CEC-COILS®

CEC INTERNATIONAL HOLDINGS LIMITED

CEC 國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code:759)

2015/2016 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "Board") of CEC International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 April 2016 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2016

	Note	**2016** *HK$'000*	2015 *HK$'000*
Revenue	2	**2,458,839**	2,422,372
Cost of sales	4	**(1,637,414)**	(1,651,133)
Gross profit		**821,425**	771,239
Other (losses)/gains, net	3	**(5,568)**	5,763
Selling and distribution expenses	4	**(663,972)**	(561,673)
General and administrative expenses	4	**(158,759)**	(155,431)
Operating (loss)/profit		**(6,874)**	59,898
Finance income		**143**	66
Finance costs		**(22,664)**	(19,010)
Finance costs, net	5	**(22,521)**	(18,944)
(Loss)/profit before income tax		**(29,395)**	40,954
Income tax expense	6	**(320)**	(13,246)
(Loss)/profit attributable to equity holders of the Company		**(29,715)**	27,708
(Loss)/earnings per share, basic and diluted, attributable to equity holders of the Company	7	**(HK4.46 cents)**	HK4.15 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 APRIL 2016

	2016	2015
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(29,715)**	27,708
Other comprehensive (loss)/income		
Items that have been or may be reclassified subsequently to profit or loss		
Change in fair value of available-for-sale financial assets	**(283)**	343
Realisation of investment revaluation reserve upon disposal of available-for-sale financial assets	**–**	(387)
Currency translation differences	**(17,832)**	1,870
Total comprehensive (loss)/income for the year attributable to equity holders of the Company	**(47,830)**	29,534

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 APRIL 2016

	Note	**2016** **HK$'000**	2015 HK$'000
ASSETS			
Non-current assets			
Land use rights		**18,666**	19,694
Property, plant and equipment		**576,404**	595,408
Investment properties		**72,280**	92,277
Available-for-sale financial assets		**258**	541
Prepaid rent on operating leases		**75,818**	77,514
Deposits paid for acquisition of property, plant and equipment		**5,720**	1,705
Deferred tax assets		**6,038**	2,895
		755,184	790,034
Current assets			
Inventories		**327,287**	297,760
Accounts and bills receivable	9	**45,653**	55,625
Deposits, prepayments and other receivables		**67,673**	53,009
Pledged bank deposits		**41,728**	49,116
Cash and cash equivalents		**77,925**	68,386
		560,266	523,896
Total assets		**1,315,450**	1,313,930
EQUITY			
Share capital		**66,619**	66,619
Reserves		**436,747**	491,239
Total equity		**503,366**	557,858
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**3,369**	1,599
Provision for reinstatement cost		**11,720**	10,895
		15,089	12,494
Current liabilities			
Borrowings		**679,413**	623,011
Accounts payable	10	**30,811**	25,355
Accruals and other payables		**82,275**	77,050
Taxation payable		**4,496**	18,162
		796,995	743,578
Total liabilities		**812,084**	756,072
Total equity and liabilities		**1,315,450**	1,313,930

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 under the 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 both by bank borrowings and internal resources. As at 30 April 2016, the Group's current liabilities exceeded its current assets by HK$236,729,000 (2015: HK$219,682,000). This liquidity shortfall was attributable to (i) certain of the Group's non-current assets, including property, plant and equipment, had been financed mainly by the Group's internal funding and short-term bank borrowings, and (ii) bank borrowings contractually due for repayment after one year contain a repayment on demand clause amounting to HK$88,515,000 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 2016, the Group's total borrowings, including the above borrowing amount of HK$88,515,000 with repayment on demand clause and original maturity beyond 30 April 2017, amounted to HK$679,413,000 (2015: HK$623,011,000) and are repayable within twelve months from 30 April 2016. The Group's cash and cash equivalents (net of bank overdrafts) amounted to HK$5,905,000 as at 30 April 2016 (2015: HK$53,081,000).

