CEC-COILS®

CEC INTERNATIONAL HOLDINGS LIMITED

CEC 國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 759)

2017/2018 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 2018 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 APRIL 2018

	Note	**2018** **HK$'000**	2017 HK$'000
Revenue	2	**1,979,674**	2,150,614
Cost of sales	4	**(1,285,380)**	(1,418,766)
Gross profit		**694,294**	731,848
Other gains, net	3	**8,636**	17,199
Selling and distribution expenses	4	**(569,947)**	(626,751)
General and administrative expenses	4	**(151,221)**	(147,619)
Operating loss		**(18,238)**	(25,323)
Finance income		**79**	294
Finance costs		**(22,132)**	(27,550)
Finance costs, net	5	**(22,053)**	(27,256)
Loss before income tax		**(40,291)**	(52,579)
Income tax credit	6	**7,422**	2,586
Loss attributable to equity holders of the Company		**(32,869)**	(49,993)
Loss per share, basic and diluted, attributable to equity holders of the Company	7	**(HK4.93 cents)**	(HK7.50 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2018

	2018	2017
	HK$'000	*HK$'000*
Loss for the year	**(32,869)**	(49,993)
Other comprehensive 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	**45**	59
Currency translation differences	**31,255**	(20,873)
Total comprehensive loss for the year attributable to equity holders of the Company	**(1,569)**	(46,413)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 APRIL 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Land use rights		**18,240**	17,647
Property, plant and equipment		**438,018**	475,355
Investment properties		**41,308**	160,464
Available-for-sale financial assets		**362**	317
Rental deposits		**35,034**	52,185
Deferred tax assets		**17,227**	9,189
		550,189	715,157
Current assets			
Inventories		**395,117**	257,552
Accounts and bills receivable	9	**24,497**	48,931
Deposits, prepayments and other receivables		**63,575**	65,907
Pledged bank balances		**12,949**	34,919
Cash and cash equivalents		**51,456**	81,173
		547,594	488,482
Total assets		**1,097,783**	1,203,639
EQUITY			
Share capital		**66,619**	66,619
Reserves		**388,765**	390,334
Total equity		**455,384**	456,953
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**4,237**	3,814
Provision for reinstatement cost		**1,846**	7,501
		6,083	11,315
Current liabilities			
Borrowings		**432,684**	609,715
Accounts payable	10	**132,847**	53,361
Accruals and other payables		**70,658**	72,242
Taxation payable		**127**	53
		636,316	735,371
Total liabilities		**642,399**	746,686
Total equity and liabilities		**1,097,783**	1,203,639

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 2018, the Group's current liabilities exceeded its current assets by HK$88,722,000 (2017: HK$246,889,000). 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 utilization of the Group's available banking facilities, and (ii) bank borrowings amounting to HK$20,400,000 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 2018, the Group's total borrowings, including the above borrowing amount of HK$20,400,000 with repayment on demand clause and original maturity beyond 30 April 2018, amounted to HK$432,684,000 (2017: HK$609,715,000) and are repayable within twelve months from 30 April 2018. The Group's cash and cash equivalents (net of bank overdrafts) amounted to HK$13,006,000 (2017: HK$13,308,000) as at 30 April 2018.

In addition, during the year ended 30 April 2018, the Group reported a loss of HK$32,869,000 (2017: HK$49,993,000), 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. The Group recorded net cash outflow from operations of HK$3,604,000 during the year.

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 2018. As at 30 April 2018, the Group had unutilised bank facilities of HK$107,816,000, in which unutilised trade financing facilities amounted to HK$105,966,000 and unutilised term loan and overdraft facilities amounted to HK$1,850,000. 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 2018. 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 2018. 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 2018. 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 2018

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 May 2017:

HKAS 7 (Amendment)	Disclosure Initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements Projects HKFRS 12 (Amendments)	Annual Improvements 2014-2016 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 2018:

