STELUX Holdings International Limited

寶光實業(國際)有限公司*

Incorporated in Bermuda with limited liability
Website: http://www.stelux.com
Stock Code: 84

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2016

The Board of directors ("Board") of Stelux Holdings International Limited (the "Company") announce the audited results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2016 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

	Note	**2016** ***HK$'000***	2015 *HK$'000*
Revenues	*2*	**3,401,716**	3,940,849
Cost of sales	*5*	**(1,370,752)**	(1,524,407)
Gross profit		**2,030,964**	2,416,442
Other gains/(losses), net	*3*	**12,180**	(16,557)
Other income	*4*	**22,370**	25,318
Selling expenses	*5*	**(1,657,260)**	(1,740,051)
General and administrative expenses	*5*	**(406,717)**	(413,857)
Other operating expenses	*5*	**(96,472)**	(53,344)
Operating (loss)/profit		**(94,935)**	217,951
Finance costs		**(90,778)**	(72,141)
Share of loss of an associate		**–**	(5,302)
(Loss)/profit before income tax		**(185,713)**	140,508
Income tax expense	*6*	**(4,066)**	(48,449)
(Loss)/profit for the year		**(189,779)**	92,059

* *For identification purpose only*

CONSOLIDATED INCOME STATEMENT (CONTINUED)

	Note	**2016**	2015
		HK$'000	*HK$'000*
Attributable to:			
Equity holders of the Company		**(190,009)**	91,756
Non-controlling interests		**230**	303
		(189,779)	92,059
Dividends	*7*	**–**	31,394
		HK cents	*HK cents*
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company	*8*		
– Basic		**(18.16)**	8.77
– Diluted		**(18.16)**	8.77

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	2016	2015
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(189,779)**	92,059
Other comprehensive loss:		
Items that may be reclassified to profit or loss:		
Exchange differences	**(16,245)**	(41,622)
Revaluation of available-for-sale financial assets	**(523)**	(2,679)
Other comprehensive loss for the year, net of tax	**(16,768)**	(44,301)
Total comprehensive (loss)/income for the year	**(206,547)**	47,758
Attributable to:		
Equity holders of the Company	**(206,212)**	47,791
Non-controlling interests	**(335)**	(33)
Total comprehensive (loss)/income for the year	**(206,547)**	47,758

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2016

	Note	**2016** **HK$'000**	2015 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**451,192**	460,463
Prepayment of lease premium		**29,777**	40,242
Intangible assets		**104,200**	60,664
Investment in an associate		**–**	61,329
Deferred tax assets		**76,162**	70,692
Available-for-sale financial assets		**12,129**	12,652
Debtors, deposits and prepayments	*9*	**153,846**	166,752
		827,306	872,794
Current assets			
Stocks		**1,098,607**	1,327,732
Debtors, deposits and prepayments	*9*	**433,250**	430,743
Bank balances and cash		**599,225**	460,143
		2,131,082	2,218,618
Total assets		**2,958,388**	3,091,412
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**104,647**	104,647
Reserves		**1,125,156**	1,341,833
Shareholders' funds		**1,229,803**	1,446,480
Non-controlling interests		**7,015**	7,350
Total equity		**1,236,818**	1,453,830
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**7,342**	2,299
Borrowings		**18,048**	52,068
Convertible bonds		**336,475**	380,753
		361,865	435,120
Current liabilities			
Creditors and accruals	*10*	**589,235**	601,488
Income tax payable		**4,082**	21,249
Borrowings		**656,439**	579,725
Convertible bonds		**109,949**	–
		1,359,705	1,202,462
Total liabilities		**1,721,570**	1,637,582
Total equity and liabilities		**2,958,388**	3,091,412
Net current assets		**771,377**	1,016,156
Total assets less current liabilities		**1,598,683**	1,888,950

NOTES:–

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and the liability component of the convertible bonds, which are carried at fair value.

The preparation of 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.

Adoption of amendments to standards

The following amendments to standards are mandatory for the first time for the financial year beginning 1 April 2015 and are adopted by the Group during the year:

HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions
Annual Improvement Project	Annual Improvements (2010-2012 cycle)
Annual Improvement Project	Annual Improvements (2011-2013 cycle)

The adoption of the above amendments to standards has no significant impact on the results and financial position of the Group.

2. SEGMENT INFORMATION

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

Revenue represents sales of goods. Sales between operating segments are carried out on terms equivalent to those prevailing in arm's length transactions. The executive directors assess the performance of the operating segments based on a measure of adjusted earnings before interest and tax (EBIT). This measurement basis excludes unallocated income and net corporate expenses.

Unallocated income represents dividend income from investment. Net corporate expenses mainly represent staff costs and provision for senior management bonus. Unallocated assets represent equipment and debtors at corporate level, investment in an associate, available-for-sale financial assets, deferred tax assets and bank balances and cash. Unallocated liabilities represent creditors and accruals at corporate level, borrowings, convertible bonds, deferred tax liabilities and income tax payable.