In addition, during the year ended 30 April 2016, the Group reported a loss of HK$29,715,000, which was primarily attributable to (i) net exchange loss of HK$21,533,000 (2015: net exchange gain of HK$15,562,000) primarily in relation to the Group's purchases denominated in Japanese Yen, (ii) the fair value loss for investment properties of HK$9,732,000 (2015: gain of HK$10,732,000), and (iii) the challenges we experienced in the local retail market conditions, in particular in the second half of the financial year, resulting in lower revenue growth in the retail business while having operating costs remained at a high level.

Amid the challenging business environment, the Group had to continue to make payment to suppliers of merchandise and renovation of stores according to pre-determined schedule, and scheduled repayment of trust receipt bank loans and term loans.

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 expenditure 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, and (iii) negotiating with the landlords for rental reduction upon renewal of relevant tenancy agreements. The management believes that these measures will result in improvement of gross profit margin and the resulting cash flows. Also, the management will slow down the Group's retail network expansion plan in order to contain additional capital expenditure. With respect to the Group's bank financing, the Group maintains continuous communication with its banks and has successfully renewed the bank facilities with principal banks during the year ended 30 April 2016 with an increase in the amount of facilities granted to the Group as compared to prior year. As at 30 April 2016, the Group had unutilised bank facilities of HK$262,932,000, in which unutilised trade financing facilities amounted to HK$227,580,000 and unutilised term loan and overdraft facilities amounted to HK$35,352,000. In May 2016, the Group successfully obtained a new 5-year secured term loan of HK$10,000,000 from a principal bank. 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 relationship 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 2016. 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 2016. Management's projections make key assumptions with regard to the anticipated cash flows from the Group's operations, capital expenditure 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 2016. Accordingly, the consolidated financial statements are prepared on a going concern basis.

(b) New/revised standards and interpretations and amendments to existing standards effective during the year ended 30 April 2016

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 May 2015:

HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contribution
HKFRSs (Amendment)	Annual improvements to HKFRSs 2010 – 2012 cycle
HKFRSs (Amendment)	Annual improvements to HKFRSs 2011 – 2013 cycle

In addition, the disclosure requirements of the revised Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited ("HK Listing Rules") came into effect from 31 December 2015. Amongst these, the Listing Rules require financial statements to comply with the disclosure requirements of the new Hong Kong Companies Ordinance (Cap. 622) and its supporting regulations that came into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(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 2016:

HKAS 1 (Amendment)	Disclosure initiative (1)
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation (1)
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements (1)
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 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: applying the consolidation exception (1)
HKFRS 11 (Amendment)	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operation (1)
HKFRS 14	Regulatory Deferral Accounts (1)
HKFRS 15	Revenue from Contracts with Customers (2)
HKFRS 16	Leases (3)
HKFRSs (Amendment)	Annual improvements to HKFRSs 2012 – 2014 cycle (1)

(1) Effective for the Group for annual period beginning on 1 May 2016.
(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.

The Group is in the process of making an assessment on the impact of these new/revised standards and interpretations and amendments to existing standards and is not yet in a position to state whether they would have a significant impact on its results of operation and financial position.

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 reporting segments, namely (i) retail business, (ii) electronic components manufacturing ("Coils Business"), and (iii) investment property holding. 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 2016 and 2015 is as follows:

