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# **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 2015**

### **HIGHLIGHTS**

- Revenue up 1.3% to HK\$3,940.8 million.
- Gross profit up 1.6% to HK\$2,416.4 million.
- Gross profit margin stable at 61.3%.
- Group operating expenses up 3.3%.
- Profit attributable to shareholders of HK\$91.8 million. Excluding non-cash impact from convertible bonds (HK\$55.4 million) and exchange loss (HK\$15.9 million), a profit attributable to shareholders of HK\$163.1 million.
- Basic earnings per share, HK8.77 cents.
- Proposed final dividend, HK\$0.01 per share.

\* For identification purpose only

The Board of directors (“Board”) of Stelux Holdings International Limited (the “Company”) have pleasure in announcing the audited results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2015 as follows:

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2015**

	<i>Note</i>	<b>2015</b> <i>HK\$’000</i>	2014 <i>HK\$’000</i>
Revenues	2	<b>3,940,849</b>	3,891,572
Cost of sales	5	<b>(1,524,407)</b>	(1,512,885)
Gross profit		<b>2,416,442</b>	2,378,687
Other losses, net	3	<b>(16,557)</b>	(4,400)
Other income	4	<b>25,318</b>	25,717
Selling expenses	5	<b>(1,740,051)</b>	(1,720,009)
General and administrative expenses	5	<b>(413,857)</b>	(384,249)
Other operating expenses	5	<b>(53,344)</b>	(33,416)
Operating profit		<b>217,951</b>	262,330
Finance costs		<b>(72,141)</b>	(37,139)
Share of (loss)/profit of an associate		<b>(5,302)</b>	1,267
Profit before income tax		<b>140,508</b>	226,458
Income tax expense	6	<b>(48,449)</b>	(54,285)
Profit for the year		<b>92,059</b>	172,173
Attributable to:			
Equity holders of the Company		<b>91,756</b>	171,712
Non-controlling interests		<b>303</b>	461
		<b>92,059</b>	172,173
Dividends	7	<b>31,394</b>	76,392
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share for profit attributable to the equity holders of the Company	8		
– Basic		<b>8.77</b>	16.41
– Diluted		<b>8.77</b>	15.98

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2015**

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit for the year	<b>92,059</b>	172,173
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences	<b>(41,622)</b>	(34,417)
Revaluation of available-for-sale financial assets	<b>(2,679)</b>	(286)
Other comprehensive income for the year, net of tax	<b>(44,301)</b>	(34,703)
Total comprehensive income for the year	<b>47,758</b>	137,470
Attributable to:		
Equity holders of the Company	<b>47,791</b>	137,738
Non-controlling interests	<b>(33)</b>	(268)
Total comprehensive income for the year	<b>47,758</b>	137,470

**CONSOLIDATED BALANCE SHEET  
AS AT 31 MARCH 2015**

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment		460,463	493,473
Prepayment of lease premium		40,242	47,256
Investment in an associate		61,329	54,989
Intangible assets		60,664	63,197
Deferred tax assets		70,692	63,775
Available-for-sale financial assets		12,652	15,331
Debtors, deposits and prepayments	9	166,752	152,521
		<u>872,794</u>	<u>890,542</u>
Current assets			
Stocks		1,327,732	1,194,031
Debtors, deposits and prepayments	9	430,743	423,494
Bank balances and cash		460,143	457,683
		<u>2,218,618</u>	<u>2,075,208</u>
Total assets		<u><b>3,091,412</b></u>	<u><b>2,965,750</b></u>
<b>EQUITY</b>			
Capital and reserves attributable to the equity holders of the Company			
Share capital		104,647	104,647
Reserves		1,341,833	1,353,691
Shareholders' funds		1,446,480	1,458,338
Non-controlling interests		7,350	7,483
Total equity		<u>1,453,830</u>	<u>1,465,821</u>
<b>LIABILITIES</b>			
Non-current liabilities			
Deferred tax liabilities		2,299	2,126
Borrowings		52,068	70,464
Convertible bonds		380,753	331,456
		<u>435,120</u>	<u>404,046</u>
Current liabilities			
Creditors and accruals	10	601,488	595,839
Income tax payable		21,249	35,921
Borrowings		579,725	464,123
		<u>1,202,462</u>	<u>1,095,883</u>
Total liabilities		<u>1,637,582</u>	<u>1,499,929</u>
Total equity and liabilities		<u><b>3,091,412</b></u>	<u><b>2,965,750</b></u>
Net current assets		<u>1,016,156</u>	<u>979,325</u>
Total assets less current liabilities		<u><b>1,888,950</b></u>	<u><b>1,869,867</b></u>

## 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 certain financial assets and financial liabilities (including derivative instruments), 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 new standards, amendments to standards and interpretation

The following new standards, amendments to standards and interpretation are mandatory for the first time for the financial year beginning 1 April 2014 and are adopted by the Group:

HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities
HKAS 36 (Amendment)	Recoverable amounts disclosures for non-financial assets
HKAS 39 (Amendment)	Novation of derivatives and continuation of hedge accounting
HKFRS 10, HKFRS 12 and HKAS27 (2011) (Amendment)	Investment entities
HK (IFRIC) 21	Levies

The adoption of the above amendments to standards and interpretation 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 assesses the performance of watch and optical operations in Hong Kong, Macau and Mainland China and the rest of Asia.

