

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 SIX MONTHS ENDED 30 SEPTEMBER 2016

The directors of Stelux Holdings International Limited (the “Company”) announce the interim results and financial information of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2016 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

		Unaudited	
		Six months ended	
		30 September	
		2016	2015
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenues	4,5	1,453,506	1,786,204
Cost of sales		(586,691)	(718,190)
Gross profit		866,815	1,068,014
Other gains/(losses), net	6	67,952	(8,240)
Other income	7	12,652	15,816
Selling expenses		(727,138)	(825,997)
General and administrative expenses		(198,163)	(218,806)
Other operating expenses		(21,657)	(11,208)
Operating profit		461	19,579
Finance costs		(46,298)	(43,173)
Loss before income tax	8	(45,837)	(23,594)
Income tax expense	9	(1,741)	(9,440)
Loss for the period		(47,578)	(33,034)

* For identification purpose only

CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)

		Unaudited	
		Six months ended	
		30 September	
		2016	2015
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Attributable to:			
Equity holders of the Company		(47,666)	(33,079)
Non-controlling interests		88	45
		<hr/>	<hr/>
Loss for the period		(47,578)	(33,034)
		<hr/> <hr/>	<hr/> <hr/>
Dividends	<i>10</i>	–	–
		<hr/> <hr/>	<hr/> <hr/>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share for loss attributable to the equity holders of the Company – Basic	<i>11</i>	(4.55)	(3.16)
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

	Unaudited	
	Six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	<u>(47,578)</u>	<u>(33,034)</u>
Other comprehensive loss:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences	(38,528)	(57,398)
Revaluation of available-for-sale financial assets	<u>(60)</u>	<u>(63)</u>
Other comprehensive loss for the period, net of tax	<u>(38,588)</u>	<u>(57,461)</u>
Total comprehensive loss for the period	<u><u>(86,166)</u></u>	<u><u>(90,495)</u></u>
Attributable to:		
Equity holders of the Company	(86,191)	(89,602)
Non-controlling interests	<u>25</u>	<u>(893)</u>
Total comprehensive loss for the period	<u><u>(86,166)</u></u>	<u><u>(90,495)</u></u>

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2016**

	<i>Note</i>	Unaudited 30 September 2016 HK\$'000	31 March 2016 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		423,700	451,192
Prepayment of lease premium		27,346	29,777
Intangible assets		105,628	104,200
Deferred tax assets		88,646	76,162
Available-for-sale financial assets		12,069	12,129
Debtors, deposits and prepayments	12	139,164	153,846
		<u>796,553</u>	<u>827,306</u>
Current assets			
Stocks		1,054,361	1,098,607
Debtors, deposits and prepayments	12	414,181	433,250
Bank balances and cash		582,716	599,225
		<u>2,051,258</u>	<u>2,131,082</u>
Total assets		<u>2,847,811</u>	<u>2,958,388</u>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		104,647	104,647
Reserves		961,875	1,125,156
Shareholders' funds		1,066,522	1,229,803
Non-controlling interests		7,040	7,015
Total equity		<u>1,073,562</u>	<u>1,236,818</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		12,393	7,342
Borrowings		16,428	18,048
Convertible bonds		–	336,475
		<u>28,821</u>	<u>361,865</u>
Current liabilities			
Creditors and accruals	13	636,870	589,235
Income tax payable		8,016	4,082
Borrowings		1,100,542	656,439
Convertible bonds		–	109,949
		<u>1,745,428</u>	<u>1,359,705</u>
Total liabilities		<u>1,774,249</u>	<u>1,721,570</u>
Total equity and liabilities		<u>2,847,811</u>	<u>2,958,388</u>

NOTES:

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 2016 annual financial statements, which have been prepared in accordance with 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 2016.

The following amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 April 2016. The adoption of these amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group:

Annual improvements project 2014	Annual improvements 2012-2014 cycle
HKAS 1 (Amendment)	Disclosure initiative
HKAS 16 and HKAS 38 (Amendment)	Classification of acceptable methods of depreciation and amortisation
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer plants
HKAS 27 (Amendment)	Equity methods in separate financial statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: Applying the consolidation exception
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations
HKFRS 14	Regulatory deferral accounts

The Group has not early adopted any new standards, amendments to standards and interpretations of HKFRS which have been issued but not yet effective for the financial year ending 31 March 2017.