Annual Improvements Projects HKFRS 1 and HKAS 28 (Amendments)	Annual Improvements 2014-2016 Cycle (1)
HKFRS 2 (Amendment)	Classification and Measurement of Share-Based Payment Transactions (1)
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts (1)
HKFRS 9	Financial Instruments (1)
HKFRS 15	Revenue from Contracts with Customers (1)
Amendments HKFRS 15	Clarifications to HKFRS 15 (1)
HKAS 40 (Amendment)	Transfers of Investment Property (1)
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration (1)
Amendments to HKFRS 9	Prepayment features with negative compensation (2)
HKFRS 16	Leases (2)
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments (2)
HKFRS 17	Insurance Contracts (3)
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture (4)

(1) Effective for the Group for annual period beginning on 1 May 2018.
(2) Effective for the Group for annual period beginning on 1 May 2019.
(3) Effective for the Group for annual period beginning on 1 May 2021.
(4) Effective date to be determined.

HKFRS 9 "Financial instruments"

Nature of change

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 May 2018.

Impact

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

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

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings.

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

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, management does not expect significant increase or decrease in the loss allowance for trade receivables.

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

Date of adoption by Group

The standard is mandatory for the Group's financial years commencing on or after 1 May 2018.

HKFRS 15 "Revenue from contracts with customers"

Nature of change

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

Impact

Currently, revenue from sales of goods (retail) are recognised in the consolidated income statement at point of sale to customers or when a group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

The directors consider that the new standard does not have a significant impact on the Group's consolidated financial statements.

Date of adoption by the Group

The standard is mandatory for the Group's financial years commencing on or after 1 May 2018.

HKFRS 16 "Leases"

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$293,901,000. However, the group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the group's profit or loss and classification of cash flows going forward.

Date of adoption by Group

The standard is mandatory for the Group's financial years commencing on or after 1 May 2019.

The Group has commenced an assessment of the impact of the other new and amended standards and interpretations, but is not yet in a position to state whether they would have significant impacts on its results of operations 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; 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 2018 and 2017 is as follows:

	Retail business		Electronic component manufacturing		Investment property holdings		Eliminations		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
External sales	**1,847,326**	2,009,993	**129,711**	137,447	**2,637**	3,174	**–**	–	**1,979,674**	2,150,614
Intersegment sales	**–**	–	**–**	–	**1,585**	1,585	**(1,585)**	(1,585)	**–**	–
	1,847,326	2,009,993	**129,711**	137,447	**4,222**	4,759	**(1,585)**	(1,585)	**1,979,674**	2,150,614
Segment results										
Operating profit/(loss)	**6,204**	(29,528)	**(14,841)**	(8,336)	**(989)**	20,636			**(9,626)**	(17,228)
Corporate expenses									**(8,612)**	(8,095)
Finance costs, net									**(22,053)**	(27,256)
Loss before income tax									**(40,291)**	(52,579)
Income tax credit									**7,422**	2,586
Loss for the year									**(32,869)**	(49,993)
Depreciation and amortisation	**35,588**	60,702	**10,338**	10,700	**–**	–			**45,926**	71,402
Total distribution cost and administrative expenses	**669,978**	743,536	**41,490**	21,512	**1,088**	1,227			**712,556**	766,275
Additions to non-current assets (other than financial instruments)	**9,293**	23,485	**259**	1,170	**–**	–			**9,552**	24,655

	Retail business		Electronic components manufacturing		Investment property holdings		Eliminations		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**799,319**	767,383	**244,887**	271,610	**41,817**	161,251	**(5,589)**	(5,927)	**1,080,434**	1,194,317
Unallocated assets										
– Deferred income tax									**17,227**	9,189
– Corporate assets									**122**	133
Total assets									**1,097,783**	1,203,639
Segment liabilities	**173,616**	103,282	**30,748**	29,592	**5,392**	5,854	**(5,589)**	(5,927)	**204,167**	132,801
Borrowings									**432,684**	609,715
Unallocated liabilities										
– Deferred income tax									**4,237**	3,814
– Taxation payable									**127**	53
– Corporate liabilities									**1,184**	303
Total liabilities									**642,399**	746,686

Geographical information

	Revenue		Non-current assets	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (including Hong Kong Special Administrative Region)	**1,933,367**	2,100,800	**550,098**	715,049
Other regions	**46,307**	49,814	**91**	108
	1,979,674	2,150,614	**550,189**	715,157

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 2018, no revenue was derived from transactions with a single external customer representing 10% or more of the Group's total revenue (2017: same).