During the year, management decided to remove “other segment” from segment reporting as the performance of this segment was no longer separately assessed due to its minimal impact to the Group’s results. To conform to the current year presentation, the comparatives have been reclassified accordingly.

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 2015

	Watch retail		Optical retail		Wholesale trading	Group Total
	Hong Kong, Macau and Mainland China	Rest of Asia	Hong Kong, Macau and Mainland China	Rest of Asia		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenues						
Gross segment	1,698,368	514,088	1,054,789	276,716	964,153	4,508,114
Inter-segment	–	–	–	–	(567,265)	(567,265)
	<u>1,698,368</u>	<u>514,088</u>	<u>1,054,789</u>	<u>276,716</u>	<u>396,888</u>	<u>3,940,849</u>
Segment results	<u>189,173</u>	<u>269</u>	<u>51,866</u>	<u>(6,715)</u>	<u>85,103</u>	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						<u>92,059</u>

## 2. SEGMENT INFORMATION (CONTINUED)

	For the year ended 31 March 2015						
	Watch retail		Optical retail				Group Total <i>HK\$'000</i>
	Hong Kong, Macau and Mainland China <i>HK\$'000</i>		Hong Kong, Macau and Mainland China <i>HK\$'000</i>		Wholesale trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	
	Rest of Asia <i>HK\$'000</i>	Rest of Asia <i>HK\$'000</i>					
Capital expenditures	(30,200)	(14,628)	(34,613)	(5,532)	(1,289)	(9,580)	
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)
(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)
	As at 31 March 2015						
	Watch retail		Optical retail				Group Total <i>HK\$'000</i>
	Hong Kong, Macau and Mainland China <i>HK\$'000</i>		Hong Kong, Macau and Mainland China <i>HK\$'000</i>		Wholesale trading <i>HK\$'000</i>		
	Rest of Asia <i>HK\$'000</i>	Rest of Asia <i>HK\$'000</i>					
Segment assets	984,203	281,030	364,807	143,711	460,885	2,234,636	
Unallocated assets						856,776	
Total assets						<u>3,091,412</u>	
Segment liabilities	272,781	47,184	157,045	25,777	67,842	570,629	
Unallocated liabilities						1,066,953	
Total liabilities						<u>1,637,582</u>	

## 2. SEGMENT INFORMATION (CONTINUED)

	For the year ended 31 March 2014					
	Watch retail		Optical retail		Wholesale trading	Group Total
	Hong Kong, Macau and Mainland China	Rest of Asia	Hong Kong, Macau and Mainland China	Rest of Asia		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenues						
Gross segment	1,664,493	515,720	967,513	300,514	874,072	4,322,312
Inter-segment	–	–	–	–	(430,740)	(430,740)
	<u>1,664,493</u>	<u>515,720</u>	<u>967,513</u>	<u>300,514</u>	<u>443,332</u>	<u>3,891,572</u>
Segment results	<u>232,797</u>	<u>(17,396)</u>	<u>25,778</u>	<u>5,149</u>	<u>94,042</u>	340,370
Unallocated income						3,175
Net corporate expenses						(81,215)
Operating profit						262,330
Finance costs						(37,139)
Share of profit of an associate						1,267
Profit before income tax						226,458
Income tax expense						(54,285)
Profit for the year						<u>172,173</u>

	For the year ended 31 March 2014						
	Watch retail		Optical retail		Wholesale trading	Unallocated	Group Total
	Hong Kong, Macau and Mainland China	Rest of Asia	Hong Kong, Macau and Mainland China	Rest of Asia			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Capital expenditures	(26,172)	(15,410)	(44,472)	(11,345)	(3,127)	(20,947)	(121,473)
Investment in an associate	–	–	–	–	–	(51,493)	(51,493)
Depreciation	(30,744)	(27,869)	(32,940)	(17,726)	(1,797)	(9,316)	(120,392)
Amortisation of prepayment of lease premium	–	(3,817)	–	(3,307)	–	–	(7,124)
Write back of provision/(provision) for stocks	234	(2,823)	(1,263)	(1,297)	4,854	–	(295)
Impairment of property, plant and equipment	(1,620)	(1,062)	(564)	(214)	–	–	(3,460)
Write back of provision for onerous contracts	1,930	–	2,703	–	–	–	4,633



## 2. SEGMENT INFORMATION (CONTINUED)

	As at 31 March 2014					
	Watch retail		Optical retail		Wholesale trading	Group Total
	Hong Kong, Macau and Mainland China	Rest of Asia	Hong Kong, Macau and Mainland China	Rest of Asia		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment assets	827,255	333,769	360,866	172,357	421,230	2,115,477
Unallocated assets						850,273
Total assets						<u>2,965,750</u>
Segment liabilities	252,075	53,280	151,737	33,131	86,924	577,147
Unallocated liabilities						922,782
Total liabilities						<u>1,499,929</u>

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

	2015 HK\$'000	2014 HK\$'000
Hong Kong	2,273,122	2,231,728
Macau	270,335	284,913
Mainland China	397,102	334,445
Rest of Asia	999,914	1,039,422
Europe	376	1,064
	<u>3,940,849</u>	<u>3,891,572</u>