	Retail business		Electronic component manufacturing		Investment property holding		Eliminations		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
External sales	**2,277,969**	2,133,805	**176,957**	285,771	**3,913**	2,796	**–**	–	**2,458,839**	2,422,372
Intersegment sales	**–**	–	**–**	–	**1,585**	1,585	**(1,585)**	(1,585)	**–**	–
	2,277,969	2,133,805	**176,957**	285,771	**5,498**	4,381	**(1,585)**	(1,585)	**2,458,839**	2,422,372
Segment results										
Operating profit/(loss)	**15,840**	68,637	**(7,407)**	(13,263)	**(7,454)**	11,957			**979**	67,331
Corporate expenses									**(7,853)**	(7,433)
Finance costs, net									**(22,521)**	(18,944)
(Loss)/profit before income tax									**(29,395)**	40,954
Income tax expense									**(320)**	(13,246)
(Loss)/profit for the year									**(29,715)**	27,708
Depreciation and amortisation	**68,341**	58,237	**13,475**	16,421	**–**	–			**81,816**	74,658
Closure cost of a factory of the Coils Business	**–**	–	**–**	11,078	**–**	–			**–**	11,078
Total distribution cost and administrative expenses	**785,447**	661,761	**28,149**	46,694	**1,282**	1,216			**814,878**	709,671
Additions to non-current assets (other than financial instruments)	**67,469**	184,440	**1,050**	1,713	**–**	–			**68,519**	186,153
Segment assets	**935,815**	874,412	**307,058**	351,055	**73,232**	93,095	**(6,753)**	(7,727)	**1,309,352**	1,310,835
Unallocated assets										
– Deferred income tax									**6,038**	2,895
– Corporate assets									**60**	200
Total assets									**1,315,450**	1,313,930
Segment liabilities	**99,895**	82,785	**23,975**	29,975	**7,074**	8,068	**(6,753)**	(7,727)	**124,191**	113,101
Borrowings									**679,413**	623,011
Unallocated liabilities										
– Deferred income tax									**3,369**	1,599
– Taxation payable									**4,496**	18,162
– Corporate liabilities									**615**	199
Total liabilities									**812,084**	756,072

Geographical information

	Revenue		Non-current assets	
	2016	2015	**2016**	**2015**
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (including Hong Kong Special Administrative Region)	**2,392,690**	2,315,925	**755,134**	789,959
Other regions	**66,149**	106,447	**50**	75
	2,458,839	2,422,372	**755,184**	790,034

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 2016, no revenue was derived from transactions with a single external customer representing 10% or more of the Group's total revenue (2015: same).

3. OTHER (LOSSES)/GAINS, NET

	2016	2015
	HK$'000	*HK$'000*
Fair value (losses)/gains on investment properties	**(9,732)**	10,732
Net gain/(loss) on disposal of property, plant and equipment	**4,734**	(4,238)
Impairment loss on properties, plant and equipment	**(570)**	(1,118)
Gain on disposal of available-for-sale financial assets	**–**	387
	(5,568)	5,763

4. EXPENSES BY NATURE

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

	2016	2015
	HK$'000	*HK$'000*
Auditors' remuneration		
– audit services	**2,650**	2,830
– non-audit services	**98**	98
Amortisation of land use rights	**530**	545
Cost of inventories recognised as expenses included in cost of sales	**1,485,581**	1,514,355
Depreciation of property, plant and equipment	**81,286**	74,113
Direct operating expenses arising from investment properties that generate rental income	**353**	356
Employee benefit expenses (including directors' emoluments)	**375,117**	335,916
Net exchange losses/(gains)		
– recognised in cost of sales	**29,207**	(14,046)
– recognised in general and administrative expenses	**(7,674)**	(1,516)
Operating lease rentals		
– basic rent *(i)*	**283,514**	227,365
– turnover rent	**1,689**	11,163
(Reversal)/provision for impairment of accounts receivable	**(3,765)**	169
(Reversal)/provision for impairment of inventories	**(1,151)**	1,875
Closure cost of a factory of the Coils Business *(ii)*	**–**	11,078
Utility expenses	**83,350**	70,864
Freight and transportation	**44,806**	46,665
Other expenses	**84,554**	86,407
Total cost of sales, selling and distribution expenses and general and administrative expenses	**2,460,145**	2,368,237

Notes:

(i) During the year ended 30 April 2016, included in the operating lease rentals was reversal of provision for prepaid rental and rentals of the onerous contracts with respect to certain loss-making retail stores amounting to HK$557,000 (2015: provision for prepaid rental and rentals of onerous contracts amounting to HK$6,051,000).