2. SEGMENT INFORMATION (CONTINUED)

	For the year ended 31 March 2016					
	Watch retail		Optical retail			
	Hong Kong, Macau and Mainland China	Rest of Asia	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale trading	Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenues						
Gross segment	**1,387,825**	**415,946**	**1,025,062**	**228,746**	**613,815**	**3,671,394**
Inter-segment	**–**	**–**	**–**	**–**	**(269,678)**	**(269,678)**
	1,387,825	**415,946**	**1,025,062**	**228,746**	**344,137**	**3,401,716**
Segment results	**(30,770)**	**(199)**	**22,950**	**(10,590)**	**10,159**	**(8,450)**
Unallocated income						**3,506**
Net corporate expenses						**(89,991)**
Operating loss						**(94,935)**
Finance costs						**(90,778)**
Loss before income tax						**(185,713)**
Income tax expense						**(4,066)**
Loss for the year						**(189,779)**

2. SEGMENT INFORMATION (CONTINUED)

	For the year ended 31 March 2016						
	Watch retail		Optical retail				
	Hong Kong, Macau and Mainland China	Rest of Asia	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale trading	Unallocated	Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditures	(28,827)	(11,096)	(39,957)	(18,174)	(76,947)	(9,042)	(184,043)
Depreciation	(27,590)	(17,136)	(36,957)	(10,674)	(3,157)	(12,760)	(108,274)
Amortisation of prepayment of lease premium	–	(3,126)	–	(2,774)	–	–	(5,900)
Amortisation of intangible assets	–	–	–	–	(2,346)	–	(2,346)
(Provision)/write back of provision for stocks	(4,947)	6,545	(5,678)	(673)	(29,477)	–	(34,230)
Impairment of property, plant and equipment	(3,438)	(568)	(2,620)	(395)	–	–	(7,021)
Impairment of intangible assets	–	–	–	–	(26,431)	–	(26,431)
Provision for onerous contracts	(15,424)	–	(2,136)	–	–	–	(17,560)

	As at 31 March 2016					
	Watch retail		Optical retail			
	Hong Kong, Macau and Mainland China	Rest of Asia	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale trading	Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	787,577	200,472	365,570	136,079	536,047	2,025,745
Unallocated assets						932,643
Total assets						2,958,388
Segment liabilities	256,077	40,140	155,551	28,333	85,909	566,010
Unallocated liabilities						1,155,560
Total liabilities						1,721,570

2. SEGMENT INFORMATION (CONTINUED)

	For the year ended 31 March 2015					
	Watch retail		Optical retail			
	Hong Kong, Macau and Mainland China	Rest of Asia	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale trading	Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenues						
Gross segment	1,698,368	514,088	1,054,789	276,716	964,153	4,508,114
Inter-segment	–	–	–	–	(567,265)	(567,265)
	1,698,368	514,088	1,054,789	276,716	396,888	3,940,849
Segment results	189,173	269	51,866	(6,715)	85,103	319,696
Unallocated income						2,052
Net corporate expenses						(103,797)
Operating profit						217,951
Finance costs						(72,141)
Share of loss of an associate						(5,302)
Profit before income tax						140,508
Income tax expense						(48,449)
Profit for the year						92,059

	For the year ended 31 March 2015						
	Watch retail		Optical retail				
	Hong Kong, Macau and Mainland China	Rest of Asia	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale trading	Unallocated	Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditures	(30,200)	(14,628)	(34,613)	(5,532)	(1,289)	(9,580)	(95,842)
Investment in an associate	–	–	–	–	–	(17,448)	(17,448)
Depreciation	(29,106)	(21,701)	(35,475)	(12,992)	(1,914)	(12,440)	(113,628)
Amortisation of prepayment of lease premium	–	(3,639)	–	(3,212)	–	–	(6,851)
Amortisation of intangible assets	–	–	–	–	–	–	–
(Provision)/write back of provision for stocks	(4,270)	2,808	(1,364)	(3,420)	(13,294)	–	(19,540)
Impairment of property, plant and equipment	(2,210)	(1,126)	(1,197)	(1,033)	–	–	(5,566)
Provision for onerous contracts	(48)	–	(130)	–	–	–	(178)

2. SEGMENT INFORMATION (CONTINUED)

	As at 31 March 2015					
	Watch retail		Optical retail			
	Hong Kong, Macau and Mainland China	Rest of Asia	Hong Kong, Macau and Mainland China	Rest of Asia	Wholesale trading	Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	984,203	281,030	364,807	143,711	460,885	2,234,636
Unallocated assets						856,776
Total assets						3,091,412
Segment liabilities	272,781	47,184	157,045	25,777	67,842	570,629
Unallocated liabilities						1,066,953
Total liabilities						1,637,582

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

	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**1,963,623**	2,273,122
Macau	**222,964**	270,335
Mainland China	**391,093**	397,102
Rest of Asia	**823,003**	999,914
Europe	**1,033**	376
	3,401,716	3,940,849

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

	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**91,211**	326,480
Macau	**39,907**	78,759
Mainland China	**(110,357)**	(98,107)
Rest of Asia	**4,450**	15,511
Europe	**(33,661)**	(2,947)
	(8,450)	319,696

2. SEGMENT INFORMATION (CONTINUED)

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

	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**251,039**	272,587
Macau	**169,204**	168,863
Mainland China	**61,592**	59,530
Rest of Asia	**176,459**	192,306
Europe	**80,721**	96,164
	739,015	789,450

3. OTHER GAINS/(LOSSES), NET

	2016	2015
	HK$'000	*HK$'000*
Gain on bargain purchase of a subsidiary	**9,863**	–
Gain on remeasuring to fair value of the existing interest in an associate upon acquisition of control	**4,222**	–
Gain/(loss) on disposal of property, plant and equipment, net	**265**	(688)
Exchange loss, net	**(2,170)**	(15,869)
	12,180	(16,557)

4. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Building management fee income	**2,340**	2,340
Dividend income from investments	**3,506**	2,052
Interest income	**1,946**	1,342
Sundries	**14,578**	19,584
	22,370	25,318

5. EXPENSES BY NATURE

	2016	2015
	HK$'000	*HK$'000*
Cost of stocks sold and raw materials consumed	**1,370,752**	1,524,407
Amortisation of intangible assets	**2,346**	–
Amortisation of prepayment of lease premium	**5,900**	6,851
Depreciation of property, plant and equipment		
– Owned	**108,220**	113,623
– Leased	**54**	5
Impairment of property, plant and equipment	**7,021**	5,566
Impairment of intangible assets	**26,431**	–
Provision for onerous contracts	**17,560**	178
Auditor's remuneration		
– Audit services	**5,350**	5,539
– Non-audit services	**1,777**	3,300
Operating leases on buildings	**715,354**	698,840
Provision for stocks	**34,230**	19,540
Impairment of debtors	**80**	116
Write back of bad debts provision	**(55)**	(40)
Donations	**293**	5,316
Employee benefit expenses	**683,546**	717,586
Others	**552,342**	630,832
Total cost of sales, selling expenses, general and administrative expenses and other operating expenses	**3,531,201**	3,731,659

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year ended 31 March 2016 (2015: 16.5%) less relief for available tax losses. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the territories in which the Group operates.

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

	2016	2015
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**11,188**	34,668
– Overseas profits tax	**6,145**	20,796
– (Over)/under provisions in respect of prior years	**(1,048)**	48
	16,285	55,512
Deferred income tax	**(12,219)**	(7,063)
Income tax expense	**4,066**	48,449

7. DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
No interim dividend for 2016 (2015: HK$0.02 per ordinary share)	–	20,929
No final dividend for 2016 (2015: HK$0.01 per ordinary share)	–	10,465
	–	31,394

8. (LOSS)/EARNINGS PER SHARE

Basic

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

	2016	2015
Weighted average number of ordinary shares in issue (thousands)	**1,046,474**	1,046,474
(Loss)/profit attributable to equity holders of the Company (HK$'000)	**(190,009)**	91,756
Basic (loss)/earnings per share (HK cents)	**(18.16)**	8.77

Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group's dilutive potential ordinary shares in existence represent convertible bonds. The convertible bonds are assumed to have been converted into ordinary shares, and the net (loss)/profit is adjusted to eliminate the expense relating to the convertible bonds less the tax effect.

Diluted (loss)/earnings per share for the year ended 31 March 2016 and 31 March 2015 equals basic (loss)/earnings per share as the conversion of convertible bonds would be anti-dilutive.

9. DEBTORS, DEPOSITS AND PREPAYMENTS

	2016 *HK$'000*	2015 *HK$'000*
Trade debtors, gross	**249,337**	253,892
Less: provision for impairment of trade debtors	**(549)**	(472)
Trade debtors, net	**248,788**	253,420
Deposits, prepayments and other debtors	**338,308**	344,075
	587,096	597,495
Less: non-current portion	**(153,846)**	(166,752)
Current portion	**433,250**	430,743
Trade debtors analysed by invoice date *(note)*:		
Below 60 days	**54,902**	82,561
Over 60 days	**194,435**	171,331
	249,337	253,892

Note:

The Group allows an average credit period of 60 days from the invoice date to its trade debtors.

10. CREDITORS AND ACCRUALS

	2016 *HK$'000*	2015 *HK$'000*
Trade creditors analysed by invoice date:		
Below 60 days	**317,014**	298,550
Over 60 days	**4,247**	22,981
	321,261	321,531
Other creditors and accruals	**267,974**	279,957
	589,235	601,488

11. COMMITMENTS

(a) Capital commitments of the Group for property, plant and equipment

	2016	2015
	HK$'000	*HK$'000*
Contracted but not provided for	**6,275**	8,950
Authorised but not contracted for	**8,509**	–
	14,784	8,950

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

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

	2016	2015
	HK$'000	*HK$'000*
Buildings		
Not later than one year	**581,130**	633,709
Later than one year but not later than five years	**453,802**	600,653
Later than five years	**4,935**	10,790
	1,039,867	1,245,152

The leases have varying terms, escalation clauses and renewal rights. The operating lease rentals of certain outlets are based on the higher of a minimum guaranteed rental or a sales level based rental. The minimum guaranteed rental has been used to arrive at the above commitments.

12. BUSINESS COMBINATION

On 16 April 2015, the Group acquired an additional 48% equity interest in CATENA SA, a Swiss watch movement manufacturer, for a cash consideration of EUR1,660,000 and entered into a shareholders' agreement with the 12% equity interest holder of CATENA SA for a call option to purchase the 12% equity interest. Together with the previously owned 40% equity interest and the Group's underlying right to the call option, the Group is considered as controlling all equity interest in CATENA SA.

12. **BUSINESS COMBINATION (CONTINUED)**

The following table summarises the consideration paid for CATENA SA and the fair value of assets acquired and liabilities assumed at the acquisition date:

	HK$'000
Consideration:	
– Cash	14,386
– Deferred consideration payable in respect of the call option	11,083
Total consideration	25,469
Recognised amounts of identifiable assets and liabilities assumed	
Property, plant and equipment	3,532
Intangible assets	70,816
Stocks	25,849
Debtors and prepayments	2,206
Cash and cash equivalents	22,257
Creditors and accruals	(10,957)
Deferred tax liabilities	(9,844)
Total identifiable net assets	103,859
Less: Fair value of equity interest in CATENA SA held before the business combination	(68,527)
	35,332
Bargain purchase	(9,863)
	25,469
Additional purchase consideration settled in cash	(14,386)
Cash and cash equivalents acquired	22,257
Cash inflow on acquisition	7,871

Acquisition-related costs of HK$770,000 have been charged to administrative expenses in the consolidated income statement for the year ended 31 March 2016.