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

	2015 HK\$'000	2014 HK\$'000
Hong Kong	326,480	341,093
Macau	78,759	87,069
Mainland China	(98,107)	(102,725)
Rest of Asia	15,511	17,327
Europe	(2,947)	(2,394)
	<u>319,696</u>	<u>340,370</u>

## 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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong	272,587	272,673
Macau	168,863	165,667
Mainland China	59,530	61,386
Rest of Asia	192,306	220,613
Europe	96,164	91,097
	<u>789,450</u>	<u>811,436</u>

## 3. OTHER LOSSES, NET

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss on disposal of property, plant and equipment, net	(688)	(794)
Exchange loss, net	(15,869)	(3,606)
	<u>(16,557)</u>	<u>(4,400)</u>

## 4. OTHER INCOME

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Building management fee income	2,340	2,340
Dividend income from investments	2,052	3,175
Interest income	1,342	1,123
Sundries	19,584	19,079
	<u>25,318</u>	<u>25,717</u>

## 5. EXPENSES BY NATURE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cost of stocks sold and raw materials consumed	1,524,407	1,512,885
Amortisation of prepayment of lease premium	6,851	7,124
Depreciation of property, plant and equipment		
– Owned	113,623	120,045
– Leased	5	347
Impairment of property, plant and equipment	5,566	3,460
Provision/(write back of provision) for onerous contracts	178	(4,633)
Auditors' remuneration		
– Audit services	5,539	5,536
– Non-audit services	3,300	1,867
Operating leases on buildings	698,840	686,057
Provision for stocks	19,540	295
Impairment of debtors	116	44
Write back of bad debts provision	(40)	(197)
Donations	5,316	10,256
Employee benefit expenses	717,586	693,155
Others	630,832	614,318
	<hr/>	<hr/>
Total cost of sales, selling expenses, general and administrative expenses and other operating expenses	<b>3,731,659</b>	<b>3,650,559</b>
	<hr/> <hr/>	<hr/> <hr/>

## 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 2015 (2014: 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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	34,668	39,601
– Overseas profits tax	20,796	21,198
– Under/(over) provisions in respect of prior years	48	(1,058)
	<hr/>	<hr/>
	55,512	59,741
Deferred income tax	(7,063)	(5,456)
	<hr/>	<hr/>
Income tax expense	<b>48,449</b>	<b>54,285</b>
	<hr/> <hr/>	<hr/> <hr/>

## 7. DIVIDENDS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interim, paid, of HK\$0.02 (2014: HK\$0.036) per ordinary share	20,929	37,673
Final, proposed, of HK\$0.01 (2014: HK\$0.037) per ordinary share	10,465	38,719
	<u>31,394</u>	<u>76,392</u>

## 8. EARNINGS PER SHARE

### Basic

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

	2015	2014
Weighted average number of ordinary shares in issue (thousands)	<u>1,046,474</u>	<u>1,046,474</u>
Profit attributable to equity holders of the Company (HK\$'000)	<u>91,756</u>	<u>171,712</u>
Basic earnings per share (HK cents)	<u>8.77</u>	<u>16.41</u>

### Diluted

Diluted 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 profit is adjusted to eliminate the expense relating to the convertible bonds less the tax effect.

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

	2015	2014
Number of ordinary shares in issue throughout the year (thousands)	1,046,474	1,046,474
Effect of conversion of convertible bonds (thousands)	–	190,268
Weighted average number of ordinary shares adjusted for effect of dilution (thousands)	<u>1,046,474</u>	<u>1,236,742</u>
Profit attributable to equity holders of the Company (HK\$'000)	91,756	171,712
Borrowing cost on convertible bonds (HK\$'000)	–	28,180
Tax relief thereon (HK\$'000)	–	(2,233)
Adjusted profit attributable to equity holders of the Company (HK\$'000)	<u>91,756</u>	<u>197,659</u>
Diluted earnings per share (HK cents)	<u>8.77</u>	<u>15.98</u>

## 9. DEBTORS, DEPOSITS AND PREPAYMENTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade debtors, gross	253,892	225,380
Less: provision for impairment of trade debtors	(472)	(445)
	<hr/>	<hr/>
Trade debtors, net	253,420	224,935
Deposits, prepayments and other debtors	344,075	351,080
	<hr/>	<hr/>
	597,495	576,015
	<hr/>	<hr/>
Less: non-current portion	(166,752)	(152,521)
	<hr/>	<hr/>
Current portion	430,743	423,494
	<hr/> <hr/>	<hr/> <hr/>
Trade debtors analysed by invoice date ( <i>note</i> ):		
Below 60 days	82,561	73,930
Over 60 days	171,331	151,450
	<hr/>	<hr/>
	253,892	225,380
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

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

## 10. CREDITORS AND ACCRUALS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade creditors analysed by invoice date:		
Below 60 days	298,550	264,563
Over 60 days	22,981	48,997
	<hr/>	<hr/>
	321,531	313,560
Other creditors and accruals	279,957	282,279
	<hr/>	<hr/>
	601,488	595,839
	<hr/> <hr/>	<hr/> <hr/>

## 11. COMMITMENTS

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Contracted but not provided for	<u>8,950</u>	<u>21,066</u>

### (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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Buildings		
Not later than one year	633,709	633,404
Later than one year but not later than five years	600,653	567,485
Later than five years	<u>10,790</u>	<u>11,919</u>
	<u>1,245,152</u>	<u>1,212,808</u>

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. POST BALANCE SHEET DATE EVENT

On 16 April 2015, the Group acquired additional 48% equity interest in CATENA SA for a cash consideration of EUR 1,660,000 and CATENA SA became the Group's subsidiary.

