STELUX Holdings International Limited
寶光實業(國際)有限公司

Incorporated in Bermuda with limited liability

http://www.stelux.com

Stock Code: 84

INTERIM REPORT 2018/2019

A joyful heart is good medicine

Proverbs 17:22

INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

The directors of Stelux Holdings International Limited (the "Company") report the interim results and financial information of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2018. The condensed consolidated results of the Group for the six months ended 30 September 2018, the condensed consolidated balance sheet as at 30 September 2018, the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity of the Group for the six months ended 30 September 2018, all of which are unaudited, along with the relevant explanatory notes, are set out below.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

		Unaudited Six months ended 30 September	
		2018	2017
	Note	***HK$'000***	*HK$'000* (Restated)
Revenues	*4,5*	**751,598**	728,002
Cost of sales		**(368,435)**	(360,018)
Gross profit		**383,163**	367,984
Other (losses)/gains, net	*6*	**(11,232)**	4,268
Other income	*7*	**9,728**	3,382
Selling expenses		**(289,000)**	(300,096)
General and administrative expenses		**(104,645)**	(118,455)
Other operating expenses		**(15,318)**	(7,523)
Operating loss		**(27,304)**	(50,440)
Finance costs		**(12,861)**	(11,031)
Loss before income tax	*8*	**(40,165)**	(61,471)
Income tax (expense)/credit	*9*	**(5,076)**	1,068
Loss for the period from Continuing Operations		**(45,241)**	(60,403)
Loss for the period from Discontinued Operations		**(1,706)**	(1,495)
Gain on disposal of Discontinued Operations		**104,447**	–
Profit/(loss) for the period		**57,500**	(61,898)
Attributable to:			
Equity holders of the Company		**57,430**	(62,005)
Non-controlling interests		**70**	107
Profit/(loss) for the period		**57,500**	(61,898)
Dividends	*10*	**198,830**	–
		HK cents	HK cents
Loss per share for loss from Continuing Operations attributable to the equity holders of the Company – Basic and diluted	*11*	**(4.33)**	(5.78)
Profit/(loss) per share for profit/(loss) attributable to the equity holders of the Company – Basic and diluted	*11*	**5.49**	(5.93)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Unaudited Six months ended 30 September **2018** ***HK$'000***	2017 *HK$'000* (Restated)
Profit/(loss) for the period	**57,500**	(61,898)
Other comprehensive (loss)/income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences of translation of foreign operations	**(681)**	27,804
Change in fair value of available-for-sale financial assets	**–**	405
Other comprehensive (loss)/income arising from Discontinued Operations	**(14,978)**	3,605
	(15,659)	31,814
Items that will not be reclassified to profit or loss:		
Gain on revaluation of property, plant and equipment	**8,398**	–
Change in fair value of financial assets at fair value through other comprehensive income	**(302)**	–
	8,096	–
Other comprehensive (loss)/income for the period	**(7,563)**	31,814
Total comprehensive income/(loss) for the period	**49,937**	(30,084)
Attributable to:		
Equity holders of the Company	**50,950**	(30,434)
Non-controlling interests	**(1,013)**	350
Total comprehensive income/(loss) for the period	**49,937**	(30,084)

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2018

	Note	Unaudited 30 September 2018 HK$'000	31 March 2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**305,089**	322,772
Investment properties	12	**242,200**	230,000
Prepayment of lease premium	12	**12,244**	14,266
Intangible assets	12	**66,898**	69,436
Deferred tax assets		**68,617**	62,471
Available-for-sale financial assets		**–**	12,374
Financial assets at fair value through other comprehensive income		**12,072**	–
Trade and other receivables	14	**57,757**	56,921
Total non-current assets		**764,877**	768,240
Current assets			
Stocks	13	**642,414**	670,863
Trade and other receivables	14	**311,364**	351,702
Pledged bank deposits		**55,384**	–
Bank balances and cash		**281,700**	246,278
		1,290,862	1,268,843
Assets classified as held for sale		**–**	614,856
Total current assets		**1,290,862**	1,883,699
Total assets		**2,055,739**	2,651,939
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	15	**104,647**	104,647
Reserves		**768,063**	915,943
Shareholders' funds		**872,710**	1,020,590
Non-controlling interests		**6,953**	8,193
Total equity		**879,663**	1,028,783
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**8,874**	7,064
Borrowings	17	**63,724**	15,483
Total non-current liabilities		**72,598**	22,547
Current liabilities			
Trade and other payables	16	**397,275**	369,653
Income tax payable		**35,175**	15,609
Borrowings	17	**671,028**	918,926
		1,103,478	1,304,188
Liabilities directly associated with assets classified as held for sale		**–**	296,421
Total current liabilities		**1,103,478**	1,600,609
Total liabilities		**1,176,076**	1,623,156
Total equity and liabilities		**2,055,739**	2,651,939

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Note	Unaudited Six months ended 30 September **2018** ***HK$'000***	 2017 *HK$'000*
Cash flows from operating activities			
Cash generated from operations		**76,531**	30,353
Interest paid		**(12,861)**	(12,137)
Overseas profits tax paid		**(2,721)**	(3,378)
Net cash generated from operating activities		**60,949**	14,838
Cash flows from investing activities			
Purchase of property, plant and equipment		**(20,654)**	(50,295)
Proceeds from sale of property, plant and equipment		**1,626**	320
Disposal of prepayment of lease premium		**–**	1,031
Interest received		**793**	781
Disposal of business	*20*	**417,024**	–
Net cash generated from/(used in) investing activities		**398,789**	(48,163)
Cash flows from financing activities			
Drawdown of bank loans		**134,994**	324,112
Repayment of bank loans		**(327,109)**	(312,949)
Repayment of bank overdrafts		**(6,365)**	–
Capital element of finance lease payments		**(32)**	(22)
Increased in pledged bank deposits		**(55,384)**	–
Dividends paid to the Company's shareholders		**(198,830)**	–
Net cash (used in)/generated from financing activities		**(452,726)**	11,141
Net increase/(decrease) in cash and cash equivalents		**7,012**	(22,184)
Cash and cash equivalents at 1 April		**246,278**	533,774
Effect of foreign exchange rate changes		**28,410**	16,092
Cash and cash equivalents at 30 September		**281,700**	527,682
Analysis of the balance of cash and cash equivalents:			
Bank balances and cash		**281,700**	527,682