3. OTHER GAINS, NET

	2018	2017
	HK$'000	*HK$'000*
Net fair value (loss)/gain on investment properties	**(1,040)**	19,021
Net gain/(loss) on disposals of property, plant and equipment	**9,267**	(418)
Reversal of/(provision for) impairment loss on properties, plant and equipment	**1,789**	(1,404)
Loss on disposals of investment properties	**(1,380)**	–
	8,636	17,199

4. EXPENSES BY NATURE

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

	2018	2017
	HK$'000	*HK$'000*
Auditors' remuneration		
– audit services	**2,750**	2,650
– non-audit services	**151**	118
Amortisation of land use rights	**521**	503
Cost of inventories recognised as expenses included in cost of sales	**1,199,728**	1,277,647
Depreciation of property, plant and equipment	**45,405**	70,899
Direct operating expenses arising from investment properties that generate rental income	**118**	332
Employee benefit expenses (including directors' emoluments)	**307,778**	333,013
Net exchange losses/(gains)		
– recognised in cost of sales	**382**	49,572
– recognised in general and administrative expenses	**6,284**	(13,187)
Operating lease rentals		
– basic rent	**240,701**	280,820
– turnover rent	**368**	608
Provision for/(reversal of provision for) onerous contracts	**2,679**	(455)
Provision for/(reversal of) impairment for accounts receivable	**678**	(908)
Provision for/(reversal of) impairment for inventories	**6,389**	(3,655)
Utility expenses	**74,758**	84,107
Freight and transportation	**45,713**	40,928
Other expenses	**72,145**	70,144
Total cost of sales, selling and distribution expenses and general and administrative expenses	**2,006,548**	2,193,136

5. FINANCE COSTS, NET

	2018	2017
	HK$'000	*HK$'000*
Interest expense on bank borrowings	**22,132**	27,550
Interest income from bank deposits	**(79)**	(294)
	22,053	27,256

6. INCOME TAX CREDIT

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

	2018	2017
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current tax	**29**	28
– over-provision in prior years	**(20)**	(203)
Overseas income tax including Mainland China		
– current tax	**184**	295
Deferred income tax	**(7,615)**	(2,706)
Total income tax credit	**(7,422)**	(2,586)

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% (2017: 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% (2017: 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$32,869,000 (2017: HK$49,993,000) and the weighted average number of 666,190,798 (2017: 666,190,798) shares in issue during the year.

For the years ended 30 April 2018 and 30 April 2017, 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 2018 (2017: Nil).

9. ACCOUNTS AND BILLS RECEIVABLE

	2018	2017
	HK$'000	*HK$'000*
Accounts receivable	**30,653**	54,197
Less: provision for impairment of receivables	**(6,243)**	(5,565)
Accounts receivable, net	**24,410**	48,632
Bills receivable	**87**	299
Accounts and bills receivable, net	**24,497**	48,931

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

	2018	2017
	HK$'000	*HK$'000*
0-30 days	**14,265**	37,418
31-60 days	**7,274**	8,588
61-90 days	**1,517**	1,274
91-120 days	**1,153**	597
Over 120 days	**6,444**	6,320
	30,653	54,197
Less: provision for impairment of receivables	**(6,243)**	(5,565)
	24,410	48,632

As at 30 April 2018 and 30 April 2017, the carrying amount of accounts and bills receivable approximated its fair value.

The Group performs on-going credit and collectability evaluation of each customer. The Group primarily offers an average credit period ranging from 30 to 120 days to its non-retail business customers (2017: 30 to 120 days).

10. ACCOUNTS PAYABLE

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

	2018	2017
	HK$'000	*HK$'000*
0-30 days	**80,592**	42,679
31-60 days	**34,459**	5,357
61-90 days	**6,806**	1,870
91-120 days	**4,472**	1,602
Over 120 days	**6,518**	1,853
	132,847	53,361

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 21 September 2018 to Friday, 28 September 2018 (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, 28 September 2018 are entitled to attend and vote at the annual general meeting of the Company to be held on Friday, 28 September 2018 (the "2018 Annual General Meeting"). In order to qualify to attend and vote at the 2018 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 Thursday, 20 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