The Group recognised a gain of HK$4,222,000 as a result of remeasuring its 40% equity interest in CATENA SA held before the business combination at fair value. The gain is included in other gains/(losses), net in the consolidated income statement for the year ended 31 March 2016.

A gain on bargain purchase of HK$9,863,000 has been recognised to other gains/(losses), net in the consolidated income statement for the year ended 31 March 2016.

The identified intangible assets represent technical know-how for watch movements with a useful life of 30 years. The fair value of the intangible assets as at the date of acquisition is determined based on cash flow projections using multi-period excess earning method with a discount rate of 12%.

CATENA SA contributed a revenue of approximately HK$606,000 and a loss of approximately HK$44,812,000 to the Group for the year ended 31 March 2016.

Had CATENA SA been consolidated from 1 April 2015, the consolidated income statement would show revenue of approximately HK$3,401,716,000 and a loss of approximately HK$189,779,000.

13 POST BALANCE SHEET DATE EVENT

On 23 June 2016, the Company announced that the Company entered into an amendment deed with the holder of convertible bonds of HK$371,022,600 issued on 18 December 2012, (the "Convertible Bonds") to early redeem the outstanding Convertible Bonds at 100% of their principal amount, to pay the accrued coupon interest of HK$6,493,000 up to 18 December 2016, and a sum equivalent to a payment for the put option of the Convertible Bonds (if the put option in the original Convertible Bond Instrument has not been exercised on or prior to the early redemption date) of HK$111,306,780 on or before 30 September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board presents a discussion and analysis of the Group's audited consolidated results for the year ended 31 March 2016.

BUSINESS REVIEW

- Group Turnover decreased by 13.7% (FX neutral: 10.7%)
- Group Gross Profit Margin down 1.6 percentage point to 59.7%
- Group Net Loss at HK$190.0 million
- Inventory reduced by HK$229.1 million, or 17.3% y-o-y
- Net cash inflow from operating activities of HK$226 million

The Group's businesses comprise principally of watch retailing ("CITY CHAIN"), optical retailing ("OPTICAL 88" and "eGG Optical Boutique"); and the wholesale trading of watches ("SEIKO"). Operating around 640 shops in Hong Kong, Macau, Mainland China, Singapore, Malaysia and Thailand, our businesses offer affordable lifestyle products and quality services targeting middle class consumers in Asia.

In the financial year under review, the slowdown in emerging economies, volatile stock markets, a strong US dollar and a weak yuan contributed to weak consumer sentiment, falling tourist numbers and sluggish domestic consumption in markets where the Group operates.

For the year ended 31 March 2016, the Group recorded a decline in turnover of 13.7% (FX neutral: 10.7 %) to HK$3,401.7 million (2015: HK$3,940.8 million) and a loss attributable to the Group's equity holders of HK$190.0 million (2015: net profit of HK$91.8 million).

The Group would report a loss attributable to shareholders of HK$88.8 million (2015: Profit of HK$147.4 million) after excluding (i) the non cash impact of an increase in the liability component of convertible bonds of HK$71.3 million (2015: HK$55.4 million), (ii) a provision made for onerous leases of shops of HK$17.6 million (2015: HK$0.2 million), (iii) an impairment of intangible assets related to our Swiss movement assembly facilities of HK$26.4 million (2015: nil) and (iv) the bargain purchase and fair value gain made on acquisition of a subsidiary of HK$14.1 million (2015: nil).

During the year under review, the Group adopted a two pronged strategy to reduce inventory and maintain a stable cash flow. Group net cash inflows from operating activities increased to HK$226 million (2015: HK$81.0 million) and Group inventory stood at HK$1,098.6 million, down 17.3% (2015:

HK$1,327.7 million) against that as at 31 March 2015; with the size of inventory reduction outpacing the decline in turnover as inventory turnover days was shortened to 293 days (2015: 318 days).

The gross profit margin for the Group narrowed to 59.7% compared to 61.3% in FY2014/15 as aggressive promotional incentives were implemented to drive sales in a market severely impacted by the downturn. However, due to the more resilient nature of the optical business, Optical 88 and eGG, were able to maintain gross profit margins at stable levels.

Group operating costs fell by 2.1% to HK$ 2,160.4 million (2015: HK$ 2,207.3 million). The Group expects operating costs to be further reduced in FY2016/17. We have seen some softening of shop rentals towards the end of Q4 FY15/16, in Hong Kong, and we expect to see further downward pressure.

Group net debts decreased by around 5.6% to HK$521.7 million (March 2015: HK$552.4 million) whilst Group gearing ratio edged up to 42.4% (2015: 38.2%). Excluding convertible bonds, bank borrowings net of bank balance was reduced to HK$75.3 million (2015: HK$171.7 million) with increased operating cash inflow.

FINAL DIVIDEND

Due to the challenging operating environment, the Board does not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: HK$0.01 per ordinary share).