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital *HK$'000*	Share premium *HK$'000*	Revaluation reserve *HK$'000*	Exchange reserve *HK$'000*	Property, plant and equipment revaluation reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 April 2017	104,647	1,977	8,982	(96,543)	–	900,016	919,079	7,080	926,159
(Loss)/profit for the period	–	–	–	–	–	(62,005)	(62,005)	107	(61,898)
Other comprehensive income:									
Exchange differences of translation of foreign operations	–	–	–	31,166	–	–	31,166	243	31,409
Change in fair value of available-for-sale financial assets	–	–	405	–	–	–	405	–	405
Total comprehensive income/(loss) for the period ended 30 September 2017	–	–	405	31,166	–	(62,005)	(30,434)	350	(30,084)
At 30 September 2017	104,647	1,977	9,387	(65,377)	–	838,011	888,645	7,430	896,075
At 1 April 2018	**104,647**	**1,977**	**10,123**	**(47,240)**	**201,644**	**749,439**	**1,020,590**	**8,193**	**1,028,783**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**57,430**	**57,430**	**70**	**57,500**
Other comprehensive income:									
Exchange differences of translation of foreign operations	**-**	**-**	**-**	**402**	**-**	**-**	**402**	**(1,083)**	**(681)**
Change in fair value of financial assets at fair value through other comprehensive income	**-**	**-**	**(302)**	**-**	**-**	**-**	**(302)**	**-**	**(302)**
Release of cumulative exchange differences on translation of foreign operations upon disposal of business	**-**	**-**	**-**	**(14,978)**	**-**	**-**	**(14,978)**	**-**	**(14,978)**
Revaluation gain upon transfer of property, plant and equipment to Investment properties	**-**	**-**	**-**	**-**	**8,398**	**-**	**8,398**	**-**	**8,398**
Total comprehensive (loss)/income for the period ended 30 September 2018	**-**	**-**	**(302)**	**(14,576)**	**8,398**	**57,430**	**50,950**	**(1,013)**	**49,937**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(198,830)**	**(198,830)**	**(227)**	**(199,057)**
At 30 September 2018	**104,647**	**1,977**	**9,821**	**(61,816)**	**210,042**	**608,039**	**872,710**	**6,953**	**879,663**

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

These unaudited condensed interim consolidated financial information have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the applicable requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The condensed interim consolidated financial information should be read in conjunction with the 2018 annual financial statements, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

Except as mentioned below, the accounting policies and methods of computation used in the preparation of these condensed interim consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 March 2018.

(a) New and amended standards adopted by the Group

The following new standards and amendments are mandatory for the financial year beginning 1 April 2018:

HKAS 40 (Amendment)	Transfer of investment property
HKFRS 2 (Amendment)	Classification and measurement of share based payment transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HKFRS 15 (Amendment)	Clarifications to HKFRS 15
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration
Annual improvements project	Annual improvements to HKFRSs 2014-2016 cycle

Except for the impact of the adoption of HKFRS 9 and HKFRS15 as further explained below, the adoption of the above new and amended standards have no material impact to the Group.

HKFRS 9 "Financial Instruments"

Nature of change

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

1. BASIS OF PREPARATION (Continued)

(a) New and amended standards adopted by the Group (Continued)

HKFRS 9 "Financial Instruments" (Continued)

Impact

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

The financial assets held by the Group include equity instruments currently classified as available-for-sale ("AFS") for which fair value through other comprehensive income ("FVOCI") election is available. The Group has elected to measure as FVOCI, to which any fair value gains or losses accumulated in the revaluation reserve account will no longer be reclassified to profit or loss following the derecognition of such available-for-sale financial assets.

In accordance with the transitional provisions in HKFRS 9 paragraph 7.2.15 and 7.2.26, comparative figures have not been restated, where the comparative information for prior periods with respect to classification and measurement (including impairment) changes is not restated and differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 will be recognized as an adjustment to the opening balance of equity at the date of adoption, i.e. as at 1 April 2018.

The Group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale financial assets as they are long-term strategic investments that are not expected to be sold in the short to medium term. Available-for-sale financial assets as at 31 March 2018 will continue to be measured at FVOCI after adoption of HKFRS 9.

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

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

1. BASIS OF PREPARATION (Continued)

(a) New and amended standards adopted by the Group (Continued)

HKFRS 15 "Revenue from Contracts with Customers"

Nature of change

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

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

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

Impact

The Group has first time adopted HKFRS 15 from 1 April 2018 which resulted in changes in accounting policies. In accordance with the transition provisions of HKFRS 15, the Group has adopted the modified retrospective application and no comparative figures are restated.

The adoption of HKFRS 15 has no impact on the Group's financial position and results of operations based on the current business model, other than presenting additional disclosures.

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

The following new standards and amendments have been issued but are not effective for the financial year beginning 1 April 2018 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 9 (Amendment)	Prepayment features with negative compensation	1 April 2019
HKFRS 10 (Amendment) and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 16	Leases	1 April 2019
HKFRS 17	Insurance contracts	1 April 2021
HKAS 28 (Amendment)	Long-term interests in associates and joint ventures	1 April 2019
HK(IFRIC) – Int 23	Uncertainty over income tax treatments	1 April 2019
Annual improvements project	Annual improvements to HKFRSs 2015–2017 cycle	1 April 2019

1. BASIS OF PREPARATION (Continued)

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

HKFRS 16 "Leases" — The Group is a lessee of its offices, retail stores and warehouses which are currently classified as operating leases. As at 30 September 2018, the aggregated future lease payments of the Group under operating leases was HK$483,444,000. HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the statements of financial position. Instead, all long-term leases must be recognised in the form of assets (for the rights of use) and lease liabilities (for the payment obligations). Thus, each lease will be mapped in the Group's condensed consolidated balance sheet. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations. The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the condensed statements balance sheet. In profit or loss, rental expenses will be replaced with depreciation and interest expense. It is expected that a certain portion of these lease commitments will be required to be recognised in the condensed consolidated balance sheet as right of use assets and lease liabilities.

Apart from the aforementioned HKFRS 16, the directors of the Company are in the process of assessing of the financial impact of the adoption of the above new standards and amendments to standards. The directors of the Company will adopt the new standards and amendments to standards when they become effective.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The presentation of comparative information in respect of the consolidated income statement and consolidated statement of comprehensive income for the six months ended 30 September 2017 has been restated in order to disclose the Discontinued Operations separately from Continuing Operations.

2. ESTIMATES

The preparation of condensed interim consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 March 2018.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk and liquidity risk.

