the Company	7	**(HK7.50 cents)**	(HK4.46 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 APRIL 2017

	2017	2016
	HK$'000	*HK$'000*
Loss for the year	**(49,993)**	(29,715)
Other comprehensive income/(loss)		
Item that will not be reclassified subsequently to profit or loss		
Revaluation surplus upon transfer from land and buildings to investment properties	**24,394**	–
Items that have been or may be reclassified subsequently to profit or loss		
Change in fair value of available-for-sale financial assets	**59**	(283)
Currency translation differences	**(20,873)**	(17,832)
Total comprehensive loss for the year attributable to equity holders of the Company	**(46,413)**	(47,830)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Land use rights		**17,647**	18,666
Property, plant and equipment		**475,355**	576,404
Investment properties		**160,464**	72,280
Available-for-sale financial assets		**317**	258
Rental deposits		**52,185**	75,818
Deposits paid for acquisition of property, plant and equipment		**–**	5,720
Deferred tax assets		**9,189**	6,038
		715,157	755,184
Current assets			
Inventories		**257,552**	327,287
Accounts and bills receivables	9	**48,931**	45,653
Deposits, prepayments and other receivables		**65,907**	67,673
Pledged bank deposits		**34,919**	41,728
Cash and cash equivalents		**81,173**	77,925
		488,482	560,266
Total assets		**1,203,639**	1,315,450
EQUITY			
Share capital		**66,619**	66,619
Reserves		**390,334**	436,747
Total equity		**456,953**	503,366
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**3,814**	3,369
Provision for reinstatement cost		**7,501**	11,720
		11,315	15,089
Current liabilities			
Borrowings		**609,715**	679,413
Accounts payable	10	**53,361**	30,811
Accruals and other payables		**72,242**	82,275
Taxation payable		**53**	4,496
		735,371	796,995
Total liabilities		**746,686**	812,084
Total equity and liabilities		**1,203,639**	1,315,450

Notes:

1. **BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of Hong Kong Companies Ordinance and under historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets 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.

(a) **Going Concern Basis**

The Group's operations are financed by both bank borrowings and internal resources. As at 30 April 2017, the Group's current liabilities exceeded its current assets by HK$246,889,000 (2016: HK$236,729,000). This liquidity shortfall was attributable to (i) certain of the Group's non-current assets including property, plant and equipment and long term rental deposits had been financed mainly by the Group's internal funding and utilisation of the Group's available banking facilities, and (ii) bank borrowings amounting to HK$79,226,000 which is contractually due for repayment after one year contain a repayable on demand clause being classified as current liabilities in accordance with HK Interpretation 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayable on Demand Clause". As at 30 April 2017, the Group's total borrowings, including the above borrowing amount of HK$79,226,000 with repayment on demand clause and original maturity beyond 30 April 2017, amounted to HK$609,715,000 (2016: HK$679,413,000) and are repayable within twelve months from 30 April 2017. The Group's cash and cash equivalents (net of bank overdrafts) amounted to HK$13,308,000 as at 30 April 2017 (2016: HK$5,905,000).

In addition, during the year ended 30 April 2017, the Group reported a loss of HK$49,993,000 (2016: HK$29,715,000), which was primarily attributable to the challenges experienced in the local retail market resulting in lower revenue in the retail business while having operating costs remained at a high level. Nevertheless, the Group generated net cash inflow from operations of HK$121,577,000 during the year then ended.

Amid the challenging business environment, the Group had to continue to make payment to suppliers of merchandise and renovation of stores according to predetermined schedule, and scheduled repayment of bank borrowings.

The management closely monitors the Group's financial performance and liquidity position. In view of these circumstances, the management has been implementing measures to improve profitability, control operating costs and contain capital expenditures in order to improve the Group's operating performance and alleviate its liquidity risk. These measures include (i) remapping its marketing strategies and pricing policies, (ii) restructuring the geographical locations and product mix of underperforming retail stores and catering outlets, (iii) negotiating with the landlords for rental reduction upon renewal of relevant tenancy agreements, and (iv) terminating a number of underperforming stores upon the expiry of relevant tenancy agreements. The management believes that these measures will result in improvement in operating profitability and the resulting cash flows. Also, the management will not further expand the Group's retail network in order to contain additional capital expenditures. With respect to the Group's bank financing, the Group maintains continuous communication with its banks and has successfully renewed the bank facilities with its principal bank during the year ended 30 April 2017. In April 2017, the Group successfully obtained a new 3-year secured term loan of HK$60,000,000 from a principal bank. As at 30 April 2017, the Group had unutilised bank facilities of HK$174,002,000, in which unutilised trade financing facilities amounted to HK$139,494,000 and unutilised term loan and overdraft facilities amounted to HK$34,508,000. Based on the latest communications with the banks, the directors of the Company are not aware of any intention of the principal banks to withdraw their bank facilities or require early repayment of the borrowings, and the directors believe that the existing bank facilities will be renewed when their current terms expire given the good track records and relationships the Group has with the banks.