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

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 applied to the consolidated financial statements for the year ended 31 March 2016.

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 2016.

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 available-for-sale financial assets and liability components of convertible bonds 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 cash and cash equivalents, deposits in approved financial institutions and debtors and financial liabilities including creditors 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 Hong Kong, Macau and Mainland China and 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). This measurement basis excludes unallocated income and net corporate expenses.

	Six months ended 30 September 2016					
	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	502,396	166,096	516,735	101,707	274,640	1,561,574
Inter-segment	–	–	–	–	(108,068)	(108,068)
	<u>502,396</u>	<u>166,096</u>	<u>516,735</u>	<u>101,707</u>	<u>166,572</u>	<u>1,453,506</u>
Segment results	<u>(39,112)</u>	<u>(10,322)</u>	<u>25,627</u>	<u>(17,516)</u>	<u>21,589</u>	<u>(19,734)</u>
Unallocated income						75,901
Net corporate expenses						(55,706)
Operating profit						461
Finance costs						(46,298)
Loss before income tax						(45,837)
Income tax expense						(1,741)
Loss after income tax						<u>(47,578)</u>

4. SEGMENT INFORMATION (Continued)

	Six months ended 30 September 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	759,817	198,103	544,678	114,927	328,810	1,946,335
Inter-segment	—	—	—	—	(160,131)	(160,131)
	<u>759,817</u>	<u>198,103</u>	<u>544,678</u>	<u>114,927</u>	<u>168,679</u>	<u>1,786,204</u>
Segment results	<u>39,308</u>	<u>(23,622)</u>	<u>26,120</u>	<u>(11,534)</u>	<u>36,662</u>	66,934
Net corporate expenses						(47,355)
Operating profit						19,579
Finance costs						(43,173)
Loss before income tax						(23,594)
Income tax expense						(9,440)
Loss after income tax						<u>(33,034)</u>

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	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Sales of goods	<u>1,453,506</u>	<u>1,786,204</u>

6. OTHER GAINS/(LOSSES), NET

	Six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/gain on disposal of property, plant and equipment, net	(491)	296
Exchange loss, net	(7,458)	(22,621)
Gain upon redemption of convertible bonds	75,901	–
Gain on remeasuring to fair value of the existing interest in an associate on acquisition of control	–	4,222
Gain on bargain purchase of a subsidiary	–	9,863
	<u>67,952</u>	<u>(8,240)</u>

7. OTHER INCOME

	Six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Building management fee income	1,170	1,170
Interest income	1,738	957
Sundries	9,744	13,689
	<u>12,652</u>	<u>15,816</u>

8. EXPENSES BY NATURE

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

	Six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment		
– Owned	49,360	51,513
Amortisation of prepayment of lease premium	2,928	3,039
Amortisation of intangible assets	1,173	1,203
Operating leases on buildings	342,465	358,141
Provision/(write back of provision) for stocks	3,215	(1,669)
Donations	121	154
Employee benefit expenses	304,717	362,360
	<u>304,717</u>	<u>362,360</u>

9. INCOME TAX EXPENSE

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 2016 (2015: 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 2016 at the rates of taxation prevailing in those territories in which the Group operates.

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

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	3,782	6,871
Overseas profits tax	4,243	3,513
(Over)/under provisions in respect of prior years	(27)	206
	7,998	10,590
Deferred income tax	(6,257)	(1,150)
Income tax expense	1,741	9,440

10. DIVIDENDS

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
No interim dividend for 2016 (2015: nil)	—	—

At a meeting held on 24 November 2016, the directors did not propose the payment of an interim dividend for the six months ended 30 September 2016. (2015: nil)

11. LOSS PER SHARE

Basic

Basic loss per share is calculated by dividing the 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	
	2016	2015
Weighted average number of ordinary shares in issue (thousands)	<u>1,046,474</u>	<u>1,046,474</u>
Loss attributable to equity holders of the Company (HK\$'000)	<u>(47,666)</u>	<u>(33,079)</u>
Basic loss per share (HK cents)	<u>(4.55)</u>	<u>(3.16)</u>