The condensed interim consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2018.

There have been no changes in the risk management policies since year end.

3.2 Fair value estimation

The Group's financial instruments carried at fair value are analysed by the valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's financial assets at fair value through other comprehensive income are measured at fair value and are classified as level 3.

There were no transfers of financial instruments between level 1, level 2 and level 3 during the period.

The Group's level 3 instruments are determined by using valuation techniques including discount cash flow analysis, with reference to inputs such as dividend stream, discount rates and other specific input relevant to those particular financial instruments.

There were no changes in valuation techniques during the period.

3.3 Group's valuation process

The Group's finance department reviews the valuations of the Group's financial instruments that are stated at fair value for financial reporting purposes, including level 3 fair values. These valuation results are then reported to the Chief Financial Officer and Group senior management for discussions in relation to the valuation processes and the reasonableness of the valuation results.

3.4 Fair value of financial assets and liabilities measured at amortised cost

The carrying amounts of the Group's financial assets including bank balances and cash, deposits in approved financial institutions and trade and other receivables and financial liabilities including trade and other payables and short-term borrowings, approximate their fair values due to their short maturities.

4. SEGMENT INFORMATION

The chief operating decision-makers have been identified as the executive directors. The executive directors review the Group's financial information mainly from product and geographical perspectives. From a geographical perspective, the executive directors assess the performance of the Group's watch and optical operations in (i) Hong Kong, Macau and Mainland China and (ii) the rest of Asia.

Revenue represents sales of goods. Sales between operating segments are carried out on terms equivalent to those prevailing in arm's length transactions. The executive directors assess the performance of the operating segments based on a measure of adjusted earnings before interest and tax ("EBIT") and excludes unallocated income and net corporate expenses.Unallocated income represent gain on disposal of business. Net corporate expenses mainly represent corporate staff costs and provision for senior management bonus.

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

	Six months ended 30 September 2018								
	Continuing Operations				Discontinued Operations				
	Watch retail				Optical retail				
	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale Trading	Sub-total	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale Trading	Sub-total	Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenues									
Gross segment	434,299	166,379	288,783	889,461	186,012	30,161	4,029	220,202	1,109,663
Inter-segment	–	–	(137,863)	(137,863)	–	–	(1,244)	(1,244)	(139,107)
	434,299	166,379	150,920	751,598	186,012	30,161	2,785	218,958	970,556
Segment results	(25,826)	(3,636)	21,644	(7,818)	9,626	(3,443)	313	6,496	(1,322)
Unallocated income				–				104,447	104,447
Net corporate expenses				(19,486)				(5,481)	(24,967)
Operating (loss)/profit				(27,304)				105,462	78,158
Finance costs				(12,861)				(440)	(13,301)
(Loss)/profit before income tax				(40,165)				105,022	64,857
Income tax expense				(5,076)				(2,281)	(7,357)
(Loss)/profit for the period				(45,241)				102,741	57,500

4. SEGMENT INFORMATION (Continued)

	Six months ended 30 September 2017 (Restated)								
	Continuing Operations				Discontinued Operations				
	Watch retail				Optical retail				
	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale Trading	Sub-total	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale Trading	Sub-total	Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenues									
Gross segment	439,842	154,525	116,950	711,317	527,181	89,839	11,124	628,144	1,339,461
Inter-segment	–	–	16,685	16,685	–	–	(2,891)	(2,891)	13,794
	439,842	154,525	133,635	728,002	527,181	89,839	8,233	625,253	1,353,255
Segment results	(34,849)	(2,854)	12,615	(25,088)	24,570	(6,217)	1,362	19,715	(5,373)
Net corporate expenses				(25,352)				(16,913)	(42,265)
Operating (loss)/profit				(50,440)				2,802	(47,638)
Finance costs				(11,031)				(1,106)	(12,137)
(Loss)/profit before income tax				(61,471)				1,696	(59,775)
Income tax credit/(expense)				1,068				(3,191)	(2,123)
Loss for the period				(60,403)				(1,495)	(61,898)

There have been no material changes in total assets and total liabilities from the amount disclosed in the last annual financial statements.

5. REVENUES

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000* (Restated)
Turnover		
Sales of goods	**751,598**	728,002

The Group's revenue is regonised at a point in time.

6. OTHER (LOSSES)/GAINS, NET

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Loss on disposal of property, plant and equipment, net	**(1,760)**	(607)
Exchange (loss)/gain, net	**(9,472)**	4,875
	(11,232)	4,268

7. OTHER INCOME

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Building management fee income	**1,170**	1,170
Interest income	**793**	636
Rental income	**3,639**	–
Sundries	**4,126**	1,576
	9,728	3,382

8. EXPENSES BY NATURE

Expenses included in arriving at the loss before income tax are analysed as follows:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Depreciation of property, plant and equipment		
– Owned	**21,700**	23,274
– Leased	**28**	–
Impairment loss of property, plant and equipment	**4,680**	–
Amortisation of prepayment of lease premium	**1,424**	1,403
Amortisation of intangible assets	**1,173**	1,182
Operating leases on buildings	**150,482**	161,667
Provision for stocks	**707**	2,647
Donations	**253**	240
Employee benefit expenses	**162,010**	166,853

9. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the six months ended 30 September 2018 (2017: 16.5%) less relief for available tax losses. Taxation on overseas profits has been calculated on the estimated assessable profits for the six months ended 30 September 2018 at the rates of taxation prevailing in those territories in which the Group operates.

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

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Current income tax		
Hong Kong profits tax	**3,146**	2,213
Overseas profits tax	**4,012**	2,600
Over provisions in respect of prior years	**(3)**	(35)
	7,155	4,778
Deferred income tax	**(2,079)**	(5,846)
Income tax expense/(credit)	**5,076**	(1,068)

10. DIVIDENDS

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
No interim dividend for 2018 (2017: nil) per ordinary share	**–**	–
Special, paid of HK$0.19 (2017: nil) per ordinary share	**198,830**	–
	198,830	–

At a board meeting held on 20 November 2018, the directors did not propose the payment of an interim dividend for the six months ended 30 September 2018 (2017: nil).

A conditional special distribution in cash of HK$0.19 dollar per share was proposed by the Board of Directors on 23 January 2018 relating to the disposal of the Optical Business and approved by the Company's shareholders at the special general meeting on 19 April 2018. This proposed special distribution, amounting to HK$198,830,000, and conditional upon the approval of the disposal of the Optical Business by the shareholders has been paid on 14 June 2018.