The Company's directors have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from 30 April 2017. Based on these cash flow projections, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 30 April 2017. Management's projections make key assumptions with regard to the anticipated cash flows from the Group's operations, capital expenditures and the continuous availability of bank facilities. The Group's ability to achieve the projected cash flows depends on management's ability to successfully implement the aforementioned improvement measures on profitability and liquidity, and the continuous availability of bank facilities from its banks. The directors, after making due enquiries and considering the basis of management's projections described above and after taking into account the reasonably possible changes in the operational performance and the successful renewal and continuous availability of the bank facilities, believe that there will be sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 30 April 2017. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

(b) New/revised standards and interpretations and amendments to existing standards effective during the year ended 30 April 2017

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 May 2016:

HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interest in Joint Operation
HKFRS 14	Regulatory Deferral Accounts
HKFRS (Amendments)	Annual Improvements to HKFRSs 2012-2014 cycle

(c) New and amended standards and interpretations and amendments to existing standards have been issued but are not effective

The following new and amended standards and interpretations and amendments to existing standards have been issued but are not mandatory for the year ended 30 April 2017:

HKAS 7 (Amendment)	Disclosure Initiative (1)
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses (1)
HKAS 40 (Amendment)	Transfers of Investment Property (2)
HKFRS 2 (Amendment)	Classification and Measurement of Share-Based Payment Transactions (2)
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts (2)
HKFRS 9	Financial Instruments (2)
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture (4)
HKFRS 15	Revenue from Contracts with Customers (2)
HKFRS 16	Leases (3)
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration (2)
Annual Improvements Projects HKFRS 12 (Amendments)	Annual Improvements 2014-2016 Cycle (1)
Annual Improvements Projects HKFRS 1 and HKAS 28 (Amendments)	Annual Improvements 2014-2016 Cycle (2)

(1) Effective for the Group for annual period beginning on 1 May 2017.
(2) Effective for the Group for annual period beginning on 1 May 2018.
(3) Effective for the Group for annual period beginning on 1 May 2019.
(4) Effective date to be determined.

HKFRS 9 "Financial instruments"

HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

HKFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses ("ECL") model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. For trade receivables, contract assets and lease receivables, a simplified approach will be applied by the Group to measure the lifetime expected credit losses. Despite that the new impairment model may result in an earlier recognition of credit losses, based on management's current assessment, the adoption of the new model is unlikely to have significant impact on the Group's financial performance and position.

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.

The standard is effective for accounting periods beginning on or after 1 May 2018. Early adoption is permitted. The Group does not plan to early adopt this standard.

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The new standard permits either a full retrospective or a modified retrospective approach for the adoption.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

(1) Identify the contract(s) with customer;
(2) Identify separate performance obligations in a contract;
(3) Determine the transaction price;
(4) Allocate transaction price to performance obligations; and
(5) Recognise revenue when performance obligation is satisfied.

The core principle is that the Group should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings process" to an "asset-liability" approach" based on transfer of control.

The directors, based on the results of an initial assessment, consider that the new standard does not have a significant impact on the Group's consolidated financial statements.

HKFRS 16 "Leases"

HKFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 "Leases", and related interpretations.

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.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$378,094,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

The new standard will therefore result in an increase in assets and financial liabilities in the Group's consolidated balance sheets upon adoption. As for the financial performance impact in the Group's consolidated statements of comprehensive income, straight-line depreciation expense on the right-of-use asset and the interest expenses on the lease liability are recognised and no rental expenses will be recognised. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the Group's profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term.

2. SEGMENT INFORMATION

The Executive Directors of the Group ("Management") reviews the Group's internal reports periodically in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and assess the business principally based on natures of products sold.

During the year, the Group has three reportable segments, namely (i) retail business; (ii) electronic components manufacturing; and (iii) investment property holdings. Segment information provided to Management for decision-making is measured in a manner consistent with that in the financial statements.