(ii) During the year ended 30 April 2015, the Group ceased operations of one of its factories in Nanjing, the PRC. Accordingly, the Group incurred a one-off closure cost amounting to approximately HK$11,078,000, which comprised of staff redundancy cost of approximately HK$1,893,000, and provision for inventories of HK$3,388,000, accounts receivable of HK$3,652,000 and prepayments of HK$2,145,000.

5. FINANCE COSTS, NET

	2016	2015
	HK$'000	*HK$'000*
Interest expense on bank borrowings	**22,664**	19,010
Interest income from bank deposits	**(143)**	(66)
	22,521	18,944

6. INCOME TAX EXPENSE

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

	2016	2015
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current tax	**1,416**	12,699
– under/(over)-provision in prior years	**56**	(89)
Overseas income tax including Mainland China		
– current tax	**221**	371
Deferred income tax	**(1,373)**	265
Total income tax expense	**320**	13,246

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% (2015: 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% (2015: 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)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the consolidated loss attributable to equity holder of approximately HK$29,715,000 (2015: profit of HK$27,708,000) and the weighted average number of 666,190,798 (2015: 666,190,798) shares in issue during the year.

For the years ended 30 April 2016 and 30 April 2015, diluted (loss)/earnings per share equals basic (loss)/earnings per share as there was no dilutive potential share.

8. DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year ended 30 April 2016 (2015: final dividend of HK1.00 cent per share, totaling HK$6,662,000).

9. ACCOUNTS AND BILLS RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Accounts receivables	**52,006**	60,196
Less: provision for impairment of receivables	**(6,473)**	(10,238)
Accounts receivables, net	**45,533**	49,958
Bills receivables	**120**	5,667
Accounts and bills receivables, net	**45,653**	55,625

The ageing analysis of accounts receivables is as follows:

	2016	2015
	HK$'000	*HK$'000*
0-30 days	**30,696**	31,510
31-60 days	**8,711**	12,225
61-90 days	**3,840**	5,041
91-120 days	**1,458**	1,718
Over 120 days	**7,301**	9,702
	52,006	60,196
Less: provision for impairment of receivables	**(6,473)**	(10,238)
	45,533	49,958

As at 30 April 2016 and 30 April 2015, 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 (2015: 30 to 120 days).

10. ACCOUNTS PAYABLE

The ageing analysis of accounts payable is as follows:

	2016	2015
	HK$'000	*HK$'000*
0-30 days	**27,190**	17,268
31-60 days	**2,642**	4,249
61-90 days	**281**	3,202
91-120 days	**8**	278
Over 120 days	**690**	358
	30,811	25,355

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 26 September 2016 to Wednesday, 28 September 2016 (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 Wednesday, 28 September 2016 are entitled to attend and vote at the annual general meeting of the Company to be held on Wednesday, 28 September 2016 (the "2016 Annual General Meeting"). In order to qualify to attend and vote at the 2016 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, 23 September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

Reviewing the year 2015/16, the Group recorded total revenue of HK$2,458,839,000 (2015: HK$2,422,372,000), representing an increase of about 1.5% compared with last year. In the period, the consolidated gross profit was HK$821,425,000 (2015: HK$771,239,000), representing a rise of 6.5% compared with the same period last year, and the consolidated gross profit margin was 33.4% (2015: 31.8%), went up by 1.6 percentage points than that of last year. The increase in consolidated revenue, gross profit and gross profit margin were mainly driven by the growth of our retail business. For the period under review, the revenue from our retail business "759 STORE" accounted for 93% (2015: 88%) of the total revenue, while the share of our electronic components manufacturing business dropped to about 7% (2015: 12%).

As for profit, the Group recorded a consolidated loss of HK$29,715,000 (2015: profit of HK$27,708,000). The loss for the Year is primarily attributable to:

- A turbulent international currency market that saw a strong recovery in the exchange rate of Japanese Yen starting from the beginning of 2016 and resulted in net exchange losses of HK$29,207,000 (2015: net exchange gains of HK$14,046,000) on the Group's retail business, a difference of approximately HK$43,253,000 compared with last year;

- Fair value losses of about HK$9,732,000 (2015: gains of HK$10,732,000) included on the consolidated income statement for investment properties carried at fair value recorded for the period;

- The underestimation by the Group on the scale of downturn in local retail market conditions resulting from the rapid slowdown in economic conditions, the revenue growth of our retail business for the period is lower than expected and the growth is also lower than the increase in operating costs.