11. PROFIT/(LOSS) PER SHARE

Basic

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

	Six months ended 30 September	
	2018	2017
Weighted average number of ordinary shares in issue (thousands)	**1,046,474**	1,046,474
Loss from Continuing Operations attributable to equity holders of the Company (HK$'000)	**(45,311)**	(60,510)
Profit/(loss) from Discontinued Operations attributable to equity holders of the Company (HK$'000)	**102,741**	(1,495)
Profit/(loss) attributable to equity holders of the Company (HK$'000)	**57,430**	(62,005)
Basic loss per share from Continuing Operations (HK cents)	**(4.33)**	(5.78)
Basic profit/(loss) per share from Discontinued Operations (HK cents)	**9.82**	(0.15)
Total basic profit/(loss) per share (HK cents)	**5.49**	(5.93)

Diluted

Diluted profit/(loss) per share for the six months ended 30 September 2018 and 2017 equal the basic profit/(loss) per share since there was no potentially dilutive ordinary share.

12. CAPITAL EXPENDITURE

	Goodwill *HK$'000*	Trademarks *HK$'000*	Technical know-how *HK$'000*	Total intangible assets *HK$'000*	Property, plant and equipment *HK$'000*	Investment properties *HK$'000*	Prepayment of lease premium *HK$'000*
Opening net book amount as at 1 April 2018	**10,773**	**54,678**	**3,985**	**69,436**	**322,772**	**230,000**	**14,266**
Additions	**–**	**–**	**–**	**–**	**20,654**	**–**	**–**
Revaluation upon transfer to investment properties	**–**	**–**	**–**	**–**	**8,398**	**–**	**–**
Transfer to investment properties	**–**	**–**	**–**	**–**	**(12,200)**	**–**	**–**
Transfer from property, plant and equipment	**–**	**–**	**–**	**–**	**–**	**12,200**	**–**
Exchange differences	**(694)**	**(415)**	**(256)**	**(1,365)**	**(4,741)**	**–**	**(598)**
Disposals	**–**	**–**	**–**	**–**	**(3,386)**	**–**	**–**
Depreciation/amortisation	**–**	**–**	**(1,173)**	**(1,173)**	**(21,728)**	**–**	**(1,424)**
Impairment	**–**	**–**	**–**	**–**	**(4,680)**	**–**	**–**
Closing net book amount as at 30 September 2018	**10,079**	**54,263**	**2,556**	**66,898**	**305,089**	**242,200**	**12,244**
Opening net book amount as at 1 April 2017	9,891	53,786	36,022	99,699	403,213	–	31,282
Additions	–	–	–	–	50,295	–	–
Exchange differences	520	581	419	1,520	4,595	–	1,150
Disposals	–	–	–	–	(1,173)	–	(1,031)
Depreciation/amortisation	–	–	(1,182)	(1,182)	(45,097)	–	(2,903)
Impairment	–	–	–	–	(2,548)	–	–
Closing net book amount as at 30 September 2017	10,411	54,367	35,259	100,037	409,285	–	28,498
Opening net book amount as at 1 October 2017	10,411	54,367	35,259	100,037	409,285	–	28,498
Additions	–	–	–	–	57,255	–	1,015
Revaluation upon transfer to investment property	–	–	–	–	201,644	–	–
Transfer to investment property	–	–	–	–	(230,000)	–	–
Transfer from property, plant and equipment	–	–	–	–	–	230,000	–
Transfer to assets classified as held for sale	–	–	–	–	(71,516)	–	(14,343)
Exchange differences	362	311	193	866	8,449	–	2,128
Disposals	–	–	–	–	(2,518)	–	(28)
Depreciation/amortisation	–	–	(1,194)	(1,194)	(41,438)	–	(3,004)
Impairment	–	–	(30,273)	(30,273)	(8,389)	–	–
Closing net book amount as at 31 March 2018	10,773	54,678	3,985	69,436	322,772	230,000	14,266

13. STOCKS

	30 September 2018 HK$'000	31 March 2018 HK$'000
Raw materials	**136,698**	141,611
Work-in-progress	**10,979**	14,237
Finished goods	**686,298**	723,152
	833,975	879,000
Less: provision for stocks	**(191,561)**	(208,137)
	642,414	670,863

14. TRADE AND OTHER RECEIVABLES

	30 September 2018 HK$'000	31 March 2018 HK$'000
Trade receivables, gross	**219,758**	246,450
Less: provision for impairment of trade receivables	**(865)**	(933)
Trade receivables, net (note)	**218,893**	245,517
Deposits, prepayments and other receivables	**150,228**	163,106
	369,121	408,623
Less: non-current portion	**(57,757)**	(56,921)
Current portion	**311,364**	351,702
Trade receivables analysed by invoice date:		
Below 60 days	**51,724**	53,825
Over 60 days	**168,034**	192,625
	219,758	246,450

Note:

The Group engages designated import and export agents for the importation of products from its subsidiaries in Hong Kong to its subsidiaries in Mainland China. The balances due from and due to the import and export agents are settled on a back-to-back basis, and hence, there are no fixed terms of settlement for such balances. The Group's trade receivables and trade payables include balances due from and due to the import and export agents of HK$ 150,970,000 (31 March 2018: HK$174,961,000).

15. SHARE CAPITAL

	Note	Number of shares of HK$0.1 each	*HK$'000*
Issued and fully paid:			
At 30 September 2017, 31 March 2018, 1 April 2018 and 30 September 2018		**1,046,474,025**	**104,647**

Note:

The Company and its subsidiaries did not set up or operate any share option scheme for the six months ended 30 September 2018 and the year ended 31 March 2018.

16. TRADE AND OTHER PAYABLES

	30 September 2018 *HK$'000*	31 March 2018 *HK$'000*
Trade payables analysed by invoice date:		
Below 60 days	**90,390**	44,007
Over 60 days	**153,846**	177,769
	244,236	221,776
Other payables and accruals	**153,039**	147,877
Total trade and other payables	**397,275**	369,653

17. BORROWINGS

	Note	**30 September 2018** *HK$'000*	31 March 2018 *HK$'000*
Bank overdrafts		**–**	6,365
Bank borrowings	*(a)*	**734,675**	927,935
Obligations under finance leases	*(c)*	**77**	109
		734,752	934,409
Current portion		**(671,028)**	(918,926)
Non-current portion		**63,724**	15,483

17. BORROWINGS (Continued)

Note:

(a) The Group's bank borrowings are repayable as follows:

	30 September 2018 *HK$'000*	31 March 2018 *HK$'000*
Repayable on demand/within 1 year	**670,979**	912,504
Between 1 and 2 years	**1,412**	1,485
Between 2 and 5 years	**51,474**	4,855
Over 5 years	**10,810**	9,091
	734,675	927,935

Included in bank borrowings as at 30 September 2018 are secured borrowings of HK$734,675,000 (31 March 2018: HK$927,935,000), which are secured by property, plant and equipment, investment properties and pledged bank deposits of the Group.