The segment information provided to the Management for the reportable segments for the years ended 30 April 2017 and 2016 is as follows:

	Retail business		Electronic component manufacturing		Investment property holdings		Eliminations		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
External sales	**2,009,993**	2,277,969	**137,447**	176,957	**3,174**	3,913	**–**	–	**2,150,614**	2,458,839
Intersegment sales	**–**	–	**–**	–	**1,585**	1,585	**(1,585)**	(1,585)	**–**	–
	2,009,993	2,277,969	**137,447**	176,957	**4,759**	5,498	**(1,585)**	(1,585)	**2,150,614**	2,458,839
Segment results										
Operating (loss)/profit	**(29,528)**	15,840	**(8,336)**	(7,407)	**20,636**	(7,454)			**(17,228)**	979
Corporate expenses									**(8,095)**	(7,853)
Finance costs, net									**(27,256)**	(22,521)
Loss before income tax									**(52,579)**	(29,395)
Income tax credit/(expense)									**2,586**	(320)
Loss for the year									**(49,993)**	(29,715)
Depreciation and amortisation	**60,702**	68,341	**10,700**	13,475	**–**	–			**71,402**	81,816
Total distribution cost and administrative expenses	**743,536**	785,447	**21,512**	28,149	**1,227**	1,282			**766,275**	814,878
Additions to non-current assets (other than financial instruments)	**23,485**	67,469	**1,170**	1,050	**–**	–			**24,655**	68,519
Segment assets	**767,383**	935,815	**271,610**	307,058	**161,251**	73,232	**(5,927)**	(6,753)	**1,194,317**	1,309,352
Unallocated assets										
– Deferred income tax									**9,189**	6,038
– Corporate assets									**133**	60
Total assets									**1,203,639**	1,315,450
Segment liabilities	**103,282**	99,895	**29,592**	23,975	**5,854**	7,074	**(5,927)**	(6,753)	**132,801**	124,191
Borrowings									**609,715**	679,413
Unallocated liabilities										
– Deferred income tax									**3,814**	3,369
– Taxation payable									**53**	4,496
– Corporate liabilities									**303**	615
Total liabilities									**746,686**	812,084

Geographical information

	Revenue		Non-current assets	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (including Hong Kong Special Administrative Region)	**2,100,800**	2,392,690	**715,049**	755,134
Other regions	**49,814**	66,149	**108**	50
	2,150,614	2,458,839	**715,157**	755,184

Revenue by geographical location is determined on the basis of the destination of shipment or place of sales to the customers.

Non-current assets by geographical location are determined based on the location of the relevant assets.

The Group has a large number of customers. For the year ended 30 April 2017, no revenue was derived from transactions with a single external customer representing 10% or more of the Group's total revenue (2016: same).

3. OTHER GAINS/(LOSSES), NET

	2017	2016
	HK$'000	*HK$'000*
Fair value gain/(loss) on investment properties	**19,021**	(9,732)
Net (loss)/gain on disposal of property, plant and equipment	**(418)**	4,734
Impairment loss on property, plant and equipment	**(1,404)**	(570)
	17,199	(5,568)

4. EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, and general and administrative expenses are analysed as follows:

	2017	2016
	HK$'000	*HK$'000*
Auditors' remuneration		
– audit services	**2,650**	2,650
– non-audit services	**118**	98
Amortisation of land use rights	**503**	530
Cost of inventories recognised as expenses included in cost of sales	**1,277,647**	1,485,581
Depreciation of property, plant and equipment	**70,899**	81,286
Direct operating expenses arising from investment properties that generate rental income	**332**	353
Employee benefit expenses (including directors' emoluments)	**333,013**	375,117
Net exchange losses/(gains)		
– recognised in cost of sales	**49,572**	29,207
– recognised in general and administrative expenses	**(13,187)**	(7,674)
Operating lease rentals		
– basic rent	**280,820**	284,071
– turnover rent	**608**	1,689
Reversal of provision for onerous contracts	**(455)**	(557)
Reversal of impairment for accounts receivable	**(908)**	(3,765)
Reversal of impairment for inventories	**(3,655)**	(1,151)
Utility expenses	**84,107**	83,350
Freight and transportation	**40,928**	44,806
Other expenses	**70,144**	84,554
Total cost of sales, selling and distribution expenses and general and administrative expenses	**2,193,136**	2,460,145

5. FINANCE COSTS, NET

	2017	2016
	HK$'000	*HK$'000*
Interest expense on bank borrowings	**27,550**	22,664
Interest income from bank deposits	**(294)**	(143)
	27,256	22,521

6. INCOME TAX (CREDIT)/EXPENSE

The amount of income tax (credit)/expense charged to the consolidated income statement represents:

	2017	2016
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current tax	**28**	1,416
– (over)/under-provision in prior years	**(203)**	56
Overseas income tax including Mainland China		
– current tax	**295**	221
Deferred income tax	**(2,706)**	(1,373)
Total income tax (credit)/expense	**(2,586)**	320

The Company is incorporated in Bermuda and is exempted from income tax in Bermuda until 2035. Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax at the rate of 25% (2016: 25%) on their taxable income determined according to Mainland China tax laws. Other overseas income tax has been calculated on the estimated assessable profits for the year at the rates prevailing in the respective jurisdictions.

7. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss attributable to equity holder of approximately HK$49,993,000 (2016: HK$29,715,000) and the weighted average number of 666,190,798 (2016: 666,190,798) shares in issue during the year.

For the years ended 30 April 2017 and 30 April 2016, diluted loss per share equals basic loss per share as there was no dilutive potential share.

8. DIVIDEND

The board of directors does not recommend the payment of any dividend in respect of the year ended 30 April 2017 (2016: Nil).

9. ACCOUNTS AND BILLS RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Accounts receivables	**54,197**	52,006
Less: provision for impairment of receivables	**(5,565)**	(6,473)
Accounts receivables, net	**48,632**	45,533
Bills receivables	**299**	120
Accounts and bills receivables, net	**48,931**	45,653

The ageing analysis of accounts receivables, based on invoice date, is as follows:

	2017	2016
	HK$'000	*HK$'000*
0-30 days	**37,418**	30,696
31-60 days	**8,588**	8,711
61-90 days	**1,274**	3,840
91-120 days	**597**	1,458
Over 120 days	**6,320**	7,301
	54,197	52,006
Less: provision for impairment of receivables	**(5,565)**	(6,473)
	48,632	45,533

As at 30 April 2017 and 30 April 2016, the carrying amount of accounts and bills receivables approximated its fair value.

The Group performs on-going credit and collectability evaluation of each customer. The Group offers an average credit period ranging from 30 to 120 days to its non-retail business customers (2016: 30 to 120 days).

10. ACCOUNTS PAYABLE

The ageing analysis of accounts payable, based on invoice date, is as follows:

	2017	2016
	HK$'000	*HK$'000*
0-30 days	**42,679**	27,190
31-60 days	**5,357**	2,642
61-90 days	**1,870**	281
91-120 days	**1,602**	8
Over 120 days	**1,853**	690
	53,361	30,811

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 25 September 2017 to Friday, 29 September 2017(both dates inclusive), during which period no transfer of shares of the Company will be effected. Shareholders whose names appear on the register of members of the Company on Friday, 29 September 2017 are entitled to attend and vote at the annual general meeting of the Company to be held on Friday, 29 September 2017 (the "2017 Annual General Meeting"). In order to qualify to attend and vote at the 2017 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Friday, 22 September 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

For the financial year 2016/17 under review, it was the worst annual result the Group had ever given since the establishment 38 years ago. The operation in-charge, founder felt deeply sorry about that. In the year under review, the Group has: shifted from the previous strategy of achieving sales growth through expanding the number of stores; facing a depressed external retail market and under keen competition; a drop in total revenue was recorded for the first time, HK$2,150,614,000 (2016: HK$2,458,839,000) a decrease by 12.5% as compared with last year. The consolidated gross profit for the year decreased with the revenue to HK$731,848,000 (2016: HK$821,425,000) by 10.9%, as compared with that for last year, while the consolidated gross margin increased to 34.0% (2016: 33.4%) by 0.6 percentage point as compared with that for last year.

Since the Group actively expanded the retail network in leapfrogging way to seek market share in the year 2014/15, the cost for rental and management fee and salary expenditure was correspondingly lifted up to high level. From the second half of the year 2015/16 to the present, the influence of high cost and the drop of same store sales cancelled out the sales growing effect built by the expansion of store scale. In this connection, each department had conducted effective cost control measures to alleviate the burden of increase in cost and decrease in revenue. The selling and distribution expenses and the general and administrative expenses had been reduced by 5.6% and 7.0% respectively to HK$626,751,000 and HK$147,619,000 (2016: HK$663,972,000 and HK$158,759,000) as compared with those in last year, where the selling and distribution expenses in this year was still far higher than those in the year 2014-15 (HK$561,673,000). The Group was bounded by the contractual lease terms and remedy of the under-performed stores was not able to carry out immediately. Although salary and administration cost had come under control through internal restructuring, its uplifting effect was outweighed by the fall of the total revenue and consolidated gross profit for the year, bringing a consolidated loss of HK$49,993,000 (2016: HK$29,715,000).