Up to the date of approval of these consolidated financial statements, there is insufficient financial information available for the Group to identify and determine the fair values of CATENA SA's identifiable assets acquired, and liabilities and contingent liabilities assumed for the purpose of allocation of purchase considerations and calculation of goodwill.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Board presents a discussion and analysis of the Group's audited consolidated results for the year ended 31 March 2015.

### BUSINESS REVIEW

In the year under review, the Group operated under challenging conditions as weak fundamentals persisted. Group costs remained well contained with total Group operating expenses rising 3.3% due to stepped up cost discipline (front line staff costs and shop rentals rising respectively by 1.2% and 3.2%). Group gross profit margin stood at 61.3% (2014: 61.1%).

The Group reported a y-o-y increase in turnover of 5.6% in the first half year ("1H") but the sudden downturn in sentiment seen in Hong Kong and Macau in the second half year ("2H") wiped out most gains. For the year under review, the Group posted an increase in turnover of 1.3% to HK\$3.94 billion (2014: HK\$3.89 billion) and a Profit Attributable to Shareholders of HK\$91.8 million (2014: HK\$171.7 million).

If excluding:

- (i) a non-cash impact from convertible bonds of HK\$55.4 million (2014: HK\$20.2 million) due to an increase in the liability component of convertible bonds; and
- (ii) a larger exchange loss of HK\$15.9 million (2014: Loss of HK\$3.6 million),

the Group posted a Profit Attributable to Shareholders of HK\$163.1 million (2014: HK\$195.5 million), a decline of 16.6% from the previous year.

### BECOMING A GREATER CHINA RETAILER

In line with our vision to become a major retailer in Greater China, increased resources were deployed in Mainland China during the year. Our Greater China business segment which covers CITY CHAIN, OPTICAL 88, and eGG in Mainland China, Hong Kong and Macau (accounting for around 75% of Group turnover) stayed resilient given the economic malaise, with all three chains reporting turnover growth.

Specifically in Mainland China,

CITY CHAIN Mainland China achieved a y-o-y turnover growth of 23.2%.

OPTICAL 88 Mainland China achieved a y-o-y turnover growth of 4.7%.

eGG Mainland China achieved a y-o-y turnover growth of 178.8%.

## FINAL DIVIDEND

Facing uncertainty in Hong Kong, the Board of directors are of the view that a cautious approach should continue to be adopted and as such recommend the payment of a final dividend of HK\$0.01 (2014: HK\$0.037) which together with the interim dividend payment represents a payout of 34.2% for the fiscal year (2014: 44.5%).

## *CITY CHAIN GROUP*

City Chain Group turnover up 1.5%

City Chain Group EBIT down 12.1% to HK\$189.4 million

City Chain Group Gross Profit Margin 60.1%

For the period under review, the City Chain Group, a fashion lifestyle watch chain with online (<http://citychain.tmall.com/> and <http://titus.tmall.com/>) and offline business operations recorded a rise in turnover of 1.5% to HK\$2,212.5 million (2014: HK\$2,180.2 million) and a fall in EBIT of 12.1% to HK\$189.4 million. As at 31 March 2015, the City Chain Group operates 388 stores (2014: 392 stores). Breakdown by geographical region is shown below:

	2015	2014	Change
Hong Kong & Macau	106	110	-4
Mainland China	104	96	+8
Southeast Asia	178	186	-8
	<hr/>	<hr/>	
Total	<b>388</b>	392	-4
	<hr/> <hr/>	<hr/> <hr/>	

## *CITY CHAIN – Hong Kong and Macau*

In the 1H, our operations in Hong Kong and Macau outperformed the general retail market recording a y-o-y turnover growth of 6.4%. However, the sudden downturn in sentiment in the 2H led to turnover falling by 0.6% to HK\$1,467.4 million for the full fiscal year (2014: HK\$1,477 million). Gross margin came under pressure in the 2H, falling 1.3% to 61.7% and, consequently, EBIT declined by 12.6% to HK\$244.3 million (2014: HK\$279.5 million). Operating costs rose mildly by 3.2%.

A cautious approach undertaken on store leasing such as, remapping of stores in key tourist areas and resetting key parameters on store rental affordability contributed to a mild rise in store rentals of 1.7% (2014: 16.9%).



With external conditions in Hong Kong and Macau remaining largely unfavourable and, particularly, in Hong Kong less certain, the foremost task is to maintain top line performance and to achieve a better stock turn. Hence immediate measures have been adopted or are in the pipeline to reduce the adverse impact on our business.

### ***CITY CHAIN – Mainland China***

Our Mainland operations achieved a strong top line growth of 23.2% to HK\$230.9 million (2014: HK\$187.5 million) with same store growth up by around 12%. A wider loss of HK\$55.1 million was sustained (2014: HK\$46.7 million) due to start-up costs from expansion into second and third tier cities, in Guangdong and Fujian (Southern China); Jiangsu and Zhejiang (Eastern China); Sichuan and Chongqing (Southwestern China). But ongoing operational initiatives implemented since FY12/13 led to a narrowing of store level losses and better store productivity compared to the previous year. Specifically, our Guangdong operations have turned the corner to report store level profits.