12. DEBTORS, DEPOSITS AND PREPAYMENTS

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Trade debtors, gross	246,404	249,337
Less: provision for impairment of trade debtors	<u>(522)</u>	<u>(549)</u>
Trade debtors, net	245,882	248,788
Deposits, prepayments and other debtors	<u>307,463</u>	<u>338,308</u>
	553,345	587,096
Less: non-current portion	<u>(139,164)</u>	<u>(153,846)</u>
Current portion	<u>414,181</u>	<u>433,250</u>
Trade debtors analysed by invoice date (note):		
Below 60 days	62,680	54,902
Over 60 days	<u>183,724</u>	<u>194,435</u>
	<u>246,404</u>	<u>249,337</u>

Note:

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

13. CREDITORS AND ACCRUALS

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Trade creditors analysed by invoice date:		
Below 60 days	345,738	317,014
Over 60 days	6,072	4,247
	<hr/>	<hr/>
	351,810	321,261
Other creditors and accruals	285,060	267,974
	<hr/>	<hr/>
	636,870	589,235
	<hr/> <hr/>	<hr/> <hr/>

14. COMMITMENTS

	30 September 2016 HK\$'000	31 March 2016 HK\$'000
Capital commitments for property, plant and equipment:		
Contracted but not provided for	5,237	6,275
Authorised but not contracted for	461	8,509
	<hr/>	<hr/>
	5,698	14,784
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

- Group Turnover decreased by 18.6% (FX neutral: 17.8%)
- Group Gross Profit Margin at 59.6%
- Group Net Loss at HK\$47.7 million
- Inventory reduced by HK\$44.2 million, or 4% vs March 2016
- Net cash inflow from operating activities of HK\$80 million

Faced with an underlying tough retail environment, the Group recorded a decline in turnover of 18.6% (FX neutral: 17.8%) to HK\$1,453.5 million (1H 2015: HK\$1,786.2 million) and a loss attributable to Group equity holders of HK\$47.7 million (1H 2015: HK\$33.1 million) for the six months ended 30 September 2016. The loss includes the non-cash impact of the following:

- the gain upon redemption of convertible bonds of HK\$75.9 million;
- amortization of share-based payment of convertible bonds of HK\$9.3 million; and
- an increase in the liability component of convertible bonds of HK\$41.2 million.

The Group's different businesses returned mixed results with our wholesale and optical retail businesses more resilient.

For the period under review, the Group continued to adopt strategies to reduce costs and to maintain liquidity. Tight cost control measures to contain shop rentals, staff costs and other operating overheads saw a 10.3% fall in operating costs, whilst Group CAPEX decreased by 49.2% to around HK\$28.6 million (1H 2015: HK\$56.3 million).

Strict inventory control measures yielded positive results with Group inventory at HK\$1,054.4 million, falling 4.0% and 13.4% respectively against that as at the end of March 2016 and September 2015. Group gross profit margin remained stable at 59.6% (1H 2015: 59.8%).

Group gearing ratio increased to 50.1% (March 2016: 42.4%) as Group net debts edged up to HK\$534.3 million (March 2016: HK\$521.7 million) and there was a decrease in shareholder's funds. The convertible bonds issued in 2012 were fully settled in September 2016 via refinancing from bank loans.

INTERIM DIVIDEND

Given the current retail operating environment, the Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016 (2015: nil).

CITY CHAIN GROUP

- City Chain Group turnover down 30.2%
- City Chain Group LBIT of HK\$49.4 million

City Chain Group, a leading multi-branded premium lifestyle watch retailer, with around 320 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 30.2% to HK\$668.5 million (1H 2015: HK\$957.9 million) whilst recording a loss before interest and tax (LBIT) of HK\$49.4 million (1H 2015: EBIT of HK\$15.7 million).

Hong Kong and Macau

Turnover at City Chain Hong Kong and Macau continued to be affected by the shrinking size of the mid-market retail watch segment due to reduced Chinese tourist spending and domestic consumption. As such, a steep decline in turnover of 34.5% to HK\$423.5 million was posted (1H 2015: HK\$646.6 million). Notwithstanding this, City Chain continues to maintain a leading market share in this market segment. Further, a LBIT of HK\$7.4 million (1H 2015: EBIT of HK\$67.9 million) was also reported.

Operating costs fell 18.3% owing to shop consolidation and shop relocation initiatives, and also softening rentals. However, we are still affected by stores with high rentals committed in 2014. As these high rental stores are phased out, bottom line will improve.