CITY CHAIN GROUP

- City Chain Group turnover down 18.5%
- City Chain Group LBIT of HK$31.0 million

City Chain Group with around 350 stores in Hong Kong, Macau, Mainland China, Singapore, Thailand and Malaysia together with on-line stores at http://citychain.tmall.com/ and http://titus.tmall.com/ posted a decrease in turnover of 18.5% to HK$1,803.8 million (2015: HK$2,212.5 million) whilst recording a LBIT of HK$31.0 million (2015: EBIT of HK$189.4 million) due to the decline in turnover and a squeeze on gross profit margin. However, tight inventory management and prudent stock replenishment led to faster stock turnover and inventory was reduced by 32.2% y-o-y.

Hong Kong and Macau

City Chain Hong Kong and Macau saw turnover falling by 20.3% to HK$1,169.9 million. (2015: HK$1,467.4 million). This was due to the decline in Mainland Chinese tourist traffic and associated spending fall, together with the general economic slowdown in Hong Kong and Macau.

With the decrease in turnover and narrowed gross profit margin triggered by promotions to boost consumer purchase, dis-economies of scale hit bottom line and EBIT decreased to HK$43.9 million (2015: HK$244.3 million). This was despite operating costs (other than shop rentals) dropping by 12.2%. The Group is also streamlining fixed costs to reduce the ratio of fixed costs to turnover whilst retaining more flexibility with variable costs. Inventory was reduced by 29.9% y-o-y.

Mainland China

Our operations in Mainland China faced a very challenging operating environment following volatile stock markets and the depreciation of the yuan in mid 2015 and a further slowdown of the Chinese economy in the second half of FY 2015/16. Turnover fell by 5.6% (FX neutral: 3.3%) to HK$218.0 million (2015: HK$230.9 million) with a corresponding decrease in number of shops. LBIT widened to HK$74.7 million (2015: HK$55.1 million).

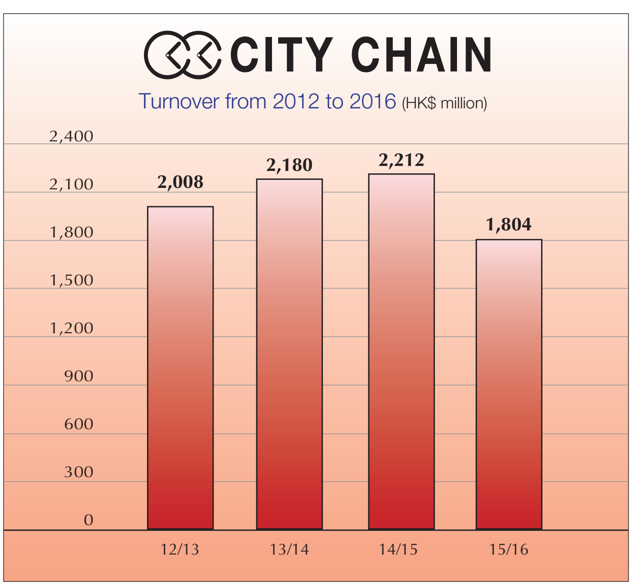
Our e-business saw strong turnover growth. This momentum is expected to continue in FY2016/17.
The fast growing Mainland online market is an important focal point and key to our O_2O strategy. To capture this growth, we continue to invest in our e-business by enriching the product mix and appeal of our house brands through increased marketing.

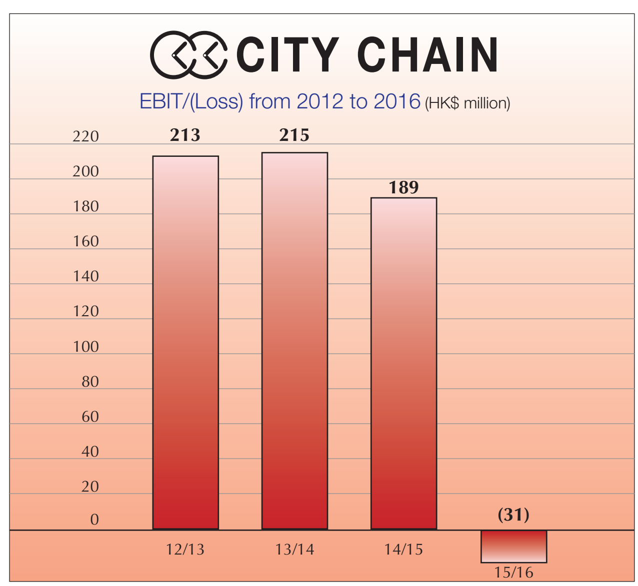
Mainland China continues to be the focus for the long term development of City Chain both online and offline.

South East Asia

With reduced number of shops in Thailand and Singapore and the introduction of GST in Malaysia, turnover dropped by 19.1% to HK$415.9 million (2015: HK$514.1 million) and a minor loss of HK$0.2 million (2015: EBIT of HK$ 0.3 million) was posted. Following a dissatisfactory performance in the first half, we saw a profit contribution in the second half.

The losses in Singapore and Thailand were contained in FY2015/16 with disciplined management of operating costs and closure of non-performing shops. Malaysia remains a profitable market despite the adverse external conditions.





OPTICAL 88 GROUP

- Optical 88 Group turnover down 10.3%
- Optical 88 Group EBIT down 46.7% to HK$32.6 million

Given cautious local consumption, Optical 88 Group with around 220 stores in Hong Kong, Macau, Mainland China, Singapore, Thailand and Malaysia posted a decrease in turnover of 10.3% to HK$1,092.2 million (2015: HK$1,218.1 million) and a corresponding decline in EBIT to HK$32.6 million (2015: EBIT of HK$61.2 million). Through a committed focus on providing differentiated professional eye care services, gross profit margin improved. Further, y-o-y, inventory was reduced by 19.3%.