With the external operating environment in Hong Kong and Macau remaining bleak and uncertain, plans were implemented in the 2H of the year to fasten the pace of expansion of the retail network in Greater China.

Therefore, in the coming year, accelerating turnover growth will be a key objective. Plans are underway to open new stores in Southern, Eastern and Southwestern China and to focus more resources on growing our online business. To support this, advertising savings from CITY CHAIN Hong Kong will be redeployed to this business segment to increase advertising spending, and reallocated to digital and social media.

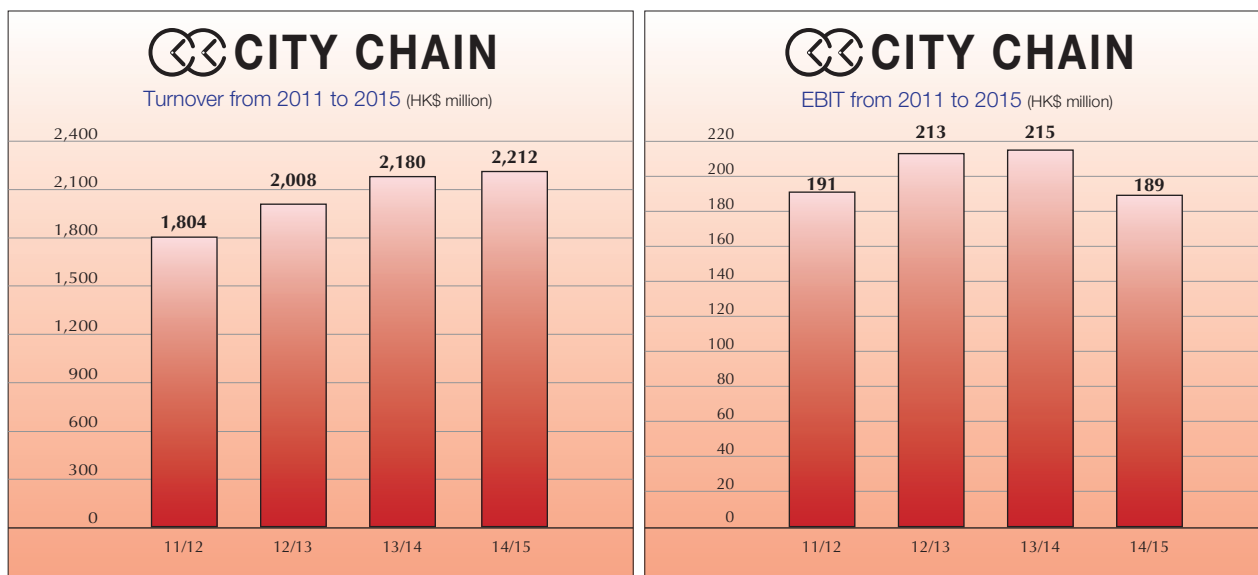
### ***CITY CHAIN – South East Asia***

The performance of our CITY CHAIN business in SEA was mixed, with Singapore and Malaysia posting much improved results but Thailand lagging. For the fiscal year, turnover remained flat despite a 7.2% decline in number of shop months. For Singapore and Malaysia, the positive effects from restructuring efforts are beginning to be seen. An EBIT of HK\$0.3 million was reported (2014: loss of HK\$17.4 million) and on an exchange neutral basis, EBIT would have improved substantially to HK\$10.9 million (2014: loss of HK\$13.0 million). Gross profit improved for all three regions in the 2H of the year. Operating costs and shop rentals respectively fell 6.4% and 8% compared to last year, whilst gross margin was stable at 55%.

CITY CHAIN Malaysia recorded a y-o-y 156% improvement in EBIT to around HK\$20 million and a turnover increase of 11.7%.

CITY CHAIN Singapore reported a significant narrowing of losses to HK\$11.2 million this year against HK\$25.7 million the previous year as an accelerated improvement in the 2H resulted in an EBIT of HK\$1.3 million against a loss of HK\$12.5 million in the 1H.

CITY CHAIN Thailand reported a loss of HK\$8.4 million as fragile sentiment continued to weigh down performance. In the 2H, we turned to focus on restructuring these operations. While operating costs have fallen 4%, intense competition shaved gross margin. Non-performing stores will be closed. Similar policies adopted in Singapore and Malaysia to enhance operational efficiencies are being implemented. Improvements are expected to be seen.



### **OPTICAL 88 GROUP**

Optical 88 Group turnover up 1.0%

Optical 88 Group EBIT up 12.8% to HK\$61.2 million

Optical 88 Group Gross Profit Margin 62.5%

For the period under review, the Optical 88 Group, which operates stores in Hong Kong, Macau, Mainland China, Singapore, Thailand and Malaysia saw turnover rise marginally by 1.0% to HK\$1,218.1 million (2014: HK\$1,206.1 million) and an increase in EBIT of 12.8% to HK\$61.2 million (2014: HK\$54.3 million) due to improved performances reported by our Hong Kong and Mainland China operations.