For the year under review, Hong Kong retail market stopped declining and turned stable after around 2 years of downturn. The recovery in market provided the Group's retail business a relatively stable environment to adjust its pace. The Group step-by-step consolidated the retail business in the year, on one hand closing the shops of unsatisfactory performance upon their lease expiration with reference to their operating results, and on the other hand carefully analyzing the operation data to build up benchmark for new shop development. As at 30 April 2018, the shop number of 759 STORE was 206 (2017: 243). In the year, the management closed 50 cost-inefficient shops upon their expiration dates of lease contracts, and instead opened 13 new shops in the areas where Hong Kong people lead their lives. Since the number of stores decreased in respect to that of the previous year, the Group's revenue of the year decreased by 7.9% to HK$1,979,674,000 (2017: HK$2,150,614,000) as compared with that of the previous year. The consolidated gross profit of the year decreased by 5.1% to HK$694,294,000 (2017: HK$731,848,000) as compared with that of the previous year, of which the percentage decrease in consolidated gross profit was lower than that in revenue. The consolidated gross profit margin of the year was 35.1% (2017: 34.0%), increased by 1.1 percentage point as compared with that of last year.

In the current year, the Group firmly stuck to its business strategy of "appropriately proactive" to match its operational control of keeping the expenditure within the limits of revenues in drawing up budget, so as to prevent from the influence of soaring cost when the revenue fluctuated. The consolidated selling and distribution costs was saved by about 9.1%, or amounted to HK$56,804,000, decreasing to HK$569,947,000 (2017: HK$626,751,000), of which the main cost-saving item was the decrease in total rental expenses led by the net decrease in the number of retail shops. Regarding the consolidated general and administrative expenses, since Renminbi exchange rate continuously showed rising trend in the year, in which the rate grew much faster in January 2018, an unrealized exchange loss of about HK$12,076,000 (2017: exchange gain of about HK$8,812,000) emerged in manufacturing business, which significantly affected the segment results of the manufacturing business and led to an increase of 2.4% in the consolidated general and administrative expenses to HK$151,221,000 (2017: HK$147,619,000) as compared with the previous year. Since unrealized exchange loss or gain are not of cash nature, both would not give effect on actual cash flow of the business. If these items are not taken into account the consolidated general and administrative expenses for the year was saved by about 11% when compared with the previous year.

In the current year, the Group carried out business adjustments with strict operational control. Despite the adjustments proceeded well as expected, it was with regret that the result of the year was not able to turn into profit, even the loss had been gradually narrowed as the target set. The consolidated loss of the year was HK$32,869,000 (2017:

HK$49,993,000), decreasing by 34.3% as compared with that of the previous year. The consolidated loss of the first half and that of the second half of the year were HK$20,855,000 and HK$12,014,000 respectively. If the aforesaid unrealized exchange loss of HK$12,076,000 was not taken into account, the Group had already gradually returned to breakeven status in the second half of the year.

Retail Business

During the financial year, the Group's retail business recorded a segment revenue of HK$1,847,326,000 (2017: HK$2,009,993,000), representing a fall of 8.1% as compared with last year, which accounted for approximately 93% of the Group's total revenue (2017: 93%). With a net decrease in total number of shops by 37, the total number of shops of 759 STORE was 206 (2017:243) as at 30 April 2018, in which the number of newly opened shops was 13 and that of closed shops was 50. Shop rental expense, which was the highest expense among all types of expenses in the Group's retail business, was HK$223,401,000 (2017: HK$261,448,000) for the year, representing a significant decrease of 14.6% or HK$38,047,000 as compared with that of the previous year. The 206 shops of 759 STORE evenly spread over every districts of Hong Kong. As at 30 April 2018, the total shop floor area in operation was 435,000 square feet (2017: 517,000 square feet), with average store area of 2,112 square feet per store (2017: 2,127 square feet), average monthly rental of HK$42.8 per square foot (2018: HK$42.1), which slightly increased when compared with that of the previous year. The turnover per square foot was HK$4,247 (2017: HK$3,888), with an increase of 9.2% over that of the previous year, reflecting that the operational adjustments had gradually put into effect. In the meantime, the percentage of rental to sales revenue has improved for the first time in the last three financial years, by dropping to 12.1% (2017: 13.0%), representing a decrease of 0.9 percentage point as compared with that of the previous year. The average revenue and gross profit level of shops were quite close to those of convenience stores. As the number of shops decreased, the number of staff decreased accordingly through natural loss, in which the number of frontline staff per shop maintained as 3.5 persons (2017: 3.5 persons). For remuneration, the labour cost of frontline staff included basic salary, commission and other benefits, in which the commission of the year took around 24% of the total labour cost. The calculation method of commission was linked to the sales performance of the shop, allocating commission by number of staff on duty. At present, average actual income per month of frontline staff at various positions are: HK$14,600 for shop assistants, HK$24,600 for shop supervisors/shop managers, HK$40,000 for district heads/managers. According to the information gathered from the market, the aforesaid salary level of frontline staff is above the mid-range. Since individual growths were recorded in most of the shops, and staff's high working efficiency kept number of staff per shop at low level, the frontline staff practiced "the more you work, the more you get", making their actual income per capita increased for around 9.7%, in which the weighting of labour cost for frontline staff in revenue for the year increased by 0.4 percentage point to 9.6% (2017: 9.2%) as compared with that in the previous year.