Hong Kong and Macau

With weak local consumption and reduced tourist spend, Hong Kong and Macau posted a turnover decrease of 9.2% to HK$758.5 million (2015: HK$835.6 million) with EBIT falling by 44.5% to HK$52.9 million (2015: HK$95.4 million) but a healthy gross profit margin was maintained. Operating costs other than shop rentals dropped by 4.6%.

We are targeting the market potential of aging demographics and the ever increasing demand of children with eye-care needs. The Group is also developing the market for hearing aid care and so far results have been within expectations. Therefore, we will continue to further explore and develop this in the next year.

Mainland China

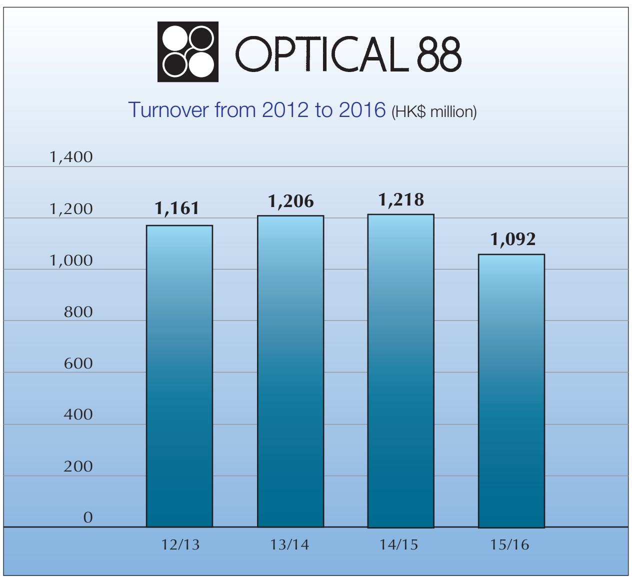
Amid weak market sentiment and fierce competition, our Mainland China business maintained turnover at HK$105.0 million (2015: HK$105.8 million) and achieved a significant reduction in loss to HK$9.7 million (2015: HK$27.5 million), contributed by profit growth in Southern China. Excluding Eastern China, where operations have ceased, Mainland China turnover in local currency terms edged up 5.2% and loss fell to HK$8.4 million (2015: HK$20.2 million). Southern China reported almost break-even results in the second half of FY2015/16 as operating costs decreased by 4.0% y-o-y.

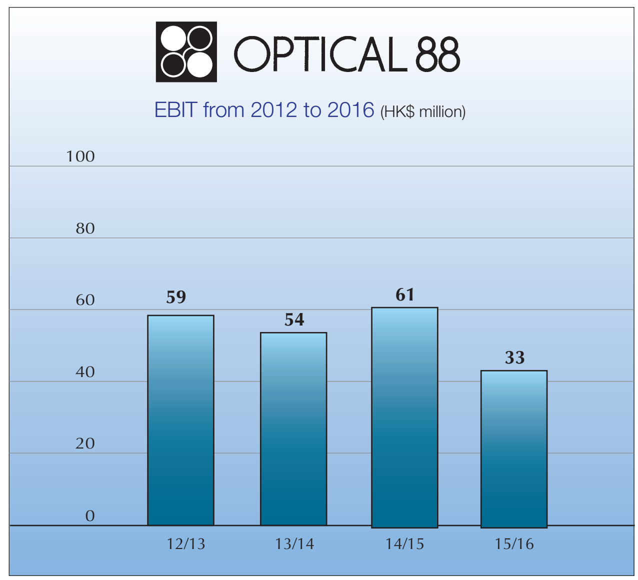
South East Asia

Faced with sluggish domestic consumption and depreciation of local currencies, turnover declined by 17.3% to HK$228.7 million (2015: HK$ 276.7 million) and a loss of HK$ 10.6 million (2015: HK$6.7 million) was reported. Gross profit margin in Thailand was under pressure whilst gross profit margin in Malaysia saw an uplift.

However, bottom line performance in Southeast Asia greatly improved, turning to a profit in the second half of FY2015/16 with positive contributions from Thailand and Malaysia.

Well contained operating costs helped to alleviate the unfavorable decline in gross profit and the loss in Singapore narrowed in the second half of FY2015/16.





eGG OPTICAL BOUTIQUE

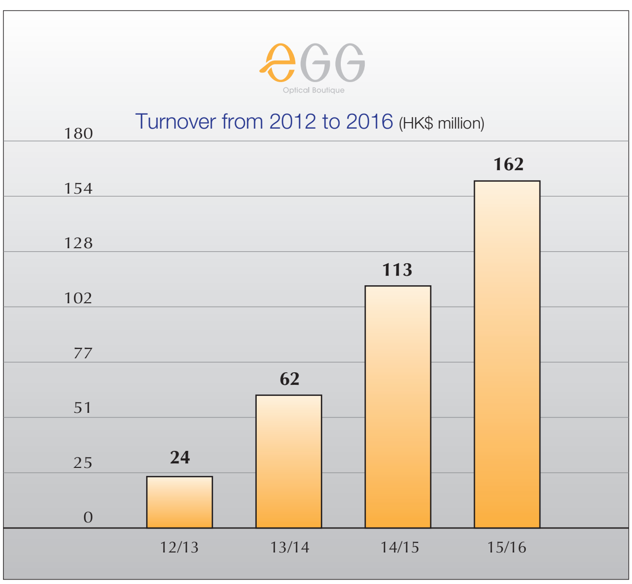
– Turnover up 42.5% to HK$161.6 million
– Breakeven in Hong Kong
– Positive same store sales growth