(b) Movement in bank loans during the period is analysed as follows:

	Six months ended 30 September	
	2018 *HK$'000*	2017 *HK$'000*
Opening balance	**927,935**	1,097,200
Drawdown of bank loans	**134,994**	324,112
Repayment of bank loans	**(327,109)**	(312,949)
Exchange differences	**(1,145)**	798
Closing balance	**734,675**	1,109,161

(c) The obligations under finance leases are repayable as follows:

	30 September 2018 *HK$'000*	31 March 2018 *HK$'000*
Within 1 year	**57**	65
Between 1 and 2 years	**34**	59
	91	124
Future finance charges on finance leases	**(14)**	(15)
Present value of finance lease liabilities	**77**	109

The present value of finance lease liabilities is analysed as follows:

	30 September 2018 *HK$'000*	31 March 2018 *HK$'000*
Within 1 year	**50**	57
Between 1 and 2 years	**27**	52
	77	109

18. COMMITMENTS

(a) Commitments under operating leases (where the Group is the lessee)

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

	30 September 2018 *HK$'000*	31 March 2018 *HK$'000*
Buildings		
Not later than one year	**251,467**	611,562
Later than one year but not later than five years	**229,950**	443,790
Later than five years	**2,027**	4,062
	483,444	1,059,414

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

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

	30 September 2018 *HK$'000*	31 March 2018 *HK$'000*
Investment properties		
Not later than one year	**5,192**	4,720
Later than one year but not later than five years	**5,192**	8,024
	10,384	12,744

19. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

As at 30 September 2018, Yee Hing Company Limited ("Yee Hing") held 855,200 shares of the Company through its subsidiary Active Lights Company Limited, 55% of the total issued ordinary shares of Yee Hing Company Limited is held by Klayze Holdings Limited, which is the trustee of a discretionary trust (the "Trust"). Mr. Joseph C.C. Wong is a beneficiary of the Trust and was therefore deemed to be interested in 855,200 shares of the Company through the Trust's interest in Yee Hing Company Limited.

Optical 88 Holdings Limited and its subsidiaries and Optical 88 (Thailand) Limited have become wholly owned companies of Mr. Joseph C.C Wong since 1 June 2018.

19. RELATED PARTY TRANSACTIONS (Continued)

The following is a summary of the significant related party transactions carried out in the normal course of the Group's business:

(i) Provision of services to related companies

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Rental and services income from related companies (note a)	**13,622**	1,170

Note:

(a) The details provision of services to related companies is analysed as follows:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Management service income	**10,263**	–
Building management service income (note b)	**1,170**	1,170
Rental income	**1,836**	–
Royalty income	**353**	–
	13,622	1,170

(b) A wholly-owned subsidiary of the Group entered into a renewal agreement with Mengiwa Property Investment Limited ("MPIL"), a wholly-owned subsidiary company of Yee Hing, for the provision of the following services for the period from 1 April 2016 to 31 March 2019:

(a) contract administration with respect to contracts entered into between MPIL and third parties from time to time;

(b) property agency liaison and tenancy management;

(c) management of the property manager of Stelux House; and

(d) other miscellaneous administrative services.

The fee for the provision of the above services was agreed at HK$195,000 (2017: HK$195,000) per calendar month during the duration of the agreement, which will be expired on 31 March 2019.

19. RELATED PARTY TRANSACTIONS (Continued)

(ii) Purchases of services from related companies

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Rental expense to related companies *(note)*	**7,594**	8,352

Note:

During the period, certain subsidiaries of the Group have entered into tenancy agreements with the following related parties for office premises, warehouses, showroom and car-parking spaces:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
MPIL	**5,305**	6,952
Other related parties	**2,289**	1,400
	7,594	8,352

(iii) Period/year-end balances arising from services income and rental expenses

	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
Trade balances receivable from related companies	**16,604**	5,479
Trade balances payable to related companies	**(3,439)**	(2,968)

(iv) Key management compensation

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**4,141**	5,512
Other long-term benefits	**63**	61
	4,204	5,573

20. DISPOSAL OF BUSINESS

On 26 January 2018, the Group entered into a share purchase agreement with a related party for disposal of shares in the subsidiaries of the Group engaged in the Optical Business (the "Disposal") at a consideration of HK$400,000,000, subject to adjustments. The Disposal was communicated to shareholders on 22 March 2018 through a circular. The Disposal was subsequently approved by the Company's shareholders at a special general meeting on 19 April 2018. The completion of the Disposal took place on 1 June 2018, resulting in a gain on disposal of HK$104,447,000 as below.

	Unaudited ***HK$'000***
Net assets disposed of:	
Property, plant and equipment	**70,728**
Prepayment of lease premium	**13,220**
Othe non-current assets	**11,590**
Stocks	**216,403**
Trade and other receivables	**165,370**
Bank balances and cash	**59,987**
Trade and other payables	**(211,538)**
Amount due to the Group	**(403,827)**
Other non-current liabilities	**(50,832)**
	(128,899)
Release of cumulative exchange differences on translation of foreign operations	**(14,978)**
Professional fees and taxes	**35,603**
Gain on disposal	**104,447**
Considerations	**(3,827)**
Satisified by	
Cash	**400,000**
Waiver of intercompany debts	**(403,827)**
	(3,827)

An analysis of net inflow of bank balances and cash in respect of the Disposal is as follows:

	Unaudited **For the six months ended 30 September 2018** ***HK$'000***
Cash consideration net of expenses paid	**376,674**
Transfer of excess cash to the Group	**40,350**
Net inflow of bank balances and cash in respect of the Disposal (note)	**417,024**

Note: HK$12 million tax-related accrued payable will be paid after 30 September 2018.

20. DISPOSAL OF BUSINESS (Continued)

The financial performance presented are for the two months ended 31 May 2018 and six months ended 30 September 2017.

