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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 2020

The Board of directors (the "**Board**") of Stelux Holdings International Limited (the "**Company**") announce the results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2020 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

	Note	**2020** *HK$'000*	2019 *HK$'000*
Continuing operations			
Revenues	*2*	**1,034,794**	1,457,779
Cost of sales		**(529,403)**	(718,595)
Gross profit		**505,391**	739,184
Other losses		**(68,292)**	(19,982)
Other income		**53,705**	41,624
Selling expenses		**(444,765)**	(594,852)
General and administrative expenses		**(186,095)**	(237,428)
Other operating expenses		**(190,809)**	(19,101)
Finance costs		**(50,607)**	(24,920)
Loss before tax		**(381,472)**	(115,475)
Income tax expense	*3*	**(21,212)**	(28,967)
Loss for the year from continuing operations		**(402,684)**	(144,442)

* *For identification purpose only*

CONSOLIDATED INCOME STATEMENT (Continued)

	Note	**2020**	2019
		HK$'000	*HK$'000*
Discontinued operations			
Loss for the year from discontinued operations		–	(1,706)
Gain on disposal of discontinued operations	*8*	–	111,766
Profit for the year arising from discontinued operations	*2*	–	110,060
Loss for the year		**(402,684)**	(34,382)
Attributable to:			
Equity holders of the Company		**(402,898)**	(34,551)
Non-controlling interests		**214**	169
		(402,684)	(34,382)
Loss attributable to the equity holders of the Company arising from:			
– Continuing operations		**(402,898)**	(144,611)
– Discontinued operations	*2*	–	110,060
		(402,898)	(34,551)
		HK cents	*HK cents*
Loss per share	*5*		
From continuing operations			
– Basic and diluted		**(38.50)**	(13.82)
From continuing and discontinued operations	*5*		
– Basic and diluted		**(38.50)**	(3.30)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019
	HK$'000	*HK$'000*
Loss for the year	**(402,684)**	(34,382)
Other comprehensive loss:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences of translation of foreign operations	**(42,789)**	7,171
Release of exchange reserve upon disposal of discontinued operations	**–**	(14,978)
	(42,789)	(7,807)
Items that will not be reclassified to profit or loss:		
Gain on revaluation of property, plant and equipment, net of tax	**–**	202,040
Change in fair value of equity investments at fair value through other comprehensive income	**(9,526)**	2,596
	(9,526)	204,636
Other comprehensive (loss)/income for the year, net of tax	**(52,315)**	196,829
Total comprehensive (loss)/income for the year	**(454,999)**	162,447
Attributable to:		
Equity holders of the Company	**(454,525)**	163,211
Non-controlling interests	**(474)**	(764)
	(454,999)	162,447
Total comprehensive (loss)/income for the year attributable to the equity holders of the Company arising from:		
Continuing operations	**(454,525)**	68,129
Discontinued operations	**–**	95,082
	(454,525)	163,211

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2020

	Note	**2020** **HK$'000**	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**131,315**	165,411
Investment properties		**519,800**	586,100
Prepaid lease premium		**–**	11,135
Right-of-use assets		**198,704**	–
Intangible assets		**57,541**	65,633
Deferred tax assets		**38,384**	49,553
Equity investments at fair value through other comprehensive income		**5,444**	14,970
Deposits and prepayments	*6*	**36,638**	55,080
Total non-current assets		**987,826**	947,882
Current assets			
Inventories		**373,040**	559,829
Trade and other receivables	*6*	**163,454**	182,488
Pledged bank deposits		**54,579**	56,649
Cash and cash equivalents		**127,016**	234,869
Total current assets		**718,089**	1,033,835
Total assets		**1,705,915**	1,981,717
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**104,647**	104,647
Reserves		**425,799**	880,324
Shareholders' funds		**530,446**	984,971
Non-controlling interests		**6,655**	7,129
Total equity		**537,101**	992,100

CONSOLIDATED BALANCE SHEET (Continued)

	Note	2020 *HK$'000*	2019 *HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**32,933**	31,004
Lease liabilities		**118,251**	–
Total non-current liabilities		**151,184**	31,004
Current liabilities			
Trade and other payables	*7*	**172,583**	237,472
Income tax payable		**16,288**	32,840
Bank and other borrowings		**651,449**	688,301
Lease liabilities		**177,310**	–
Total current liabilities		**1,017,630**	958,613
Total liabilities		**1,168,814**	989,617
Total equity and liabilities		**1,705,915**	1,981,717

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

During the year ended 31 March 2020, the Group incurred a net loss of approximately HK$402.684 million and as of that date, the Group recorded net current liabilities of approximately HK$299.541 million.