Mainland China

Due to underlying poor consumer sentiment, exacerbated by deleveraging in the watch industry due to overstocking and the e-commerce challenge, turnover in 1H 2016 at our City Chain operations in Mainland China fell by 30.3% (FX neutral: 25.9%) to HK\$78.9 million (1H 2015: HK\$113.2 million). Effective measures during the past twelve months have reduced operating costs by 24.6%. Therefore, a LBIT of HK\$31.7 million was recorded (1H 2015: HK\$28.6 million). We will reassess store networks, shop productivity and operating structures to improve top and bottom line performance.

Our watch e-business posted an improved performance and with further fine tuning, we expect this to continue.

Southeast Asia

Turnover at our City Chain business in Malaysia, Singapore and Thailand fell by 16.2% to HK\$166.1 million (1H 2015: HK\$198.1 million). However, with fine-tuned product mix and rigorous cost reduction, operating loss narrowed significantly to HK\$10.3 million (1H 2015: a loss of HK\$23.6 million) whilst operations in Malaysia have resumed profit contribution.

OPTICAL 88 GROUP

- Optical 88 Group turnover down 10.4%
- Optical 88 Group EBIT down 15.5% to HK\$15.2 million

Optical 88 Group, a leading retailer with around 210 stores providing professional eye care services in Hong Kong, Macau, Mainland China, Singapore, Thailand and Malaysia posted a decrease in turnover of 10.4% to HK\$518.9 million (1H 2015: HK\$579.1 million) and a corresponding decline in EBIT to HK\$15.2 million (1H 2015: EBIT of HK\$18.0 million). Excluding one-off charges, EBIT would have been HK\$23.1 million, a y-o-y increase of 28.3%. Despite fierce competition and the tough conditions, our Optical 88 business showed resilience.

Hong Kong and Macau

Owing to cautious local consumption and reduced number of shops, turnover in Hong Kong and Macau fell 9.7% to HK\$367.5 million (1H 2015: HK\$407.1 million) but EBIT was maintained at HK\$36.8 million (1H 2015: HK\$36.9 million) with operating costs falling 9.3%.

Optical 88's entry into the Hong Kong market for hearing health care has been well received. As this business develops, we will see greater synergies between our eye care business and the hearing health care business.

Mainland China

Weakened consumer spending and fierce price competition led to a decrease in turnover of 12.9% (FX neutral: 7.7%) to HK\$49.7 million (1H 2015: HK\$57.0 million). However, with provision of quality eye care services, product enhancement and a cut in shop operating costs, bottom line performance improved. LBIT fell by 44.6% to HK\$4.1 million (1H 2015: HK\$7.4 million).

Southeast Asia

Our Southeast Asia operations posted a decrease in turnover of 11.5% to HK\$101.7 million (1H 2015: HK\$114.9 million). A wider LBIT of HK\$17.5 million (1H 2015: LBIT HK\$11.5 million) was recorded, largely attributable to a one-off charge. Disregarding this however, LBIT narrowed by 16.5% to HK\$9.6 million. The improved bottom line was mainly driven by improved operating efficiencies and stringent controls on operating costs.

eGG OPTICAL BOUTIQUE

- eGG Group turnover up 23.7%
- eGG Hong Kong recorded an EBIT

As at September 2016, there are 28 eGG stores in Hong Kong and Macau, 44 stores in Mainland China and 8 stores in Southeast Asia together with an online store at <https://eggyj.tmall.com>. In 1H 2016, the eGG business continued to perform well as turnover increased by 23.7% (FX neutral: 26.5%) to HK\$99.6 million (1H 2015: HK\$80.5 million).

eGG Hong Kong has enjoyed a continuous rise in popularity amongst fast fashion and stylish consumers as positive same store sales growth was posted. Turnover increased by 26.1% to HK\$62.4 million (1H 2015: HK\$49.5 million) and a positive EBIT was recorded.

In Mainland China, due mainly to further shop rollouts, turnover was up 20.0% to HK\$37.2 million (1H 2015: HK\$31.0 million). The LBIT of eGG China widened to HK\$7.4 million (1H 2015: HK\$3.3 million) due partly to new store set up costs in South West China.