	Unaudited	
	Two months ended 31 May 2018	Six months ended 30 September 2017
	HK$'000	*HK$'000* (Restated)
Revenue	**218,958**	625,253
Other gains, net	**102,443**	2,647
Other income	**15,953**	9,539
Expenses	**(232,332)**	(635,743)
Profit before income tax	**105,022**	1,696
Income tax expense	**(2,281)**	(3,191)
Profit/(loss) from Discontinued Operations	**102,741**	(1,495)
Exchange differences on translation of Discontinued Operations	**(14,978)**	3,605
Total comprehensive income from Discontinued Operations	**87,763**	2,110

21. CONTINGENT LIABILITIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

- Group Turnover up by 3.2% to HK$751.6 million

- Group Net Profit at HK$57.4 million

- Group Gearing Ratio reduced to 45.6% (March 2018: 67.4%)

- Group Inventory reduced by 4.2% to HK$642.4 million vs that as at 31 March 2018

For the period under review, Group turnover increased by 3.2% to HK$751.6 million (1H2017: HK$728.0 million). The Group reported a profit attributable to its equity holders of HK$57.4 million (1H2017: loss of HK$62.0 million) due to a gain on Disposal of the Optical Business (unaudited) of HK$104.4 million which was recognised during the period under review (On 1 June 2018, the Group completed ("Completion") the disposal of its entire optical retail and wholesale businesses (the "Optical Business") to its controlling shareholder (the "Disposal")). After excluding this gain on Disposal, the Group would have reported a loss of HK$47 million.

The loss of the Optical Business was classified as Discontinued Operations in accordance with the Hong Kong Financial Reporting Standard 5. A loss of HK$1.7 million was recorded by the Discontinued Operations during the period under review.

Group gross profit margin was slightly improved to 51.0% compared to 50.5% in the corresponding period.

With proceeds from the Disposal utilised to settle part of the Group's bank borrowings, gearing ratio was decreased to 45.6% (March 2018: 67.4%) as net debts decreased by HK$290.4 million.

Through prudent inventory control, Group inventory level declined by 4.2% to HK$642.4 million (March 2018: HK$670.9 million), with shortened inventory turnover days of 313 days (March 2018: 331 days).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (2017: Nil per ordinary share).

CITY CHAIN GROUP

- City Chain Group Turnover remained stable with an 8% reduction in shops

- City Chain Group Loss Before Interest and Tax (LBIT) of HK$29.5 million (1H2017: HK$37.7 million)

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

Turnover remained stable at HK$600.7 million (1H2017: HK$594.4 million) despite the number of operating shops contracting by 8% with same store sales posting growth of around 6.2%. A continued uplift in operating efficiencies contributed to LBIT narrowing by 21.8% to HK$29.5 million (1H2017: HK$37.7 million) as rental costs were reduced by around 15.8% and other general operating expenses (excluding expenditure on brand investment) declined by 3.5%.

Greater China

Turnover for Greater China fell slightly by 1.3% to HK$434.3 million (1H2017: HK$439.8 million) given a reduction in number of shops by 7.1%. LBIT was reduced by 25.9% to HK$25.8 million (1H2017: HK$34.8 million) due to continual progress in shop productivity and cost efficiencies.

Improving retail sentiment continued in Q1 2018 as strong same store sales growth was achieved but a softening since the end of Q2 has been seen as general retail sentiment was impacted by various adverse factors like the ongoing US-China trade dispute, volatile capital markets and a weaker Renminbi. Despite these adverse factors, on average in 1H 2018, y-o-y same store sales growth of around 7% in Hong Kong and Macau was achieved, driven by the positive response towards our new life-style CITY CHAIN stores and also the strong rebound in sales from stores located in tourist areas. Currently, around half of stores in Hong Kong carry the new CITY CHAIN lifestyle image. Cost control measures also proved effective as operating costs (other than brand marketing investment expenditure) fell by 12.1%. Excluding the marketing expense related to investment brand building of our house brands, Hong Kong and Macau achieved breakeven results during the reporting period.

LBIT in Mainland China narrowed by around 25.1% due to growth in shop sell-through in Southern China and shop consolidation, resulting in overheads savings and higher shop productivity. Currently about two-thirds of shops in Guangdong operate with our refreshed image. During the period, single digit same store sales growth was recorded despite a weak Renminbi, volatility in the stock market and a slowdown in general retail consumption in Mainland China since July 2018.

The turnover of our watch e-commerce business in Mainland China increased by about 27.6% compared to 1H 2017. Further investments will be made to enhance customer shopping experience at our existing platforms.

Southeast Asia

Further improvements in profitability were seen by our Southeast Asia operations with same store sales up 6.0% and turnover increasing by 7.7% to HK$166.4 million (1H2017: HK$154.5 million) despite a reduction in number of shops by 9%. Impacted by currency depreciation against the Hong Kong dollar, a LBIT of HK$3.6 million (1H2017: LBIT of HK$2.9 million) was reported. Exchange neutral, our operations in Southeast Asia returned a small EBIT of HK$0.5 million (1H2017: LBIT of HK$4.8 million) owing to improvement in shop productivity and cost efficiencies.

EBIT at our Malaysian operations grew significantly by 55.1% owing to improved buying sentiment and an appropriate store portfolio while LBIT at our Thai operations narrowed by 43.8% because of strong same store sales growth of 43.3% following the refreshing of several key stores and further product enrichment. Our Singapore operations recorded y-o-y same store sales growth of 3.9% but an exchange loss widened LBIT posted.

SUPPLY CHAIN MANAGEMENT AND WHOLESALE TRADING

This business division which is made up of the Group's watch supply chain and wholesale trading units posted an increase in profit of HK$21.6 million (1H 2017: HK$12.6 million) as turnover grew by 12.9% to HK$150.9 million (1H 2017: HK$133.6 million).

As the sole distributor for "SEIKO" and "GRAND SEIKO" brand of watches in Hong Kong, Singapore and Malaysia, the Group's wholesale unit launched various marketing campaigns and continued to provide committed service support to retailers to stimulate consumer demand leading to an improved performance by this unit during the period under review.

Discontinued Operations – Optical Retail and Wholesale

The turnover for the Discontinued Operations recorded during the two month period before the completion of the Disposal was HK$219.0 million and a loss of HK$1.7 million was sustained.