In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the current and anticipated future liquidity of the Group and the ability of the Group to continue to attain profitable and positive cash flows from operations in the immediate and longer terms. Included in current liabilities are bank borrowings of HK$651.449 million which contain a repayment on demand clause. Based on the Group's credit history and historical relationships with the banks, the executive directors do not believe that it is probable that the banks will demand immediate repayment but rather such bank borrowings will be repaid in accordance with their scheduled repayment dates. Accordingly, principal and interest payments due within the next twelve months from the reporting date will amount to HK$138.961 million.

In order to strengthen the Group's liquidity in the foreseeable future, the directors of the Company have taken the following measures: closing down under-performing retail shops; and implementing various cost control measures in order to tighten the costs of operations.

The directors of the Company have taken into account the cash requirements of the Group for the next twelve months from the end of the reporting period, unutilized banking facilities of approximately HK$192 million as at 31 March 2020 and the above measures, and therefore the directors have concluded that the Group will have sufficient working capital to meet in full its financial obligations as they fall due and accordingly the consolidated financial statements have been prepared on a going concern basis.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(a) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

1. BASIS OF PREPARATION (Continued)

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact or leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

1. BASIS OF PREPARATION (Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases **(Continued)**

(i) New definition of a lease (Continued)

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The average incremental borrowing rates applied by the relevant group entities range from 2.9% to 12.8%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2019;

- used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

- excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

- relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

1. BASIS OF PREPARATION (Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases **(Continued)**

(ii) Lessee accounting and transitional impact (Continued)

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	HK$'000
Operating lease commitments as disclosed as at 31 March 2019	439,707
Less:	
Commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ended on or before 31 March 2019	(23,904)
– leases of low-value assets	(8)
– contracts signed before 31 March 2019, but leases commenced after 1 April 2019	(24,393)
Add:	
Lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	97,741
	489,143
Less:	
Total future interest expenses	(32,548)
Present value of remaining lease payments, discounted using the incremental borrowing rate as at 1 April 2019	456,595
Add:	
Finance lease liabilities recognised as at 31 March 2019	51
Lease liabilities recognised as at 1 April 2019	456,646
Represented by:	
Current lease liabilities	194,093
Non-current lease liabilities	262,553
	456,646

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 March 2019.

1. BASIS OF PREPARATION (Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases **(Continued)**

(ii) Lessee accounting and transitional impact (Continued)

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "Finance leases payables", these amounts are included within "Lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The following table summaries the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount as at 31.3.2019	Effects of adoption of HKFRS 16		
		Reclassification	Recognition of lease	As at 1.4.2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Right-of-use assets	–	4,320	452,687	**457,007**
Property, plant and equipment *(notes i and ii)*	165,411	(2,339)	–	**163,072**
Prepaid lease premium *(note iii)*	11,135	(11,135)	–	**–**
Current assets				
Prepayments	18,762	(667)	–	**18,095**
Liabilities				
Lease liabilities	–	3,959	452,687	**456,646**
Finance lease payable *(note iv)*	51	(51)	–	**–**
Other payables *(note v)*	20,838	(13,729)	–	**7,109**

Note:

(i) In relation to assets previously under finance leases, the Group recategorises the carrying amount of the relevant assets which were still leased as at 1 April 2019 amounting to HK$51,000 as right-of-use assets.

(ii) The Group reclassified the reinstatement under property, plant and equipment to right-of-use assets as at 1 April 2019.

(iii) Upfront payments for owned used leasehold land arising from Thailand subsidiary was classified as prepaid land lease as payments as at 31 March 2019. Upon application of HKFRS 16, the non-current portion of prepaid land lease payments amounting to HK$11.135 million was classified to right-of-use assets.

1. BASIS OF PREPARATION (Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 Leases **(Continued)**

(ii) Lessee accounting and transitional impact (Continued)

Note: (Continued)

(iv) The Group reclassified the obligation under finance leases of HK$51,000 to lease liabilities as current liabilities at 1 April 2019.