The products of 759 STORE were mainly sourced from 63 (2017: 63) countries and regions in the whole world. Procurement staff kept fishing high-quality products around the world for our customers' shopping enjoyment. More than 80% of the products were procured by self-import, of which the places of origin were mainly Japan and South Korea. The share of direct import products for Japan and South Korea took nearly 50% of the whole procurement, followed by Thailand, Europe, Taiwan, Mainland China, America and other regions. The sales revenue of the products procured from factories or farms, so called "direct delivery from factory" took 31.5% (2017: 30.1%) of the whole procurement with total amount similar to that of the previous year. All products of "direct delivery from factory" were self-built brand or exclusive brand. The types of products were concentrated on daily necessity items in all area in the year. The number of products items sold in the year was approximately 16,500 (2017: 21,000), less than that of the previous year, mainly because of the fact that the non daily necessity items like cosmetics, and slow moving items like durable household products and electrical appliances were faded out and so eliminated in the product portfolio. Instead, the categories for daily necessity items including rice, noodles, cooking oils, alcohols, sanitary paper products, detergents and etc. were in all way strengthened. In the year, 759 STORE actively developed staple food category. Though the products of staple category were not as fast moving as those of snack category, their sales volume and demand steadiness were both higher than those of snack category. In view of the limited space in snack market for development, 759 STORE in great extent increased the number of staple food items displayed in shop and the stock so prepared to meet the future development in next few years. As at 30 April 2018, the total inventories carried by the retail business of the Group amounted to HK$331,874,000 (2017: HK$198,982,000), increasing by 67% as compared with that of the previous year. Apart from the stock greatly increased for staple food, the total inventory greatly increased because the customer response on the promotion activity right before the end date of the previous financial year went distantly far beyond our forecast, in which the difference was so beyond our imagination that the total inventory at that moment went distantly far too lower than normal. Since the main force products of 759 STORE relied on direct import from their places of origin, though orders had already been urgently placed to recover the stock, it took time to ship to Hong Kong, and as a result the revenue for the first 2 months of the financial year, namely May and June 2017, came far worse than that for the same 2 months of the previous year, with same-store sales declined for around 12%, becoming the greatest loss period in the year. As the stock gradually replenished, 4.9% same-store sales growth for the next 10 months from July 2017 to April 2018 was recorded so that the same-store sales growth of the whole year recovered to 1.5%. The management thought the current stock level could well match the current business targets. Yet effective close control on the speed of product turnover rate were needed, and the management would keep modifying the product combination and the procurement control so as to seek space to make downward adjustment on stock level.