As at 31 March 2015, the Optical 88 Group has 227 stores (2014: 234 stores). Breakdown by geographical region is shown below:

	2015	2014	Change
Hong Kong & Macau	97	95	+2
Mainland China	42	48	-6
Southeast Asia	88	91	-3
<b>Total</b>	<b>227</b>	<b>234</b>	<b>-7</b>

### ***OPTICAL 88 – Hong Kong and Macau***

The very soft economy in Macau together with the accelerated slowdown in Hong Kong in the 2H (erasing a y-o-y 9.4% increase in turnover and a y-o-y 30% increase in EBIT in the 1H) led to Optical 88 Hong Kong and Macau reporting a 3.9% increase in turnover to HK\$835.6 million (2014: HK\$804.5 million). Hence, for the full fiscal year, EBIT improvement was comparatively less robust increasing by 19.5% to HK\$95.4 million (2014: HK\$79.8 million). Gross margin improved slightly to 64.2%, operational costs edged up by 1.6% and shop rentals increased by 5.2%.

Though less affected by the decline in Mainland tourist spending, a cautious approach has nonetheless been adopted to review our store portfolio in key tourist locations.

With a strong emphasis on delivering high quality professional services and products, the Optical 88 Group continues to distinguish by focusing on high value added products such as progressive and functional lenses to cater for ageing demography and children.

### ***OPTICAL 88 – Mainland China***

Our OPTICAL 88 operations in Mainland China achieved a moderate rise in turnover of 4.7% given a reduced number of shop months. Compared to the previous year, losses narrowed by 10% to HK\$27.5 million (2014: HK\$30.7 million).

In line with our Greater China strategy, resources have been strengthened to accelerate shop opening in Southern and Southwestern China as we have relocated out from expensive cities, like Shanghai. In addition, as we increasingly cater for the ageing demography and children, sales in progressive and functional lenses have improved whilst myopia control lenses have also been introduced.

### ***OPTICAL 88 – South East Asia***

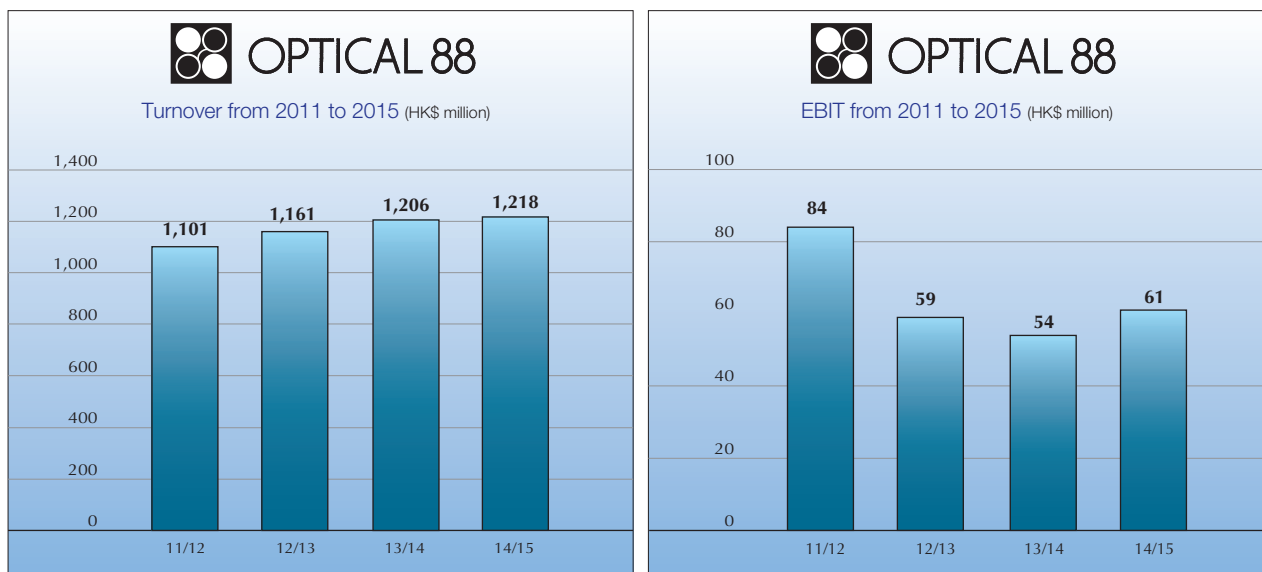
Our SE Asian OPTICAL 88 operations sustained a loss of HK\$6.7 million (2014: EBIT of HK\$5.1 million) and on an exchange neutral basis, the loss was reduced to HK\$1.4 million. Operating costs declined 2.2%, with shop rentals falling 3.8%.

In the 2H of the year, a Hong Kong team was parachuted in to strengthen operational management and to improve operational efficiencies in all three regions. Initiatives were introduced to increase store productivity, improve gross margin and tighten procurement control. We will continue to see progressive improvements as a result of the above measures in the next year.

Our Singapore operations reported improved sales per shop month as we focused on strengthening our customer base; and the loss incurred in the 2H of the year has narrowed.

Our Malaysian operations reported an EBIT of around HK\$1.8 million. However, if excluding an exchange loss of HK\$3 million, our Malaysian operations returned an EBIT of HK\$4.8 million (2014: HK\$5.4 million) whilst a higher gross margin was seen in the 2H of the year. In the medium term, we will be opening new stores to increase market coverage and to grow business scale.

Our Thai operations recorded a drop in EBIT to HK\$8.6 million (2014: HK\$13.8 million). Given the poor economy and the unstable political situation, a cautious approach will be adopted towards shop leasing.