Retail business

In the financial year, the retail market of Hong Kong had experienced an abrupt reverse. According to the "Report on Monthly Survey of Retail Sales" released monthly by the Census and Statistics Department of Hong Kong, value of total retail sales recorded a drop in every month during the financial year when compared with the same month last year, and posted an escalating trend in terms of magnitude of the falls. This reflected a continual downturn in the retail market of Hong Kong as well as an increasingly steep decline in consumer confidence. In fact, the founder has foreseen considerable degree of adjustment in the economy of Hong Kong after years of prosperity and growth, and yet believes that the Group should grasp the opportunities to actively consolidate the market position and the operational scale of 759 STORE, stick to the self-import model of high flow rate and the "Quick Turnover with Lower Margin" policy, and also orderly increase the proportion of daily necessities that are immune to economical ups and downs, such as food groceries (oil, rice, noodles and etc), frozen meats and seafood and personal care products. As at 30 April 2016, our retail business had 271 (2015: 248) shops in operation (not including co-operative shops), representing an increase of 9.3% in percentage terms. Segment revenue for the Year was HK$2,277,969,000 (2015: HK$2,133,805,000), representing an increase of about 6.8% as compared with that of last year. The growth recorded was nevertheless unable to fulfill the Board's expectation in terms of magnitude. In particular, as for the Christmas and the Lunar New Year in the second half year, in the light of the perceived abrupt downturn in the market conditions, the founder decided to stop selling holiday products for the whole festival periods in order to avoid the risk of inventory becoming inactive for too much destructive competition. For this reason, instead of introducing the fine items for gifts, full line of our stores kept selling food items and articles for daily use to get a better balance on the revenue which should have been gained from end-of-year gift market in compared with that in last year.

As at 30 April 2016, the Group's 271 shops spanned 18 districts of Hong Kong and penetrated residential areas. However, owing to the lower-than-expected growth in sales in addition to the remaining high level of market rental rate, the proportion of rental expenses to revenue increased to about 11.8% (2015: 10.6%). As for front-line staff, the Group maintained the average front-line employees per shop at 4.0 persons (2015: 4.0 persons). In the Year, 759 STORE adopted a system of higher bonus so as to give more strength to front-line staff to maintain keen customer service, even under this adverse market situation. The weighting of front-line staff wage to revenue increased by 1.0 percent point to 8.9% (2015: 7.9%) in compared with that in last year. Rent and salary of front-line staff were also directly attributable to the 19.0% increase in selling and distribution expenses of our retail business for the Year, which amounted to HK$659,212,000 (2015: HK$553,968,000). General and administrative expenses amounted to HK$126,235,000 (2015: HK$107,793,000), representing an increase of 17.1% compared with last year. The Group newly rented a warehouse with a saleable area of more than 70,000 sq. ft. in the Year to cope with the logistical needs arising from the planned expansion in food groceries category, a new cost item for the Year.

The Group adopted the model of parallel import in container loads, through which 759 STORE was able to introduce a wider variety of products for customers to choose. Since retailing Japanese snack was considered promising in the market, the number of Japanese snack shops in the city continuously increased. Nonetheless, although the revenue of the Group's snack category and Japanese-made products still had recorded some growth, the weighting of snack category to the whole business had further decreased as the import of food groceries and frozen foods from Europe, America and Southeast Asia increased drastically. In April this year, the Group had formally opened up its self-importing channel for 100% Pure Thai Hom Mali Rice grown and packed in its place of origin. The Group expanded its rice warehouse, which was approved by the Trade and Industry Department. Meanwhile, since the import quota of rice application has to be made quarterly, 759 STORE had accordingly made application for the remarkable increase in imported volume of rice from Thailand in the coming year. About 23,000 varieties (2015: around 23,500) of merchandise were sold during the Year. The weighting of snack category, of which its revenue took the greatest share in total revenue, decreased to only 33% (2015: 39%). The weighting of food groceries including rice, oil, noodles, seasonings and canned foods increased to 25% (2015: 13%), followed in descending order by drinks (including alcohols), frozen foods, personal care products, housewares and baby products. Products were imported from 61 countries and regions (2015: 61). In terms of sales, the region which took the greatest share was still Japan, though its weighting had dropped to about 39% (2015: 43%), followed by Europe, Southeast Asia, Korea, Taiwan, Mainland China, Americas and other regions.

