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 2018

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 2018 as follows:

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

		Unaudited Six months ended 30 September	
		2018	2017
	Note	***HK$'000***	*HK$'000*
			(Restated)
Revenues	*4,5*	**751,598**	728,002
Cost of sales		**(368,435)**	(360,018)
Gross profit		**383,163**	367,984
Other (losses)/gains, net	*6*	**(11,232)**	4,268
Other income	*7*	**9,728**	3,382
Selling expenses		**(289,000)**	(300,096)
General and administrative expenses		**(104,645)**	(118,455)
Other operating expenses		**(15,318)**	(7,523)
Operating loss		**(27,304)**	(50,440)
Finance costs		**(12,861)**	(11,031)
Loss before income tax	*8*	**(40,165)**	(61,471)
Income tax (expense)/credit	*9*	**(5,076)**	1,068

* *For identification purpose only*

CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)

	Note	Unaudited Six months ended 30 September 2018 HK$'000	2017 HK$'000 (Restated)
Loss for the period from Continuing Operations		**(45,241)**	(60,403)
Loss for the period from Discontinued Operations		**(1,706)**	(1,495)
Gain on disposal of Discontinued Operations		**104,447**	–
Profit/(loss) for the period		**57,500**	(61,898)
Attributable to:			
Equity holders of the Company		**57,430**	(62,005)
Non-controlling interests		**70**	107
Profit/(loss) for the period		**57,500**	(61,898)
Dividends	*10*	**198,830**	–
		HK cents	*HK cents*
Loss per share for loss from Continuing Operations attributable to the equity holders of the Company	*11*		
– Basic and diluted		**(4.33)**	(5.78)
Profit/(loss) per share for profit/(loss) attributable to the equity holders of the Company	*11*		
– Basic and diluted		**5.49**	(5.93)

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

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

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2018

	Note	Unaudited 30 September 2018 HK$'000	31 March 2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**305,089**	322,772
Investment properties		**242,200**	230,000
Prepayment of lease premium		**12,244**	14,266
Intangible assets		**66,898**	69,436
Deferred tax assets		**68,617**	62,471
Available-for-sale financial assets		**–**	12,374
Financial assets at fair value through other comprehensive income		**12,072**	–
Trade and other receivables	*12*	**57,757**	56,921
Total non-current assets		**764,877**	768,240
Current assets			
Stocks		**642,414**	670,863
Trade and other receivables	*12*	**311,364**	351,702
Pledged bank deposits		**55,384**	–
Bank balances and cash		**281,700**	246,278
		1,290,862	1,268,843
Assets classified as held for sale		**–**	614,856
Total current assets		**1,290,862**	1,883,699
Total assets		**2,055,739**	2,651,939
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**104,647**	104,647
Reserves		**768,063**	915,943
Shareholders' funds		**872,710**	1,020,590
Non-controlling interests		**6,953**	8,193
Total equity		**879,663**	1,028,783

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	Note	Unaudited 30 September 2018 *HK$'000*	31 March 2018 *HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**8,874**	7,064
Borrowings		**63,724**	15,483
Total non-current liabilities		**72,598**	22,547
Current liabilities			
Trade and other payables	*13*	**397,275**	369,653
Income tax payable		**35,175**	15,609
Borrowings		**671,028**	918,926
		1,103,478	1,304,188
Liabilities directly associated with assets classified as held for sale		**–**	296,421
Total current liabilities		**1,103,478**	1,600,609
Total liabilities		**1,176,076**	1,623,156
Total equity and liabilities		**2,055,739**	2,651,939

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

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

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

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

(a) New and amended standards adopted by the Group

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

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

Except for the impact of the adoption of HKFRS 9 and HKFRS 15 as further explained below, the adoption of the above new and revised standards have no material impact to the Group.

HKFRS 9 "Financial Instruments"

Nature of change

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

Impact

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

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

1. BASIS OF PREPARATION (Continued)

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

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

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

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

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

HKFRS 15 "Revenue from Contracts with Customers"

Nature of change

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

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

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

1. BASIS OF PREPARATION (Continued)

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

Impact

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

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

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

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

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

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

1. BASIS OF PREPARATION (Continued)

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

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

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

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

2. ESTIMATES

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

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Fair value estimation

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

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

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

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

There were no changes in valuation techniques during the period.

3.3 Group's valuation process

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

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

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

4. SEGMENT INFORMATION

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

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

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

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

4. **SEGMENT INFORMATION (Continued)**

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

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

5. REVENUES

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

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

6. OTHER (LOSSES)/GAINS, NET

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

7. OTHER INCOME

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

8. EXPENSES BY NATURE

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

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

9. INCOME TAX EXPENSE/(CREDIT)

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

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

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

10. DIVIDENDS

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

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

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

11. PROFIT/(LOSS) PER SHARE

Basic

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

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

Diluted

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

12. TRADE AND OTHER RECEIVABLES

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

Note:

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

13. TRADE AND OTHER PAYABLES

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

14. COMMITMENTS

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

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

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

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

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

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

15. DISPOSAL OF BUSINESS

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

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

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

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

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

15. DISPOSAL OF BUSINESS (Continued)

The financial performance presented are for the period ended 30 September 2018 and 2017.

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

16. CONTINGENT LIABILITIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

- Group Turnover up by 3.2% to HK$751.6 million
- Group Net Profit at HK$57.4 million
- Group Gearing Ratio reduced to 45.6% (March 2018: 67.4%)
- Group Inventory reduced by 4.2% to HK$642.4 million vs that as at 31 March 2018

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

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

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

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

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

INTERIM DIVIDEND

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

CITY CHAIN GROUP

- City Chain Group Turnover remained stable with an 8% reduction in shops
- City Chain Group Loss Before Interest and Tax (LBIT) of HK$29.5 million (1H2017: HK$37.7 million)

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

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

Greater China

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

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

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

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

Southeast Asia

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

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

SUPPLY CHAIN MANAGEMENT AND WHOLESALE TRADING

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

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

Discontinued Operations – Optical Retail and Wholesale

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

GROUP OUTLOOK

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

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

FINANCE

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

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

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

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

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

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

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

The Group does not engage in speculative derivative trading.

As at 30 September 2018, the Group does not have any significant contingent liabilities except disclosed in Note 16 to the Condensed Interim Consolidated Financial Information.

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

CAPITAL STRUCTURE OF THE GROUP

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

CHANGES IN THE COMPOSITION OF THE GROUP

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

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

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

DETAILS OF THE CHARGES ON GROUP ASSETS

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

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

Code Provision A.2.1

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

Code Provision A.4.2

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

Code Provision B.1.3

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee and Corporate Governance Committee

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

Model Code for Securities Transactions by Directors of Listed Issuers

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

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

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

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 2018/2019 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

A joyful heart is good medicine

Proverbs 17:22

Hong Kong, 20 November 2018

Directors of the Company as at the date hereof:

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

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