Ranking of Direct Import Sources from Overseas

Ranking	Description of Supplier	Origin	Settlement Currency
1	Japanese Grocery Suppliers	Japan	Yen
2	Korean Grocery Suppliers	Korea	U.S. Dollar
3	Suppliers of Japanese Household Goods and Personal Care Products	Japan	Yen
4	Korean Producers of Paper Products	Korea	U.S. Dollar
5	Thai Producers of Rice	Thailand	U.S. Dollar
6	Dutch Grocery Suppliers	Various Places in Europe	Euro
7	Mainland Chinese Frozen Seafood Processors	Various Places Globally	U.S. Dollar
8	Austrian Grocery Suppliers	Various Places in Europe	Euro
9	Polish Producers of Meat	Poland	Euro
10	Spanish Producers of Edible Oil	Spain	Euro

Ranking of Local Suppliers

Ranking	Description of Supplier	Origin	Settlement Currency
1	Japanese-owned Producers of Noodles	Hong Kong	Hong Kong Dollar
2	Chinese-owned Agents of Fast-Moving Goods	Various Places Globally	Hong Kong Dollar
3	Hong Kong-owned Beverage Distributors	Hong Kong	Hong Kong Dollar

Customer Support

759 STORE consolidated the distribution of retail network in the year, reducing the total number of shops, closing 50 shops and in the meantime newly opening 13 shops. On the other hand, 759 STORE narrowed down product combination, fading out the slow moving products and concentrating on introducing fast moving products. In the year, mild growth was recorded in the customer patronage frequency. The number of membership cards continuously used for no less than once per week was about 416,000 (2017: 380,000) and the number of membership cards continuously used for no less than once per month was 1,230,000 (2017: 1,100,000). These figures reflected that 759 STORE had long-term and continued support of customers.

Electronic Component Manufacturing Business

During the year, the segment revenue of electronic components manufacturing business of the Group recorded a slight reduction to HK$129,711,000 (2017: HK$137,447,000), representing a decrease by 5.6% as compared with last year. The segment loss for the year was HK$14,841,000 (2017: HK$8,336,000), increased by 78% as compared with last year. Such increase in the loss was mainly due to the unrealized exchange loss of HK$12,076,000 (2017: an exchange gain of HK$8,812,000) as mentioned above. Since unrealized exchange loss or gain are not of cash nature, both would not give effect on actual cash flow of the business. And the segment depreciation expenses of the manufacturing business for the year amounted to HK$10,338,000 (2017: HK$10,700,000). Excluding the aforesaid items, the operating performance of the manufacturing business demonstrated an improvement over the previous year. During the year, the segment gross profit margin of the manufacturing business was 20.6% (2017: 9.8%), representing an increase of 10.8 percentage point, and the total segment gross profit almost doubled to HK$26,667,000 (2017: HK$13,440,000) as compared with the previous year, reflecting the healthy condition of the operation of electronic components manufacturing business at present, after years of streamlining and consolidation. It is expected that the business segment will continue to develop steadily in its present scale.

Investment Properties

For the year, rental income of the Group amounted to HK$2,637,000 (2017: HK$3,174,000). Fair value losses of approximately HK$1,040,000 (2017: gains of HK$19,021,000) included on the consolidated income statement for investment properties carried at fair value was recorded for the year. The management had changed its property investment strategy in the past, in which investment properties were accumulated by only acquisition without disposal, and pledged to the banks for increased banking facilities. Instead, the management believed that the property market situation at the time presented a good opportunity to sell, and disposed of certain investment properties during the year, with a total consideration of HK$119,420,000 (2017: Nil). The proceeds from the disposal were used to reduce the Company's financial leverage and increase its liquidity. The Group will continue to follow closely the property market in the future, and will continue to dispose of investment properties and land in Hong Kong and Mainland China if the price levels are found to be appropriate, and further increase its liquidity.

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 30 April 2018, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$64,405,000 (2017: HK$116,092,000). As at 30 April 2018, the Group had aggregate banking facilities of HK$540,500,000 (2017: HK$783,717,000). Unused facilities as at the same date amounted to approximately HK$107,816,000 (2017: HK$174,002,000).

The Group's bank loans as at 30 April 2018 amounted to HK$432,684,000 (2017: HK$609,715,000), representing a decrease of 29%. As at 30 April 2018, the Group's gearing ratio* was 0.45 (2017: 0.52), which decreased by 0.07 as compared with the previous financial year end. At the same time, the Group did not have any contingent liabilities (2017: Nil).

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

At 30 April 2018, the utilized banking facilities amounting to HK$432,684,000 (2017: HK$609,715,000) 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 2018, the Group could comply with such financial covenants.