Although, we expect the positive momentum to continue into the 2H, nevertheless a prudent approach to shop rollout will be maintained and stringent cost control measures will continue to be in place.

SUPPLY CHAIN MANAGEMENT AND WHOLESALE TRADING

This business division is made up of the Group's supply chain and watch wholesale (sole distributor for SEIKO in Hong Kong, Singapore and Malaysia) and optical wholesale units.

Despite the tough retail environment, particularly in Southeast Asia, turnover decreased slightly by 1.2% to HK\$166.6 million (1H 2015: HK\$168.7 million) and an EBIT of HK\$21.6 million (1H 2015: HK\$36.7 million) was recorded. Excluding the impact of an one-off fair value gain of HK\$14.1 million recorded in 1H 2015, EBIT fell slightly by 4.4%. With positive synergy between City Chain and Optical 88, our wholesale trading business continues to be a positive contributor.

OUTLOOK

The Group continues to deliver quality products and services to expand our customer threshold with enhanced merchandising and customer shopping experiences. But, we expect external conditions over the next six months to remain challenging. As such, we will continue to adopt appropriate initiatives to maintain a stable cash flow and strong fiscal discipline. Stock reduction and tightened procurement measures will continue in the 2H to fasten stock turn and liquidity. We see room for a further reduction in operating costs (such as shop rentals and CAPEX) to improve performance.

FINANCE

The Group's gearing ratio as at balance sheet date was 50.1% (at 31 March 2016: 42.4%). Group gearing ratio was calculated based on the Group's net debt of HK\$534.3 million (at 31 March 2016: HK\$521.7 million) and shareholders' funds of HK\$1,066.5 million (at 31 March 2016: HK\$1,229.8 million). The Group's net debt was calculated based on the Group's borrowings of HK\$1,117.0 million (at 31 March 2016: HK\$674.5 million) and convertible bonds of HK\$nil (at 31 March 2016: HK\$446.4 million) less the Group's bank balances and cash of HK\$582.7 million (at 31 March 2016: HK\$599.2 million).

Of the Group's borrowings at balance sheet date, HK\$1,100.5 million (at 31 March 2016: HK\$656.4 million) were repayable within 12 months.

Of the Group's borrowings, 2% (at 31 March 2016: 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.

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

The Group does not engage in speculative derivative trading.

As at 30 September 2016, the Group does not have any significant contingent liabilities.

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 2016, the Group had 3,290 (at 30 September 2015: 3,864) employees.

DETAILS OF THE CHARGES ON GROUP ASSETS

At 30 September 2016, certain of the Group's property, plant and equipment amounting to HK\$278 million (at 31 March 2016: HK\$284 million) were pledged to secure banking facilities granted to the Group.

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 2016, the Company has complied with the Corporate Governance Code 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 Chairman and CEO of the Group. The Board is of the opinion 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 and execution for the Group. Under this arrangement, the Board also believes that the balance of power and authority will not be compromised and is adequately ensured by the existing Board which comprises of experienced and competent individuals, with half of the Board being 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.1.2

This Code deals with the terms of reference of a remuneration committee. The Company has adopted the terms of reference under Code Provision B.1.2(c)(i) 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 their performance.

Audit Committee

On 21 November 2016, 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 2016 and discussed auditing and financial reporting matters including review of the Group's results for the six months ended 30 September 2016 before they were presented to the Board of directors for approval.

Remuneration Committee

In September 2016 the Remuneration Committee determined (i) that the annual salaries of the executive directors remain unchanged and (ii) the annual bonus scheme for FY16/17 for its executive directors.

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 2016. Ms Ma Xuezheng (also known as Mary Ma) and Mr. Wong Yu Tsang Alex (also known as Alex Wong) confirmed compliance with the provisions of the Model Code from 1 April 2016 to the effective date of their resignations, on 15 September 2016.

PUBLICATION OF FINANCIAL INFORMATION AND INTERIM 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 www.stelux.com. The Company’s Interim Report for 2016/2017 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

For You are my lamp, O Lord; The Lord shall enlighten my darkness.

Samuel 22:29

I (Jesus) have come as a light into the world, that whoever believes in Me should not abide in darkness.

John 12:46

Hong Kong, 24 November 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, Wu Chun Sang (*independent*), Lawrence Wu Chi Man (*independent*) and Agnes Kwong Yi Hang (*independent*)