Given our revenue grew with the Group's continued expansion of its retail business, as at 30 April 2016, the Group's inventory increased to HK$327,287,000 (2015: HK$297,760,000), representing an increase of 9.9%. Inventory turnover also increased to 70 days (2015: 57 days). Main reasons for the increase in inventory level and inventory turnover were namely that: 1) inventory for display increased with the increase in the number of shops and larger average shop floor area; 2) Opening of certain large grocery stores and specialty shops increased the varieties of self-imported goods and their relevant inventory; 3) Even though the retail market trend reversed sharply, the medium term prospect on the procurement from our overseas manufacturing partners had not been on hold; 4) the turnover rate of certain types of products were relatively low, especially cosmetics, home groceries and household electrical appliances. The Group will put forth efforts to control inventory as well as inventory turnover. On one hand, we have communicated with overseas manufacturers for a relatively prudent purchase plan in view of local market conditions; on the other hand, the Group will focus on increasing fast-moving items like snacks, beverages, food groceries, meats, personal care products and consumable housewares.

Apart from 759 STORE, the Group operates specialty shops in different themes, which include 759 KAWAII/KAWAIILAND, 759 STORE FROZEN MARKET, 759 STORE HOUSEHOLD MARKET/KAGUYA, 759 SKYLAND and 759 SHINGUYA. According to the operation data collected for years, products of the aforesaid specialty stores shows much outstanding sales performance when they were built-in inside "759 STORE" and "759 STORE SUPERMARKET" of bigger size. The figures such as customers' shop patronage, number of transactions and the product combination of each transaction also shows that customers tend to give their patronage to "759 STORE" and "759 STORE SUPERMARKET" of bigger size and wider variety of product offerings. The management would actively negotiate with landlords to seek for shop sites with bigger floor area and for broadening the user of the shop to contain more product categories. A shop with bigger shop floor area could provide customers with a much spacious and comfortable shopping and leisure environment. It could also display more product categories which provides wider choice for customers. The rent-to-revenue ratios for medium-sized and large-sized "759 STORE" and "759 STORE SUPERMARKET" are obviously lower than the average. As at 30 April 2016, total gross floor area of the Group's shops was approximately 544,000 sq. ft. (2015: 431,000 sq. ft.), while the average branch gross floor area was about 2,007 sq. ft. (2015: 1,733 sq. ft.).

Electronic components manufacturing business

The Group's electronic components manufacturing business and coil products are widely used in various electronic consumer products, such as lighting products, mobile communication equipment, household appliances, computer and its peripheral products, and power supply devices. During the Year, the Group continued to downsize the electronic components manufacturing business in an orderly manner, maintain a low level of resources input, as well as more efficient utilisation of our well-established automated production facilities, and focus on providing coil product, service and support for its international customers of years' partnership. In the Year, the electronic components manufacturing business recorded a segment revenue of HK$176,957,000 (2015: HK$285,771,000), representing a decrease of 38.1% compared with last year, which was mainly attributable to the Group's planned scaling down on its business scale and the closure of Nanjing workshop completed in the later part of last year. Segment operating loss for the Year was HK$7,407,000 (2015: HK$13,263,000), representing a decline of 44.2% compared with last year. Segment depreciation and amortisation of the manufacturing business for the Year was HK$13,475,000 (2015: HK$16,421,000).