### ***eGG – Hong Kong and Mainland China***

eGG Optical Boutique, a fast fashion optical retailer, achieved a strong performance on the back of soft sentiment successfully capturing consumer preference for trendy and fancy optical eye wear.

For the period under review, eGG Hong Kong with 15 stores as of 31 March 2015 (2014: 10 stores) continued to outperform the general retail market with turnover increasing 52.4% to HK\$71.4 million. The increase was driven by the opening of new stores and same store growth which was around 40%. As such, eGG Hong Kong came very close to break even, incurring a small loss of HK\$0.7 million (2014: loss of HK\$7.3 million).

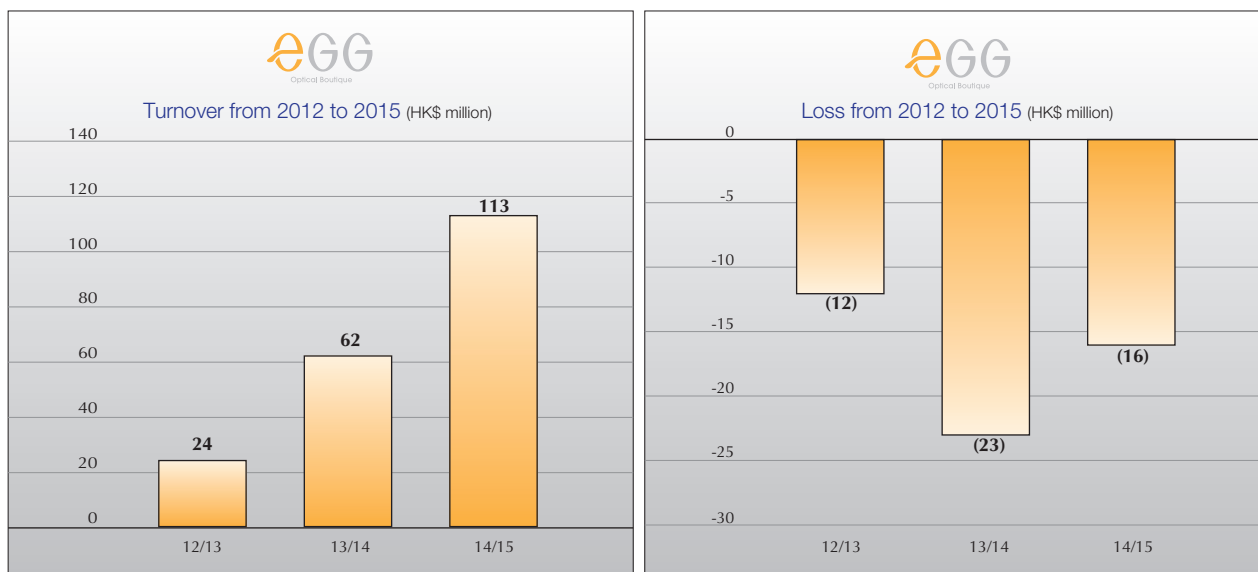
Driven largely by new store openings, our eGG operations on the Mainland saw turnover rise by 178% to HK\$42 million (2014: HK\$15.1 million). Same store growth was 27%. Despite the continual rollout of new stores, losses narrowed slightly to HK\$15.3 million (2014: loss of HK\$16 million) but store level profit was achieved by our operations in April and May 2015.

As of 31 March 2015, there were 24 eGG stores (2014: 17 stores) located in Hangzhou, Suzhou, Wuxi (Eastern China); Chongqing, Sichuan (Southwestern China); and Beijing, Tianjin, Shenyang, Dalian (Northern China).

From the positive performance seen this year, expansion plans will be accelerated and in the next year, more than 30 stores will be opened.

We expect to see a good performance from eGG Hong Kong and eGG Mainland China in the coming fiscal year, as encouraging momentum has been carried through into the first quarter of FY15/16.

Further to tap into new markets, our eGG concept will be introduced in Singapore, Malaysia and Thailand in the next year.



### ***SUPPLY CHAIN MANAGEMENT AND WHOLESALE TRADING***

This business segment covers the Group’s watch Supply Chain Management Unit and its Wholesale Business Unit. Our Supply Chain Management Unit is responsible for design, procurement and other ancillary services for the Group’s watch house brands. The Wholesale Business Unit engages in watch and optical wholesale trading, for SEIKO and ALBA watches and clocks (as sole distributor for Hong Kong, Singapore and Malaysia) and Suunto watches (exclusive distributor for Hong Kong).

During the fiscal year, turnover fell by 10.5% to HK\$396.9 million (2014: HK\$ 443.3 million) due to a drop in order placements as retailers generally adopted a cautious approach because of the soft underlying environment. EBIT decreased by 9.5% to HK\$85.1 million (2014: HK\$94.0 million), partly due to a provision for stocks of HK\$15.2 million made for Swiss made watch movements in view of a slowdown in demand for Swiss made watches (2014: write back income of HK\$3.5 million).

With the acquisition of Catena S.A., the Group has added Swiss made watch movement and watch assembly production facilities to its existing supply chain capabilities. We intend to make this facility our Swiss production base for our Swiss house brands Cyma, Titus, Pronto and Catena.

## ***SHORT TERM OUTLOOK***

Faced with uncertainty surrounding Hong Kong and the prolonged and widespread slowdown in Mainland China, the Group's immediate priority in the next year is to drive top line growth in Mainland China and maintain a healthy inventory level.