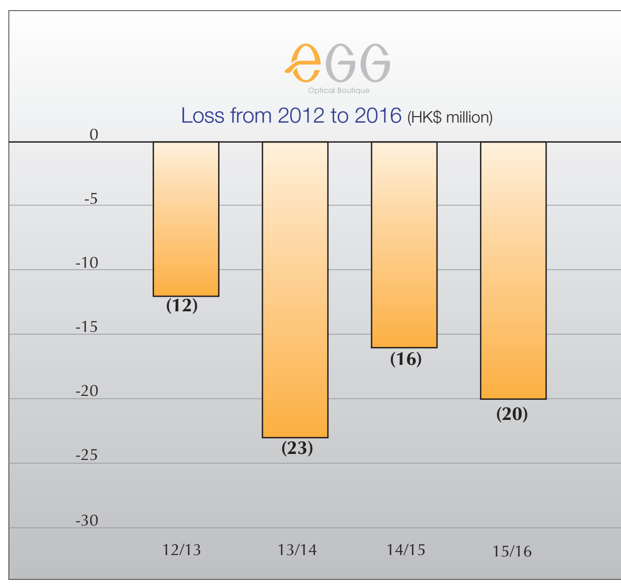
With the gradual roll out of eGG, there are currently 23 stores in Hong Kong, 38 stores in Mainland China and 7 stores in Southeast Asia. Organic growth contributed to a turnover of HK$161.6 million, a rise of 42.5% from FY 2014/15. (2015: HK$113.4 million).

eGG Hong Kong has gained popularity achieving a pleasing turnover growth of 43.4% to HK$102.4 million (2015: HK$71.4 million) and almost breakeven results (2015: loss of HK$0.7 million).

In Mainland China, turnover was sharply up by 40.7% as there were further shop rollouts in Southwestern China and Guangdong. Loss increased to HK$20.1 million (2015: HK$15.3 million) due to initial diseconomies of scale associated with new shops. The Group maintains a positive view on the prospects of eGG in Mainland China.

eGG was started in Malaysia and Singapore in FY2015/16 and results achieved so far have been within expectations. There are plans for further roll out.





SUPPLY CHAIN MANAGEMENT AND WHOLESALE TRADING

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

Turnover decreased by 13.3% to HK$344.1 million (2015: HK$396.9 million) due to the slowdown in the Group's watch and optical wholesale businesses hit by a contraction in orders from retailers.

In view of the current sluggish sentiment in the traditional Swiss made mechanical watch market segment, a non-cash impairment of HK$26.4 million was made with respect to our Swiss subsidiary engaged in the manufacture and assembly of Swiss mechanical watch movements. This impairment resulted in EBIT falling to HK$10.2 million (2015: HK$85.1 million).

OUTLOOK

As we expect the soft retail climate in the regions where we operate to persist in the foreseeable future, we shall continue with prudent strategies adopted in FY2015/16, such as maintaining healthy cash flow; reducing/containing costs and CAPEX; and maintaining strict inventory control.

Nevertheless, we believe that the middle class demographic will continue to expand and favorable consumption patterns will eventually return. Therefore, our vision to transform the Group into a major retailer in Greater China has not changed and remains pivotal to the Group's future growth.

FINANCE

The Group's gearing ratio as at 31 March 2016 was 42.4% (2015: 38.2%). Group gearing ratio was calculated based on the Group's net debt of HK$521.7 million (2015: HK$552.4 million) and shareholders' funds of HK$1,229.8 million (2015: HK$1,446.5 million). The Group's net debt was calculated based on the Group's borrowings of HK$674.5 million (2015: HK$631.8 million) and convertible bonds of HK$446.4 million (2015: HK$380.7 million) less the Group's bank balances and cash of HK$599.2 million (2015: HK$460.1 million).

Of the Group's borrowings at balance sheet date, HK$656.4 million (2015: HK$579.7 million) were repayable within 12 months.

Of the Group's borrowings, 3% (2015: 3%) were denominated in foreign currencies. The Group's bank borrowings denominated in Hong Kong Dollars were on a floating rate basis at either bank prime lending rates or short term inter-bank offer rates.

Prior to the date of this announcement, the Group has obtained a one-off waiver from a bank from strict compliance with certain covenant requirement of a bank borrowing amounted to HK$222,364,000.

The Group does not engage in speculative derivative trading.

As at 31 March 2016, the Group does not have any significant contingent liabilities.

On 23 June 2016, the Company announced that the Company entered into an amendment deed with the holder of convertible bonds of HK$371,022,600 issued on 18 December 2012, (the "Convertible Bonds") to early redeem the outstanding Convertible Bonds at 100% of their principal amount, to pay the accrued coupon interest of HK$6,493,000 up to 18 December 2016, and a sum equivalent to a payment for the put option of the Convertible Bonds (if the put option in the original Convertible Bond Instrument has not been exercised on or prior to the early redemption date) of HK$111,306,780 on or before 30 September 2016.

CAPITAL STRUCTURE OF THE GROUP

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

CHANGES IN THE COMPOSITION OF THE GROUP

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

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 31 March 2016, the Group had 3,668 (2015: 3,876) employees. The Group offers KPI related bonuses to eligible employees based on the performance of the Group and the individual employee. The Group also provides related training programmes to improve the quality, competence and skills of its employees.