Investment Properties

The Group's rental income for the Year was HK$3,913,000 (2015: HK$2,796,000), increased by 39.9% over last year. Fair value losses of about HK$9,732,000 (2015: gains of HK$10,732,000) included on the consolidated income statement for investment properties carried at fair value recorded for the period as the property market in Hong Kong experienced adjustments in the Year.

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 30 April 2016, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$119,653,000 (2015: HK$117,502,000). As at 30 April 2016, the Group had aggregate banking facilities of HK$944,749,000 (2015: HK$922,518,000) for overdrafts, loans, trade financing, factoring of accounts receivable, etc. Unused facilities as at the same date amounted to approximately HK$262,932,000 (2015: HK$295,765,000). At 30 April 2016, the utilised banking facilities amounting to HK$681,817,000 (2015: HK$626,753,000) were secured by charges on the Group's certain land and buildings, investment properties, pledges of the Group's accounts receivable, 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 2016, the Group could comply with such financial covenants.

The Group's bank loans as at 30 April 2016 amounted to HK$679,413,000 (2015: HK$623,011,000), increased by 9.1%. As at 30 April 2016, the Group's gearing ratio* was 0.53 (2015: 0.48), which increased by 0.05 as compared with the previous financial year end. At the same time, the Group did not have any contingent liabilities (2015: 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 2016, the Group had an inventory balance of HK$327,287,000 (2015: HK$297,760,000). The increase in inventory could be attributed to the inventory requirement of newly added shops of 759 STORE and increased types of imported products. Meanwhile, total prepayments, deposits and other receivables (including prepaid rent and rental deposits of retail shops) of the Group as at 30 April 2016 also increased along with the expansion of 759 STORE retail network, reaching HK$143,491,000 (2015: HK$130,523,000).

Interest Expenses

In the Year, interest expenses of the Group amounted to HK$22,664,000 (2015: HK$19,010,00), increased by 19.2% over last year.

Financial resources and capital structure

In the Year, the Group's net cash outflow was HK$37,706,000 (2015: net cash inflow of HK$6,605,000), while net cash inflow from operating activities was HK$42,256,000 (2015: HK$66,256,000), decreased by 36% compared with last year. The decrease was mainly attributed to the enlarged inventory requirement as a result of the expansion of retail network. Net cash outflow from investing activities amounted to HK$57,998,000 (2015: HK$160,612,000) in the Year, representing a significant decrease of 63.9%

compared with last year. This could be attributable to fitting-out of newly opened retail shops and the acquisition of warehouse property of HK$38,305,000 during the Year (2015: HK$141,306,000).

Cash Flow Summary

	2016	2015
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**42,256**	66,256
Net cash outflow from investing activities	**(57,998)**	(160,612)
Net cash (outflow)/inflow from financing activities	**(21,964)**	100,961
(Decrease)/increase in cash and cash equivalents	**(37,706)**	6,605

As at 30 April 2016, the Group's net current liabilities was HK$236,729,000 (2015: HK$219,682,000) while current ratio stood at 0.7 time (2015: 0.7 time), which included pledge loans of approximately HK$182,377,000 (HK$93,862,000 repayable within one year; HK$88,515,000 repayable after one year). Such loan of HK$88,515,000 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 expecting future demand of capital required for retail network expansion will be mitigated after the retail business development has entered into a consolidation stage, the management considers that the Group's working capital at hand in addition to the banking facilities provided by major financing bankers are sufficient to fund its existing development plans.

Charges on Assets

As at 30 April 2016, certain assets of the Group with an aggregate carrying value of approximately HK$409,386,000 (2015: HK$448,844,000) 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 2016, the Group had employed approximately 2,700 staff (2015: 3,000). 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.

In August 2015, the Group launched the "Youth Training Program", under which a number of university graduates were recruited to commence the "759 ONLINE" project for continuing development and exploration of the e-commerce business.