Operating loss was recorded in the year. Earnings before interest, taxes, depreciation and amortization ("EBITDA") amounted to HK$46,079,000 (2016: HK$74,942,000), decrease when compared with that in last year. In the year, with the Group's strict inventory control and with customers' great support during stock-take clearance sales, the inventory as at 30 April 2017 was recorded as HK$257,552,000 (2016: HK$327,287,000), a significant decrease of HK$69,735,000 or 21.3% with respect to that in last year. Correspondingly, operating cash inflow reached HK$121,577,000 (2016: HK$42,256,000), in 2.9 times with respect to that in last year. As at the end date of the financial year, total bank borrowings had also reduced to HK$609,715,000 (2016: HK$679,413,000).

Retail Business

In the financial year, the Group's retail business recorded a segment revenue of HK$2,009,993,000 (2016: HK$2,277,969,000), representing a fall of 11.8% as compared with last year and accounting for approximately 93% of the Group's total revenue (2016: 93%). 759 STORE sourced its products mainly by direct import from the countries where the products were produced. Over 90% of products was self-imported by 759 STORE, of which their countries of origin had spread all over the world to 67 countries or regions (2016: 63), providing one more alternative to local consumers. The products of the most remarkable sales growth in the year, in descending order, were Thailand jasmine rice, frozen Chinese "dim sum", toilet paper roll and laundry detergent. Since revenue of retail business did not grow as rental and management cost escalated, the management re-adjusted the product mix and shifted the spectrum of stores to more compact in the second half of the year. To cope with the soaring rental and rental related management cost, the Group re-focused on daily necessities like snacks, food groceries, personal care products and household products to make better use of the expensive shop resources. As a result, the item number of the products sold in the year reduced by 2,000 items to about 21,000 items (2016: approximately 23,000 items). These actions have effectively reduced the inventory and the shop space required for product display. As at 30 April 2017, the total value of inventories for the retail business was HK$198,982,000 (2016: HK$262,207,000), with a remarkable decrease of 24.1% as compared with last year.

Shop rental expenses was among all, the highest expenses in the Group's retail business. Since retail business was in adjustment period, the effect of the fall in revenue with the soaring in rental expenses has pushed up the percentage of shop rent against shop revenue to 13.0% (2016: 11.8%) by 1.2 percentage point as compared with that in last year, and by 2.7 percentage point as compared with that in the year of 2014/15. Even though shop rental cost in the year tended to be under control and decreased for HK$7,342,000, it still increased significantly for HK$42,081,000, as compared with that in the year 2014/15. As at 30 April 2017, the number of store in operation, not including those jointly operated, was 243 (2016: 271), reducing by 28 as compared with that in last year, in which 8 stores were newly opened, 34 stores were closed and 2 stores were merged with stores nearby. Total rental expense for the year was HK$261,448,000 (2016: HK$268,790,000), regardless of a decrease of 2.7% as compared with that in last year, increasing by 19% as compared with that in the year of 2014/15. The Group's 243 stores were located in various districts of Hong Kong, with total shop floor area of 517,000 square feet (2016: 544,000 square feet), equivalent to 2,127 square feet (2016: 2,007 square feet) per store in average, approximately the same as that in last year. According to the analysis on shop operation data, the shop of 1,000 to 2,000 square feet showed the highest level of flexibility and competitiveness.

Since retail business was under adjustment, the number of frontline staff changed with the number of stores by nature loss, going steadily as 4 per store in the year (2016: 4). For salary and remuneration, the Group set them attractive in reference to the current rate in employment market. The percentage of salary and remuneration against the revenue increased by 0.3 percentage point to 9.2% (2016: 8.9%). The decrease in rents and frontline staff cost due to the net decreased number of stores in the retail business resulted in a decrease of 5.2% in selling and distribution expenses to HK$624,608,000 for the year (2016: HK$659,212,000). The general and administrative expenses for the year was HK$118,928,000 (2016: HK$126,235,000), saving 5.8% as compared with that in last year. It was mainly caused by relocating supportive jobs to Zhong Shan factory in steps and improving the operation flow so as to control the administrative cost.

In the year, the number of 759 STORE membership card holders who purchased in our stores one or more than one time per week was about 380,000 (2016: 370,000), and the number of membership card holders who purchased in our stores one or more than one time per month was about 1,100,000 (2016: 1,100,000). These kinds of data reflected the process of how the numbers of customers accumulated. The Group would make full use of these important data to have good navigation on the choices of new store sites and new products.