Assets

As at 30 April 2018, the Group's total inventories amounted to HK$395,117,000 (2017: HK$257,552,000), representing an increase of 53% as compared with the last financial year end. As mentioned in the previous paragraph for retail business of business review, the main reason was that the customer response on the promotion activity right before the end date of the previous financial year went far beyond our forecast, making the total inventory at that moment go far lower than the normal value in daily operation, where significant differences emerged among the figures when compared. Meanwhile, with the net decrease of the number of stores of 759 STORE, the total prepayments, deposits and other receivables (including prepaid rent and rental deposits for retail stores) of the Group as at 30 April 2018 fell to HK$98,609,000 (2017: HK$118,092,000).

Interest Expenses

As the Group lowered its financial leverage, interest expenses of the Group amounted to HK$22,132,000 (2017: HK$27,550,000), representing a decrease of 19.7% as compared with last year.

Financial Resources and Capital Structure

The Group's net cash outflow was HK$18,864,000 (2017: net cash inflow of HK$19,545,000) for the year. Net cash outflow from operating activities amounted to HK$3,604,000 (2017: inflow of HK$121,577,000). The difference in cash flow from operating activities as compared with last year was mainly attributable to the significant increase in inventories as mentioned above. Given that the net cash outflow from operating activities amounted to HK$33,498,000 for the six months ended 31 October 2017, the Group recorded a net cash inflow from operating activities for the second half of the year. Net cash inflow from investing activities for the year amounted to HK$132,688,000 (2017: outflow of HK$19,095,000), cash inflow was mainly cash from the disposal of certain investment properties during the year, which was used to reduce bank borrowings, resulting in an increase of net cash outflow from financing activities for the year to HK$147,948,000 (2017: HK$82,937,000).

Cash Flow Summary

	2018	2017
	HK$'000	*HK$'000*
Net cash (outflow)/inflow from operating activities	**(3,604)**	121,577
Net cash inflow/(outflow) from investing activities	**132,688**	(19,095)
Net cash outflow from financing activities	**(147,948)**	(82,937)
(Decrease)/increase in cash and cash equivalents	**(18,864)**	19,545

As at 30 April 2018, the Group's net current liabilities was HK$88,722,000 (2017: HK$246,889,000), representing a significant decrease of 64% as compared with last year. Current ratio significantly increased to 0.86 (2017: 0.66), demonstrating a great improvement in liquidity for the year. The Group's total current liabilities included pledge loans of approximately HK$40,200,000 (HK$19,800,000 repayable within one year; HK$20,400,000 repayable after one year). This bank loan of HK$20,400,000 due for repayment after one year contains a repayment on demand clause was 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". The management believes that the Group's working capital on hand, together with the banking facilities provided by major financing banks are sufficient to fund its existing operation.

Charges on Assets

As at 30 April 2018, certain assets of the Group with an aggregate carrying value of approximately HK$652,225,000 (2017: HK$681,861,000) 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 2018, the Group had employed approximately 1,900 staff (2017: 2,200). 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.

FUTURE PLAN AND OUTLOOK

Looking into the future, the Group would keep on carrying out operational adjustments on retail business as planned. The Group assumed that about 18 to 20 shops would be closed upon the expiration dates of their lease contacts, in which 12 shops would have been closed before the issue date of this report. Together with the underperforming shops closed during year 2017-18 being taken into account, the Group estimated that the rental and management expense of the following year, including shop related expense like shop rents, management fees, water charges, electricity fees, internet service charges and etc., would decrease for more than 15% as compared with that of the year. On the other hand, the Group expected that 5 million Hong Kong dollars would be saved in the following year for the termination of lease contract of one logistics facility during the year due to the excessive logistics resources. Through the adjustments mentioned above, the fixed cost of the retail business would further decrease and the result would gradually move back on the normal track.

After 24 months refiguring on the distribution of retail network, the overlap among shops had greatly decreased. 759 STORE reversed the poor trend for the decline of same-store sales that the same-store sales had started its pace to grow again since July 2017. According to the sales data of the Group for May and June 2018, the same-store sales growth had reached double-digit over the same period in 2017, reflecting that the current retail network was on a path of improvement. For new shops, 759 STORE opened 13 shops in the year, and in future would kept looking for suitable shop locations, mainly seeking those in public housing estates under the management of Link REIT and Hong Kong Housing Authority, in which newly built public housing estates were of first priority. From May 2018 until the issue date of this report, 759 STORE have opened 4 new shops, of which 3 were shops in public housing estates.