Through various initiatives implemented in the 2H of the year, such as tightened stock replenishment and marketing campaigns to accelerate stock turn, Group inventory levels in the 2H of the year fell by 7%; further decreasing 1.5% in May 2015 against March 2015. The situation will be closely monitored to ensure that initiatives in place set an appropriate balance between increasing stock turn and maintaining a stable gross margin.

## ***THE FUTURE***

Despite the recent slowdown in retail market of Mainland China, the Group has every confidence that China would gradually become one of the most important retail markets in the world.

With the quickened pace of transformation, Mainland China will be the Group's new growth engine in terms of revenue and profit in the mid-long term. Currently, Mainland China accounts for 10% of Group turnover but this is expected to increase to around 15% in the next fiscal year. In the coming year, we are targeting to open more than 80 stores across China. Social media and digital marketing platforms will be used to increase market penetration and to boost e-commerce turnover.

## **FINANCE**

The Group's gearing ratio as at 31 March 2015 was 38% (2014: 28%). Group gearing ratio was calculated based on the Group's net debt of HK\$553 million (2014: HK\$408 million) and shareholders' funds of HK\$1,446 million (2014: HK\$1,458 million). The Group's net debt was calculated based on the Group's borrowings of HK\$632 million (2014: HK\$535 million) and convertible bonds of HK\$381 million (2014: HK\$331 million) less the Group's bank balances and cash of HK\$460 million (2014: HK\$458 million).

The increase in Group gearing was due to an increase in Group inventory following the sudden slowdown of the business in the 2H of the year and the increase in the liability component of the convertible bonds.

The Group's policy is to uphold a sound balance sheet and liquidity for future business development. Capital expenditures have been reduced to HK\$95.8 million from HK\$121.5 million in 2013/14, representing a decrease of 21.2%. The Group will continue to be prudent in treasury and inventory management in 2015/16 to reduce inventory so as to improve operational cash inflow and the Group's balance sheet.

Of the Group's borrowings at balance sheet date, HK\$580 million (2014: HK\$464 million) were repayable within 12 months.

Of the Group's borrowings, 3% (2014: 5%) 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.

The Group does not engage in speculative derivative trading.

As at 31 March 2015, the Group does not have any significant contingent liabilities.

## **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 2015, the Group had 3,876 (2014: 3,812) 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 2015, certain of the Group's property, plant and equipment amounting to HK\$294 million (2014: HK\$307 million) and no prepayment of lease premium (2014: HK\$6 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 2015 (Monday), the Register of Members of the Company will be closed from 13 August 2015 (Thursday) to 17 August 2015 (Monday) both days inclusive ("First Book Close"), during which period no transfer of shares will be effected.

To qualify for the entitlement to the proposed final dividend for the year ended 31 March 2015, the Register of Members of the Company will be closed from 24 August 2015 (Monday) to 26 August 2015 (Wednesday) both days inclusive ("Second Book Close"), 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 12 August 2015 (Wednesday) for the First Book Close and on 21 August 2015 (Friday) for the Second Book Close. The final dividend will be payable on 10 September 2015 (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 2015, 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 existing directors comprise of experienced and competent individuals, with two-thirds 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 three executive directors; Mr. Joseph C.C. Wong (Chairman of the Strategy Committee, Group Chairman and CEO), Mr. Vincent Lau Tak Bui (Group Chief Operating Officer) (“COO”) and Mr. Wallace Kwan Chi Kin (Group Chief Financial Officer) and two non-executive directors, Ms. Mary Ma Xuezheng and Mr. Alex Wong Yu Tsang. Between April 2014 and June 2015, 9 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 Xuezheng and Mr. Alex Wong Yu Tsang. 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 9 April 2014, 23 June 2014, 24 November 2014, 20 March 2015 and 23 June 2015 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 2014 and 2015 and interim results for 2014/2015 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 Xuezheng (non-executive director) and Mr. Joseph C.C. Wong (Group Chairman and CEO). A meeting was held on 23 June 2014 to conduct annual salary reviews of the basic salaries of its executive directors and the determination of the annual bonus scheme for FY14/15 for its executive directors. Up to the date of this announcement, no other meeting has been held to conduct annual salary reviews of the basic salaries of its executive directors and the determination of the annual bonus scheme for the FY15/16.

## **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 Yu Tsang. The Committee held one meeting on 23 June 2015 to consider the independence of Dr. Agnes Kwong Yi Hang, who would have served 9 years by the forthcoming Annual General Meeting.

## Corporate Governance Committee

The Corporate Governance Committee comprises of Mr. Vincent Lau Tak Bui (Chairman of the Corporate Governance Committee and COO), 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 Xuezheng and Mr. Alex Wong Yu Tsang. The Committee held a meeting on 20 March 2015 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](http://www.hkex.com.hk) under "Latest Listed Company Information" and the Company's website at [www.stelux.com](http://www.stelux.com) under "Announcements & Notices". The Company's Annual Report for 2015 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*

Look at the birds of the air, that they do not sow, nor reap nor gather into barns, and yet your heavenly Father feeds them. Are you not worth much more than they? And who of you by being worried can add a single hour to his life?

Matthew 6:26-27

Hong Kong, 25 June 2015

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*), Vincent Lau Tak Bui (*Chief Operating 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)