Electronic Component Manufacturing Business

During the year, the segment revenue of electronic components manufacturing business recorded a further reduction to HK$137,447,000 (2016: HK$176,957,000), representing a decrease of 22.3% as compared with last year. The segment loss for the year was HK$8,336,000 (2016: HK$7,407,000), increased by 12.5% as compared with last year, while the loss was lower than the depreciation expenses. The segment depreciation expenses of the manufacturing business for the year were HK$10,700,000 (2016: HK$13,475,000). The resources were focused on Hong Kong retail business in recent years. Since retail business in this stage had moved into adjustment stage to stabilize for recovery, the founder had called up in June of 2017 the key members of the staff in research and development and production management to restart the feasibility studies on strengthening manufacturing business, with target to establish some new manufacturing business development in the second half of the following year, to restart the development and the investment on manufacturing business, hoping that the important resources, infra-structures such as land, plants, electricity facility would be better utilised. The management would announce to public in time for concrete details of the new development.

Investment Properties

For the year, rental income of the Group amounted to HK$3,174,000 (2016: HK$3,913,000). Fair value gains of approximately HK$19,021,000 (2016: losses of HK$9,732,000) included on the consolidated income statement for investment properties carried at fair value was recorded for the year.

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 30 April 2017, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$116,092,000 (2016: HK$119,653,000). As at 30 April 2017, the Group had aggregate banking facilities of HK$783,717,000 (2016: HK$944,749,000) for overdrafts, loans, trade financing, etc. Unused facilities as at the same date amounted to approximately HK$174,002,000 (2016: HK$262,932,000). At 30 April 2017, the utilized banking facilities amounting to HK$609,715,000 (2016: HK$681,817,000) were secured by charges on the Group's certain land and buildings, investment properties, bank deposits and inventories. In addition, the Group is required to comply with certain restrictive financial covenants imposed by the major financing banks. As at 30 April 2017, the Group could comply with such financial covenants.

The Group's bank loans as at 30 April 2017 amounted to HK$609,715,000 (2016: HK$679,413,000), decreased by 10.3%. As at 30 April 2017, the Group's gearing ratio* was 0.52 (2016: 0.53), which decreased by 0.01 as compared with the previous financial year end. At the same time, the Group did not have any contingent liabilities (2016: Nil).

(The ratio of (total borrowings less bank balances and cash) over (total borrowings less bank balances and cash plus total equity))*

Assets

As at 30 April 2017, the Group's total inventories amounted to HK$257,552,000 (2016: HK$327,287,000). The decrease in inventories was mainly attributable to reforming the combination of 759 STORE's product categories. Meanwhile, total prepayments, deposits and other receivables (including prepaid rent and deposit of retail stores) of the Group as at 30 April 2017 fell to HK$118,092,000 (2016: HK$143,491,000) along with 759 STORE's net decrease on its number of retail stores.

Interest Expenses

In the year, interest expenses of the Group amounted to HK$27,550,000 (2016: HK$22,664,000), increased by 21.6% over last year.

Financial Resources and Capital Structure

The Group's net cash inflow was HK$19,545,000 (2016: net cash outflow of HK$37,706,000) for the year. Net cash inflow from operating activities amounted to HK$121,577,000 (2016: HK$42,256,000), representing a significant increase by 1.9 times and was mainly attributable to inventory control and a net decrease on number of stores alongside with a decreased amount of total prepayments, deposits and other receivables. Net cash outflow from investing activities for the year amounted to HK$19,095,000 (2016: HK$57,998,000), representing a decrease of 67% as compared with last year. The main investment for the year included the renovations of new retail stores and the purchase of warehouse properties.

Cash Flow Summary

	2017	2016
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**121,577**	42,256
Net cash outflow from investing activities	**(19,095)**	(57,998)
Net cash outflow from financing activities	**(82,937)**	(21,964)
Increase/(decrease) in cash and cash equivalents	**19,545**	(37,706)

As at 30 April 2017, the Group's net current liabilities was HK$246,889,000 (2016: HK$236,729,000) and the current ratio was 0.66 time (2016: 0.70 time), which included pledge loans of approximately HK$139,844,000 (HK$60,618,000 repayable within one year; HK$79,226,000 repayable after one year). Such loan of HK$79,226,000 due for repayment after one year but contain a repayment on demand clause have been classified as current liabilities in accordance with the HK Interpretation 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause". After taking into account of the available banking facilities, and the frantically reckless growth that retail business went through, the management had known to stay alert to adjust the pace of development, expecting that the future demand of capital required for expanding store network would greatly reduce. The management believed that the Group's working capital at hand in addition to the banking facilities provided by major financing bankers was sufficient to fund its existing development daily operation.