GROUP OUTLOOK

Riding on improved consumer sentiment and increased brand investment, the Group made positive progress in 1H 2018. During this period, additional resources devoted to brand enhancement (at both retail and wholesale levels) of major brands, "Solvil et Titus", "SEIKO" and "GRAND SEIKO" drew improved results.

Although we remain cautious due to uncertainties from the US-China trade wars, brand investment will continue with our major brands, firstly, to lay a good foundation for the Group's sustainable future growth and, secondly, to allow us to reap the benefits when sentiment improves.

FINANCE

The Group's capital management, currency and interest rate movement are constantly monitored and reviewed by the management of the Group to address and manage relevant financial risks relating to the Group's operations. The Group maintains prudent treasury management policies to address liquidity to finance both short-term and long-term working capital needs for business operations. Funds are generated from business operating activities and banking facilities in the form of term loans and short-term trading facilities. Forecast and actual cash flow analyses are continuously monitored. Maturity of assets and liabilities and requirement of financial resources for business operations are prudently managed.

The gearing ratio was 45.6% (31 March 2018: 67.4%) with shareholders' funds standing at HK$872.7 million (31 March 2018: HK$1,020.6 million) and net debts of HK$397.7 million (31 March 2018: HK$688.1 million). The net debts are based on the bank borrowings of HK$734.8 million (31 March 2018: HK$934.4 million) less bank balances and cash of HK$337.1 million (of the Group as at 31 March 2018: HK$246.3 million) of which HK$55.4 million were pledged (nil at 31 March 2018). The cash position of the Discontinued Operations as at 31 March 2018 was HK$143.1 million. At Completion, cash held by the Discontinued Operations in excess of HK$59.987 million (adjusted by foreign exchange rate at Completion) was transferred to the Continuing Operations.

Following the Completion of the Disposal of the Discontinued Operations, the Group received gross proceeds of HK$400 million, of which a special distribution of HK$198.8 million was paid to its shareholders and the remaining balance has been utilised to settle part of bank borrowings to reduce the net debts by 42.2% to HK$397.7 million.

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

As at 30 September 2018, the Group's total equity funds amounted to HK$879.7 million. The Group's cash inflow from its operations amounted to HK$60.9 million and coupled with its existing cash and unutilised banking facilities will fund its future needs.

As at 30 September 2018, the current assets and current liabilities were approximately HK$1,290.9 million (31 March 2018: HK$1,883.7 million) and HK$1,103.5 million (31 March 2018: HK$1,600.6 million), respectively. The current ratio was approximately 1.17 (1.18 as at 31 March 2018).

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

The Group does not engage in speculative derivative trading.

As at 30 September 2018, the Group does not have any significant contingent liabilities except disclosed in Note 21 to the Condensed Interim Consolidated Financial Information.

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

CAPITAL STRUCTURE OF THE GROUP

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

CHANGES IN THE COMPOSITION OF THE GROUP

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

NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES, BONUS AND TRAINING SCHEMES

The Group's remuneration policies are reviewed on a regular basis and remuneration packages are in line with market practices in the relevant countries where the Group operates. As of 30 September 2018, the Group had 1,663 employees (at 30 September 2017: 2,969 employees including 1,266 employees in the Discontinued Operations).

DETAILS OF THE CHARGES ON GROUP ASSETS

At at 30 September 2018, certain property, plant and equipment and investment properties amounting to HK$458.1 million (31 March 2018: HK$452.7 million) and bank deposits amounting to HK$55.4 million (31 March 2018: nil) were pledged to secure banking facilities granted to the Group.

As at 30 September 2018, the Company had given guarantees to various banks to secure general banking facilities granted to certain subsidiaries amounting to HK$1,285.8 million (31 March 2018: HK$1,542.4 million).

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

Mr. Joseph C. C. Wong and Mr. Wallace Kwan Chi Kin are eligible to an annual bonus determinable under the terms of an executive bonus scheme with respect to the management of the Group. Provision for the executive bonus in respect of the directors eligible under the Executive Bonus Scheme for the six months ended 30 September 2018 amounted to HK$1,550,000 (2017: HK$3,000,000).

As at 30 September 2018, the interests and short positions of the directors, and the Company's chief executive in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(a) The Company-Ordinary shares

Long position in shares and underlying shares of the Company

Name of Director	Number of shares: Personal interest	Family interest	Corporate/ trust interest	Other interest	Total	Approximate percentage of issued share capital
Mr. Joseph C. C. Wong	548,474,814	11,000	855,200 *(Note 1)*	–	549,341,014	52.49

Note:

(1) As at 30 September 2018, Yee Hing Company Limited ("Yee Hing") held 855,200 shares of the Company through its subsidiary Active Lights Company Limited, 55% of the total issued ordinary shares of Yee Hing Company Limited is held by Klayze Holdings Limited, which is the trustee of a discretionary trust (the "Trust"). Mr. Joseph C.C. Wong is a beneficiary of the Trust and was therefore deemed to be interested in 855,200 shares of the Company through the Trust's interest in Yee Hing Company Limited.

(b) Subsidiaries

	Number of shares: Personal interest	Family interest	Corporate interest	Total	Approximate percentage of the total preference shares in issue as at 30 September 2018
(i) City Chain (Thailand) Company Limited – Preference shares [1]					
Mr. Joseph C. C. Wong	200	–	208,800	209,000	99.52
(ii) Stelux Watch (Thailand) Company Limited – Preference shares [2]					
Mr. Joseph C. C. Wong	600	–	–	600	16.67
(iii) Stelux (Thailand) Limited – Preference shares [3]					
Mr. Joseph C. C. Wong	5,100	–	–	5,100	100.00

Note:

(1) City Chain (Thailand) Company Limited is a subsidiary of the Company. Each preference share carries a right to vote and a right to an annual fixed dividend but not to any other profit sharing.

(2) Stelux Watch (Thailand) Company Limited is a subsidiary of the Company. Each preference share carries a right to vote and a right to an annual fixed dividend but not to any other profit sharing.

(3) Stelux (Thailand) Limited is a subsidiary of the Company. Mr. Joseph C. C. Wong is entitled to approximately 8.6% of the voting power of such subsidiary and an annual fixed dividend by virtue of the 5,100 preference shares held by him but not to any other profit sharing.