At this moment, snack still maintained as the most important product category among other product categories. According to the shopping habit analysis on active 759 STORE members of currently around 1.2 million, the top 300 best-selling snack items had taken more than 85% of sales revenue for snack category in long term. Japan snack market kept releasing new product items to enrich the product variety so as to improve customer sentiment. However, the product cycles of these new items generally were as short as 15 to 30 days, of which the chance to successfully become mid or long term bestsellers were less than one in a hundred that the number of best-selling snack items was hard to break through 300, in great extent confining the growth of the regular sales revenue. The core product categories to develop in future would be the dry grocery of supermarket, the best-selling soft drink of convenience store and the alcohols. Household items, as non-core product category, would be developed synergistically. Years of market studies showed that snack only took small portion in whole products of supermarket business. Though the market for fresh food category (so called "wet items") including fresh meats, fresh fishes, fruits and vegetables was huge, 759 STORE planned not to enter fresh food market, in which suitable conditions were not in place with reference to the floor areas of shops, labour resource and other resources, and nonetheless the number of new style food market was increasing where provided much higher product variety for cooking ingredients. 759 STORE would focus on developing staple food items and frozen food items in future. Though their moving rate were less than that of snack items and with high product variety that might increase the pressure on inventory, their sale performance was more steady and promising since they were necessary in people's lives. 759 STORE would strengthen the categories of rice, noodles, cooking oil and seasonings and various canned food items in development. For frozen foods, 759 STORE would continuously increase meat items including imported beef, pork and poultry, as well as instant food items suitable for ordinary families. 759 STORE would adopt the policy of "quick turnover with lower margin" to meet the development of staple food category. It is expected that gross profit margin would be hard to rise in future and that business growth would be achieved by increase in sales revenue.

At this moment, the sourcing region of the most significant growth was Thailand, where with abundance of agricultural products at reasonable price in good quality. The Minister of Commerce of Thailand granted "THAILAND'S BEST FRIEND 2018" award to 759 STORE in May 2018, acknowledging the close reciprocity relationships built between Thailand suppliers and 759 STORE. 759 STORE would do its best to introduce much more Thailand grains, non-staple foods, leisure foods, frozen foods and local cuisine to meet the future direction of development.

For local supply, 759 STORE established product supply through several big suppliers of Hong Kong, actively coordinating on the product price setting, discount scheme and promotion activities, gradually building up the confidence of suppliers on supplying goods to 759 STORE. The Group hoped to gain much more trust from more local suppliers in future, in greater extent extending local product sources so as to fill up the shortage of direct import products, in better chance to restart the development of "one area, one big-sized shop" to provide much comprehensive and higher product variety for 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 2018. 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 2018.

CORPORATE GOVERNANCE PRACTICES CODE

The board of directors (the "Board") of the Company believes that good corporate governance plays an important role in maintaining and promoting investors' confidence. The Board is responsible for ensuring that the Company maintains 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended 30 April 2018, 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 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 29 September 2017 (the "2017 AGM") due to illness on the even date. Ms. Tang Fung Kwan, the executive director of the Company, who took the chair of the 2017 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 2017 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 risk management and internal control systems of the Group and the annual results of the Company for the year ended 30 April 2018.

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 2017 to 30 April 2018. 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 2017/2018 annual report of the Company, which will be sent to the shareholders of the Company by the end of August 2018.

SCOPE OF WORK OF MESSRS. PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income and the related notes thereto for the year ended 30 April 2018 as set out in this announcement have been agreed by the Group's auditor, Messrs. PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year under review. The work performed by Messrs. 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 Messrs. PricewaterhouseCoopers in this announcement.

ANNUAL GENERAL MEETING

The 2018 Annual General Meeting of the Company will be held on Friday, 28 September 2018 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 website of the Company (http://www.0759.com) and that of the Stock Exchange (www.hkex.com.hk). The 2017/18 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, 27 July 2018

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*