Charges on Assets

As at 30 April 2017, certain assets of the Group with an aggregate carrying value of approximately HK$681,861,000 (2016: HK$671,593,000) were pledged to secure banking facilities of the Group.

Exchange Risks

The Group's business is mainly conducted in Hong Kong, Mainland China and South-east Asia. The major revenue currencies are denominated in Hong Kong dollar, Renminbi and United States dollars; whilst the major currencies in purchase commitments and operation costs are denominated in Japanese Yen, United States dollars, Euro, Hong Kong dollar and Renminbi. The Group will endeavor to be vigilant in monitoring the fluctuation in exchange market, and will proactively adjust the combination of imported merchandise in order to offset the impact that may occur from currency fluctuation. Presently, if the exchange rates of Japanese Yen and Euro go up significantly, it will impact the Group's overall cost of imports. Because of this, the Group will pay vigilant attention to the fluctuation of Japanese Yen and Euro.

Employees

As at 30 April 2017, the Group had employed approximately 2,200 staff (2016: 2,700). The remuneration of the employees is determined by a wide range of factors including references to market benchmark, individual performance, academic qualification and work experience, subject to periodic reviews. Other agreed employee benefits includes pension scheme, medical insurance, on-job training, education subsidy and other social security and paid leaves stipulated under the relevant jurisdiction of places of operation.

Social Responsibilities

The Group is proactive in carrying out the responsibilities of a corporate citizen. By participating in various kinds of charitable, volunteer, and recreational activities, we have encouraged our staff force to care about the community and have promoted a sound mind in a sound body as well as their balanced development. We have also made donation to charitable organizations and educational institutions and have endeavored to participate in social welfare activities.

Future Plan and Outlook

In light of the dilemma situation built by leapfrogging active expansion in the year 2014-15, the management decided in the third and fourth quarter of last year to make a two-year improvement plan to put orderly adjustment on retail business. At the end date of the year, 759 STORE had conducted business adjustment for more than 18 months, in which the business status, including revenue and cash flow, had gradually become much stable and healthy.

According to the monthly figures released by the Census and Statistics Department of the Hong Kong Government, after decreasing for 24 consecutive months, the value of total retail sales stopped decreasing in March and April 2017, reflecting some recovery in the customer sentiment, in which we expected that it would be much favourable for the improvement work on retail business to run. In the meantime, we would continue to concentrate on improving the control on cash flow, procurement budgeting and the management work on the balance in the structure of price-setting.

For the stores of tenancy contracts with terms end in the following year, an overall review would be taken before negotiation for renewal. The most comprehensive adjustment would definitely be conducted on those under-performed stores. The average walking distance between each store would be adjusted from currently about 20 minutes, to much cost effective 30 minutes. In future, the saleable floor areas of possible new stores would be between 600 to 1,200 square feet, in which the total number of product items displayed would be around 1,750 to 3,150, with about 580 fast-moving key product items.

759 STORE would take "necessities for people's daily living" as the line of development, on which it would exert its full power. Those directly import from Thailand were the best-performed products for the year, in which the import amount of rice had kept increasing for 4 consecutive quarters. Our self-imported Thailand jasmine rice had become one of the most important products in 759 STORE. It was expected the import quota for Thailand jasmine rice, and the newly developed red rice, brown rice and glutinous rice would be further increased. Apart from that, the peripheral products of the Thailand rice, like rice noodles, rice bran oil and etc., were also the bestsellers. It was expected that the business share of the direct import products from Thailand would increase to approximately 20% in the following one to two years. 759 STORE was also planning to increase the ratio of European direct import products, introducing more food grocery items, in which Spain and Italy were focal points to develop new product supplies. Apart from that, 759 STORE was trying its best to search for high-quality manufacturers, putting more effort to develop more high-quality "private brand" household products, of which various kinds of household cleaning products and personal care products would be developed in Mainland China and Korea, so as to provide much comprehensive choices of high quality to our customers. In future, 759 STORE's most important core product categories would be rice & grains, cooking oils, frozen "dim sum", sanitary paper products and household products, of which the details was shown as follows:

Rice & grains: Thailand jasmine rice, red rice, brown rice, glutinous rice and japonica rice. By-products include rice noodles, instant rice and etc.

Cooking oil: rice bran oil of Thailand, olive oil, sunflower seed oil and grape seed oil of Spain and Italy, sesame oil of Singapore, soybean oil of Korea, coconut oil of India and Vietnam and etc. For peanut oil and corn oil, 759 STORE would seek local supply.