Save as disclosed above, no directors, chief executive of the Company or their associates have any interest or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

INTERESTS OF SHAREHOLDERS DISCLOSEABLE PURSUANT TO THE SFO

As at 30 September 2018, the following persons had interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in shares and underlying shares of the Company

	Number of shares					Approximate percentage of
Name of Shareholder	**Beneficial interest**	**Family interest**	**Corporate/ trust interest**	**Other interest**	**Total**	**issued share capital**
Mr. Joseph C. C. Wong	548,474,814	11,000	855,200 *(Note 2)*	–	549,341,014	52.49
Mr. Sakorn Kanjanapas *(Note 1)*	68,076,278	–	855,200 *(Note 2)*	–	68,931,478	6.59
Fidelity China Special Situations Plc	73,911,000 *(Note 3)*	–	–	–	73,911,000	7.06
FIL Limited	–	–	73,911,000 *(Note 3)*	–	73,911,000	7.06

Note:

(1) Mr. Sakorn Kanjanapas passed away on 8 April 2017.

(2) As at 30 September 2018, Yee Hing Company Limited ("Yee Hing") held 855,200 shares of the Company through its subsidiary Active Lights Company Limited, 55% of the total issued ordinary shares of Yee Hing Company Limited is held by Klayze Holdings Limited, which is the trustee of a discretionary trust (the "Trust"). Mr. Joseph C.C. Wong and Mr. Sakorn Kanjanapas are the beneficiaries of the Trust and were therefore deemed to be interested in 855,200 shares of the Company through the Trust's interest in Yee Hing Company Limited.

(3) FIL Limited is deemed to be interested in 73,911,000 shares (long position) held directly by FIL Investment Management (Hong Kong) Limited under the SFO by virtue of its controlling interest in FIL Investment Management (Hong Kong) Limited. FIL Investment Management (Hong Kong) Limited is wholly-owned by FIL Asia Holding Pte Limited, which is in turn wholly-owned by FIL Limited.

FIL Investment Services (UK) Limited is wholly-owned by FIL Holdings (UK) Limited, which is in turn wholly-owned by FIL Limited. FIL Investment Services (UK) Limited, the Alternative Investment Fund Manager of Fidelity China Special Situations Plc ("FCSSP"), has delegated the investment management of FCSSP to FIL Investment Management (Hong Kong) Limited.

Save as disclosed above, the directors are not aware of any person (other than a director or chief executive of the Company or his/her respective associate(s)), who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 30 September 2018.

SUBSTANTIAL SHAREHOLDING IN OTHER MEMBERS OF THE GROUP

The directors are not aware of any person (other than a director or chief executive of the Company or his/her respective associate (s)) who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

OTHER DIRECTORS' INTERESTS

None of the directors or their respective associates had any interest in a business apart from the Company's business which competes or is likely to compete, either directly or indirectly with, the Company's business, or which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

CORPORATE GOVERNANCE

During the six months ended 30 September 2018, the Company has complied with the code provisions of Corporate Governance Code (the "Code Provisions") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Code"), except for the following deviations:

Code Provision A.2.1

Under Code Provision A.2.1 of the Code, the roles of Chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. Under the current organisation structure of the Group, Mr. Joseph C.C. Wong is both the Chairman and CEO of the Group. The Board believes that with Mr. Joseph C.C. Wong acting as both Chairman and CEO, ensures consistent leadership and further enables better strategic planning for the Group. The Board also believes that the non-separation of roles does not affect the balance of power and authority within the Board.

Code Provision A.4.2

Under Code Provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Not all directors of the Company retire strictly under Code Provision A.4.2. Bye-Law 110(A) stipulates that one-third of the directors of the Company who have been longest serving in office since their last election, except the Chairman or CEO, shall retire from office by rotation at each annual general meeting.

Code Provision B.1.3

This Code Provision deals with the terms of reference of a remuneration committee. The Company has adopted the terms of reference under Code Provision B.1.3 except that the terms of reference do not include reviewing and determining the remuneration packages of senior management. The Company believes that the remuneration packages of senior management should be the responsibility of the executive directors as they are in a better position to appraise the performance of senior management.

Audit Committee

On 19 November 2018, the Audit Committee together with the management of the Company reviewed the effectiveness of the systems of internal control throughout the Group for the six months ended 30 September 2018 and discussed auditing and financial reporting matters including review of the Group's results for the six months ended 30 September 2018 before they were presented to the board of directors for approval.

Remuneration Committee

On 8 November 2018, the Remuneration Committee determined the annual bonus scheme for FY18/19 for its executive directors.

Nomination Committee and Corporate Governance Committee

There are no updates on the Nomination Committee and Corporate Governance Committee since the publication of the immediate preceding annual report of the Company.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding director's securities transactions.

The Company has also made specific enquiry of all its directors to ascertain whether they have complied with or whether there has been any non-compliance with the required standard set out in the Model Code.

All directors complied with the provisions of the Model Code during the six months ended 30 September 2018.

On behalf of the Board
Joseph C. C. Wong
Chairman and Chief Executive Officer

Hong Kong, 20 November 2018

Directors of the Company as at the date hereof:

Executive directors:
Chumphol Kanjanapas (also known as Joseph C. C. Wong) *(Chairman and Chief Executive Officer)* and Wallace Kwan Chi Kin *(Chief Financial Officer)*

Independent Non-Executive directors:
Wu Chun Sang, Lawrence Wu Chi Man and Agnes Kwong Yi Hang

CORPORATE INFORMATION

Registered Office

Canon's Court, 22 Victoria Street
Hamilton, HM12, Bermuda

Principal Office

27th Floor, Stelux House
698 Prince Edward Road East
San Po Kong
Kowloon
Hong Kong

Principal Bankers

Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited

Share Registrar

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor
Services Limited
Room 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Audit Committee

Mr. Nelson Wu Chun Sang
(Chairman of Committee)
Professor Lawrence Wu Chi Man
Dr. Agnes Kwong Yi Hang

Remuneration Committee

Professor Lawrence Wu Chi Man
(Chairman of Committee)
Mr. Joseph C. C. Wong
Mr. Nelson Wu Chun Sang
Dr. Agnes Kwong Yi Hang

Nomination Committee

Mr. Joseph C. C. Wong
(Chairman of Committee)
Mr. Nelson Wu Chun Sang
Professor Lawrence Wu Chi Man
Dr. Agnes Kwong Yi Hang

Corporate Governance Committee

Mr. Wallace Kwan Chi Kin
(Chairman of Committee)
Mr. Nelson Wu Chun Sang
Professor Lawrence Wu Chi Man
Dr. Agnes Kwong Yi Hang

Company Secretary

Ms. Caroline Chong

Email Contacts

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