DETAILS OF THE CHARGES ON GROUP ASSETS

At 31 March 2016, certain of the Group's property, plant and equipment amounting to HK$284 million (2015: HK$294 million) were pledged to secure banking facilities granted to the Group.

CLOSURE OF REGISTER OF MEMBERS

To determine entitlement to attend and vote at the forthcoming Annual General Meeting on 17 August 2016 (Wednesday) (or any adjournment thereof), the Register of Members of the Company will be closed from 12 August 2016 (Friday) to 17 August 2016 (Wednesday) both days inclusive, during which period no transfer of shares will be effected.

All transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 11 August 2016 (Thursday).

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 year ended 31 March 2016, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code Provisions") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), except for the following deviations:

Code Provision A.2.1

Under Code Provision A.2.1, the roles of Chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. Under the current organisation structure of the Group, Mr. Joseph C.C. Wong is both Chairman and CEO. The Company believes that vesting the roles of both Chairman and CEO in Mr. Joseph C.C. Wong has the benefit of ensuring consistent leadership within the Group thus enabling more effective and efficient strategic planning for the Group. The Board also believes that the balance of power and authority will not be compromised since the Board comprise of experienced and competent individuals, with the majority of the Board made up of non-executive and independent non-executive directors.

Code Provision A.4.2

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

Code Provision B.1.3

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

Strategy Committee

The Strategy Committee comprises of four executive directors, namely, Mr. Joseph C.C. Wong (Chairman of the Strategy Committee, Group Chairman and CEO), Mr. Wallace Kwan Chi Kin (Group Chief Financial Officer) and two non-executive directors, namely, Ms. Ma Xuezheng (also known as Mary Ma) and Mr. Wong Yu Tsang Alex (also known as Alex Wong). Between April 2015 and June 2016, 7 meetings were held where matters like the Group's businesses, annual budgets; and other strategic matters were discussed.

Audit Committee

The Audit Committee comprises of three independent non-executive directors; Mr. Nelson Wu Chun Sang (Chairman of the Audit Committee), Professor Lawrence Wu Chi Man and Dr. Agnes Kwong Yi Hang and two non-executive directors, namely, Ms. Mary Ma and Mr. Alex Wong. The principal responsibilities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Committee held meetings on 22 June 2015, 23 November 2015, 18 March 2016 and 20 June 2016 to discuss matters, including, the Group's audit service plan, the review of accounting principles and practices adopted by the Group and other financial reporting matters; to ensure the completeness, accuracy and fairness of the financial statements of the Company; to discuss the effectiveness of the systems of internal control throughout the Group including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and their training programmes and budget; to review all significant business affairs managed by the executive directors in particular on continuing connected transactions and to review the Group's results for the years ended 31 March 2016 and interim results for 2015/2016 before they were presented to the Board for approval.

Remuneration Committee

The Remuneration Committee comprises of Professor Lawrence Wu Chi Man (Chairman of the Remuneration Committee), Mr. Nelson Wu Chun Sang, Dr. Agnes Kwong Yi Hang (all independent non-executive directors), Ms. Mary Ma (non-executive director) and Mr. Joseph C.C. Wong (Group Chairman and CEO). A meeting was held on 21 August 2015 to conduct annual salary reviews of the basic salaries of its executive directors and the determination of the annual bonus scheme for FY15/16 for its executive directors. Up to the date of this announcement, annual salary reviews and the determination of the annual bonus schemes FY16/17 for the executive directors have yet to be carried out, and as such no remuneration committee meeting has been held in this regard.

Nomination Committee

The Nomination Committee comprises of Mr. Joseph C.C. Wong (Chairman of the Nomination Committee, Group Chairman and CEO), three independent non-executive directors; Professor Lawrence Wu Chi Man, Mr. Nelson Wu Chun Sang, Dr. Agnes Kwong Yi Hang and non-executive director Mr. Alex Wong. The Committee held one meeting on 23 June 2016 to consider the independence of Mr. Nelson Wu Chun Sang, who would have served more than 9 years by the forthcoming Annual General Meeting, to consider nomination of a retiring director and the acceptance of director resignation letters.

Corporate Governance Committee

The Corporate Governance Committee comprises of Mr. Wallace Kwan Chi Kin (Chairman of the Corporate Governance Committee and CFO), three independent non-executive directors, namely, Professor Lawrence Wu Chi Man, Mr. Nelson Wu Chun Sang, Dr. Agnes Kwong Yi Hang and two non-executive directors, namely, Ms. Mary Ma and Mr. Alex Wong. The Committee held a meeting on 18 March 2016 to review the Company's compliance with the Code Provisions and disclosure in the Corporate Governance Report amongst other things.

PUBLICATION OF FINANCIAL INFORMATION AND ANNUAL REPORT

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk under "Latest Listed Company Information" and the Company's website at http://www.stelux.com under "Announcements & Notices". The Company's Annual Report for 2016 will be despatched to the shareholders of the Company and will also be available on the above websites in due course.

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

The Lord makes firm the steps of the one who delights in him;

Psalm 37:23

Hong Kong, 23 June 2016

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)*

Non-Executive directors:

Sakorn Kanjanapas, Ma Xuezheng (also known as Mary Ma), Wong Yu Tsang Alex (also known as Alex Wong), Wu Chun Sang (independent), Lawrence Wu Chi Man (independent) and Agnes Kwong Yi Hang (independent)