Frozen "dim sum": local famous brand products and Mainland Chinese-made private brand products such as instant "dim sum", "tangyuan" and dumplings, Taiwanese-made private brand products like Taiwanese pancakes, meatballs and etc.

Sanitary paper: Korean wet wipes and baby diapers, Mainland Chinese-made private brand toilet paper rolls, paper handkerchief, bamboo fibre paper tissues, kitchen papers and etc.

Household products: Japanese laundry detergent gel ball, Mainland Chinese-made or Korean-made private brand household cleaning products like detergents, floor cleaner, kitchen degreaser, and personal care products including body wash, liquid hand soaps, face cleansing foams and etc.

759 STORE would put more effort to develop much closer collaboration relationship with business use Japanese supermarket "Kobe Bussan Co Ltd" ("Kobe Bussan"), of which its business use supermarkets in Japan were concentrated mainly on displaying good-selling products. In the year, 759 STORE had introduced some series of "Kobe Bussan" food products to its stores, and in future, would further introduce much more good-selling food products and household products that deeply welcome by Japanese families, so as to provide much more Japanese living style product choices to our customers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

The Company had not redeemed any of its listed shares during the year ended 30 April 2017. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares during the year ended 30 April 2017.

CORPORATE GOVERNANCE PRACTICES CODE

The Board believes that good corporate governance is not only in the interest of the Company and its shareholders as a whole, but also increasingly important for maintaining and promoting investor confidence. The Board is responsible for ensuring a high quality of corporate governance. The Company has adopted the principles and complied with the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 30 April 2017, except for the following deviations:

1. Under code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

   Before 29 September 2009, the roles of the Chairman of the Board and the chief executive officer of the Company (the "CEO") were performed by two different executive directors of the Company. Due to the re-allocation of the respective duties of the executive directors of the Company, Lam Wai Chun, the Chairman of the Board, has been appointed as the Managing Director of the Company with effect from 29 September 2009 and has carried out the responsibilities as the CEO since then. This constitutes a deviation from Code Provision A.2.1 which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, as Lam Wai Chun is the founder of the Group and possesses substantial and valuable experience in the industry that is relevant to the Group's operation, the Board believes that vesting the roles of the Chairman of the Board and the CEO in the same person will provide the Company with strong and consistent leadership and promote effective and efficient formulation and implementation of business decisions and strategies and considers that such structure is in the best interests of the Company and its shareholders at this stage.

2. Under code provision E.1.2 of the Code, the Chairman of the Board should attend the annual general meeting of the Company.

   The Chairman of the Board did not attend the Annual General Meeting of the Company held on 28 September 2016 (the "2016 AGM") due to illness on the even date. Tang Fung Kwan, the executive director of the Company, who took the chair of the 2016 AGM and most members of the Board attended the 2016 AGM.

3. Under code provision A.6.7 of the Code, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

   All independent non-executive directors attended the 2016 AGM except Chan Chiu Ying. Chan apologised for lateness due to severe traffic congestion.

AUDIT COMMITTEE

The Audit Committee of the Company, currently comprising three independent non-executive directors, has reviewed the accounting principles and practices adopted by the Group, the risk management and internal control systems of the Group and the annual results of the Company for the year ended 30 April 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Following specific enquiry by the Company, all of the directors of the Company confirmed compliance with the required standard set out in the Model Code for the period from 1 May 2016 to 30 April 2017. The Model Code also applies to the relevant employees of the Group.

Further information on the corporate governance practices of the Company will be set out in 2016/17 annual report of the Company, which will be sent to the shareholders of the Company by the end of August 2017.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 30 April 2017 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.

ANNUAL GENERAL MEETING

The 2017 Annual General Meeting of the Company will be held on Friday, 29 September 2017 and the Notice of Annual General Meeting will be published and despatched in accordance with the Listing Rules in due course.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company (http://www.0759.com) and that of the Stock Exchange (www.hkex.com.hk). The 2016/17 annual report of the Company containing all information required by the Listing Rules will be despatched to shareholders of the Company and available on the same websites in due course.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 28 July 2017

As at the date hereof, the Board comprises three Executive Directors, namely Mr. Lam Wai Chun, Ms. Tang Fung Kwan and Mr. Ho Man Lee; and three Independent Non-executive Directors, namely Mr. Au Son Yiu, Mr. Chan Chiu Ying and Mr. Goh Gen Cheung.

Websites: http://www.0759.com
http://www.ceccoils.com
http://www.irasia.com/listco/hk/cecint

* *For identification purpose only*