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

Looking into the future, the Group determines to focus its retail business on the three main brands: "759 STORE" being the key for sustainable development, "759 KAWAII/ KAWAIILAND" as the brand of personal care products, cosmetics and fashionable gadgets, and "759 CART NOODLE" serving as a long-term tentative development in the Catering industry.

Further downturns are expected in the retail market because of the uncertainties and challenges remain clouded in the global and local economic conditions. The Group is operating 271 shops in Hong Kong, which represent a well-established shop-network foundation penetrating almost all local residential districts and operating steadily in terms of revenue, purchase volume, membership and number of consumers. The Group keeps a highly even distribution of rental renewal schedule. Rental renewal of around 70 shops is expected in this and the upcoming years. When re-negotiating with landlords the rents, the Group would consider market conditions and evaluation of the shop network at the moment. Calibration of distances among shops and reasonable number of stores derived from scientific decision models would be served as indicators in the adjustment of shop network. Since most of the rental contracts were settled before the reverse of market conditions, the management will re-negotiate with landlords based on the actual operating performance of each shop. Renewal of leases shall not be made if rental offers exceed the affordability of each particular shop. As for warehouse facilities, the Group will re-negotiate with landlords the leased areas based on actual needs.

In respect of the product range, 759 STORE will focus on the category of food groceries in the light of the encouraging performance from the sales of Hom Mali Rice self-imported from Thailand started in the April of the fiscal year. The Group will gradually raise the import volume of rice and actively strive for turning more of its shops into sales points of rice directly imported. In addition to rice, 759 STORE has been making effort to introduce cereals, meat, seafood, cooking oils, canned food and a wide range of seasonings to its product portfolio. From the operation data since 759 STORE's inception in 2010, food groceries with most market demand are not originated from Japan nor Korea, but Europe, Southeast Asia, China, Australia and New Zealand. The following table represents the product categories with their countries of origin which 759 STORE will develop with great exertion.

Europe	Pork, Poultry, Meat products, Seafood, Cereals, Noodles, Cooking oils, Dairy products, Seasonings
Southeast Asia	Rice, Noodles, Seafood, Canned food, Seasonings
Mainland China	Noodles, Canned foods, Edible mushrooms, Seasonings
Australia and New Zealand	Beef, Mutton, Cereals

The proportion of product category would continue be leaded by snacks, followed by staple food, food groceries and frozen food in 759 STORE. While for personal care products and housewares, the Group will focus on developing consumable commodities by classifying them under conventional products, which would be regularly available in more 759 shops, and adopting the "Quick Turnover with Lower Margin" policy. Durables, such as kitchenware, household appliances, storage appliances, beddings and small household electrical appliances and so forth, are also highly welcomed by customers, reflected by the operation data. Subjected to its much lower frequency of repeated purchases comparing to the consumables, the durables would be served as non-conventional products not meant to be supplied on continual basis. In the upcoming future, 759 STORE will launch sales campaigns with various seasonal and festival related themes. Series of themed durables would be featured and be priced based on its customary policy of "Quick Turnover with Lower Margin". This tactic could avoid additional inventory burdens arising from long-term shelving of slow-moving items.

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 2016. 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 2016.

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 2016, 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, Mr. 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 of 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 Mr. 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 currently in the best interests of the Company and its shareholders as a whole.

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 25 September 2015 (the "2015 AGM") due to illness at the material time. Ms. Tang Fung Kwan, the executive director of the Company, who took the chair of the 2015 AGM and other members of the Board (including the chairman of each of the Audit Committee and the Remuneration Committee and the members of the Nomination Committee) attended the 2015 AGM to ensure effective communication with the shareholders of the Company.

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 internal control of the Group and the annual results of the Company for the year ended 30 April 2016.

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 2015 to 30 April 2016. 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 2015/2016 annual report of the Company, which will be sent to the shareholders of the Company by the end of August 2016.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 30 April 2016 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 2016 Annual General Meeting of the Company will be held on Wednesday, 28 September 2016 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 2015/16 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 2016

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. Goh Gen Cheung and Mr. Chan Chiu Ying.

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

* *For identification purpose only*