(v) The Group reclassified the provision of onerous contract and accrued rental to lease liabilities as at 1 April 2019.

(iii) Impact of the financial results and cash flows of the Group

As a result of initially applying HKFRS16, in relation to the leases that were previously classified as operating leases under HKAS 17, the Group recognised right-of-use assets of approximately HK$198.704 million and lease liabilities of approximately HK$295.561 million as at 31 March 2020.

Also, in relation to those leases under HKFRS 16, the Group had recognised depreciation and financial costs, instead of operating lease charges. During the year ended 31 March 2020, the Group recognised depreciation charges of HK$212.221 million and finance costs of HK$25.273 million from these leases.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 3	Definition of a Business	1 April 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 April 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform	1 April 2020

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

2. REVENUE AND SEGMENT INFORMATION

The chief operating decision-makers have been identified as the executive directors of the Company. The executive directors review the Group's financial information mainly from product and geographical perspectives. From a product perspective, the Group has two reportable segments namely watch retail and watch wholesale trading, segments. From a geographical perspective, management mainly assesses the performance of watch retail operations in (i) Hong Kong, Macau and Mainland China and (ii) 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.

The optical retail segment and certain subsidiaries under optical wholesale trading segment (the "disposal group" or "discontinued operations") were discontinued and disposed on 1 June 2018. Information about this discontinued segment is disclosed in Note 8.

The watch retail segment and watch wholesale trading segment together formed the continuing operations. Unallocated income represents dividend income from investment and gain on disposal of discontinued operations. Net corporate expenses mainly represent corporate staff costs and provision for senior management bonus. Unallocated assets represent property, plant and equipment, investment properties and right-of-use assets at corporate level, unlisted equity investments, deferred tax assets, pledged bank deposits and cash and cash equivalents. Unallocated liabilities represent lease liabilities, other payables and accruals at corporate level, bank and other borrowings, deferred tax liabilities and income tax payable.

2. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 March 2020

	Continuing operations			
	Watch retail			
	Hong Kong, Macau and Mainland China *HK$'000*	Rest of Asia *HK$'000*	Watch wholesale trading *HK$'000*	Total *HK$'000*
Revenues from contracts with customers within the scope of HKFRS 15				
Gross segment	477,141	296,154	433,673	1,206,968
Inter-segment	–	–	(172,174)	(172,174)
Sales to external customers	477,141	296,154	261,499	1,034,794
Timing of revenue recognition				
At a point in time	477,141	296,154	261,499	1,034,794
Segment results	(209,178)	3,124	(64,995)	(271,049)
Unallocated income				1,014
Net corporate expenses				(60,830)
Finance costs				(50,607)
Loss before tax				(381,472)
Income tax expense				(21,212)
Loss for the year				(402,684)

2. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 March 2020 (Continued)

	Continuing operations				
	Watch retail				
	Hong Kong, Macau and Mainland China	Rest of Asia	Watch wholesale trading	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditures	(5,905)	(3,273)	(135)	(2,133)	(11,446)
Depreciation:					
– Property, plant and equipment	(12,019)	(8,908)	(2,246)	(10,374)	(33,547)
– Right-of-use assets	(151,219)	(51,181)	(6,642)	(3,179)	(212,221)
Impairment of:					
– Property, plant and equipment *(note)*	(5,694)	(148)	–	–	(5,842)
– Intangible assets	–	–	(6,166)	–	(6,166)
– Right-of-use assets *(note)*	(71,900)	(5,018)	–	–	(76,918)
Amortisation of intangible assets	–	–	(1,430)	–	(1,430)
Fair value change of investment properties	(29,500)	–	–	(36,800)	(66,300)
Write back of provision/(provision) for inventories	4,782	115	(95,901)	–	(91,004)
Segment assets	552,054	188,645	321,702	–	1,062,401
Unallocated assets					643,514
Total assets					1,705,915
Segment liabilities	250,165	86,061	74,657	–	410,883
Unallocated liabilities					757,931
Total liabilities					1,168,814

Note:

The Group regards its individual retail shops as separately identifiable CGUs and the recoverable amounts of the CGUs is determined with reference to their value-in-use. Management carried out an impairment assessment for the retail shop assets, including property, plant and equipment and right-of-use assets, which exhibited an impairment indicator. Given the potential adverse impact on the performance of the Group's retail shops as a result of the social events and COVID-19, management performed impairment assessment for all the retail shops. The carrying amount of the retail shop assets is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The estimates of the recoverable amounts were based on value-in-use calculations using discounted cash flow projections based on the forecasts approved by management covering the remaining tenure of the lease, with major assumptions such as percentage change in revenue and percentage change of running cost.

2. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 March 2020 (Continued)

Note: (Continued)

As a result, during the year ended 31 March 2020, impairment of property, plant and equipment approximately HK$5.842 million (2019: HK$4.251 million) and impairment of right-of-use assets approximately HK$76.918 million (2019: Nil) were made as their carrying values are not expected to be fully recoverable. Impairment loss was included in other operating expenses in the consolidated income statement.

Key assumptions used in the value-in-use calculations for the recoverable amount are as follows:

- Revenue: based on estimated timing on lifting social distancing restrictions in all regions and the consequential effect on the Group's retail shops.

- Running cost: based on the estimated change related to the Group's costs saving plan and measures.

For the year ended 31 March 2019

	Continuing operations				Discontinued operations				
	Watch retail				Optical retail				
	Hong Kong, Macau and Mainland China	Rest of Asia	Watch wholesale trading	Sub-total	Hong Kong, Macau and Mainland China	Rest of Asia	Optical wholesale trading	Sub-total	Group Total
Revenues from contracts with customers	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
within the scope of HKFRS 15									
Gross segment	826,338	340,200	593,991	1,760,529	186,012	30,161	4,029	220,202	1,980,731
Inter-segment	–	–	(302,750)	(302,750)	–	–	(1,244)	(1,244)	(303,994)
Sales to external customers	826,338	340,200	291,241	1,457,779	186,012	30,161	2,785	218,958	1,676,737
Timing of revenue recognition									
At a point in time	826,338	340,200	291,241	1,457,779	186,012	30,161	2,785	218,958	1,676,737
Segment results	(98,853)	844	40,119	(57,890)	9,626	(3,443)	313	6,496	(51,394)
Unallocated income				2,798				124,043	126,841
Net corporate expenses				(35,463)				(5,481)	(40,944)
Finance costs				(24,920)				(440)	(25,360)
(Loss)/profit before income tax				(115,475)				124,618	9,143
Income tax expense				(28,967)				(14,558)	(43,525)
(Loss)/profit for the year				(144,442)				110,060	(34,382)

2. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 March 2019 (Continued)

	Continuing operations					Discontinued operations				
	Watch retail					Optical retail				
	Hong Kong, Macau and Mainland China	Rest of Asia	Watch wholesale trading	Unallocated	Sub-total	Hong Kong, Macau and Mainland China	Rest of Asia	Optical wholesale trading	Sub-total	Group Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditures	(20,781)	(8,187)	(567)	(612)	(30,147)	(1,301)	(271)	(4)	(1,576)	(31,723)
Depreciation	(19,735)	(9,484)	(2,399)	(10,915)	(42,533)	–	–	–	–	(42,533)
Impairment of property, plant and equipment	(4,251)	–	–	–	(4,251)	–	–	–	–	(4,251)
Amortisation of prepaid lease premium	–	(2,796)	–	–	(2,796)	–	–	–	–	(2,796)
Amortisation of intangible assets	–	–	(2,322)	–	(2,322)	–	–	–	–	(2,322)
(Provision)/write back of provision for inventories	(30,162)	1,248	31,510	–	2,596	–	–	–	–	2,596
Write back of provision/ (provision) for onerous contracts	4,916	(761)	–	–	4,155	–	–	–	–	4,155
Segment assets	582,945	150,340	462,157	–	1,195,442					
Unallocated assets					786,275					
Total assets					1,981,717					
Segment liabilities	96,014	34,963	78,691	–	209,668					
Unallocated liabilities					779,949					
Total liabilities					989,617					

2. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

An analysis of the Group's revenue and segment results by geographical area are as follows:

	Continuing operations			
	Revenue		Segment results	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**434,085**	721,668	**(195,849)**	(37,872)
Macau	**69,663**	115,553	**(21,927)**	18,843
Mainland China	**84,027**	128,906	**(31,665)**	(43,520)
Rest of Asia	**445,072**	489,154	**17,722**	15,659
Europe	**1,947**	2,498	**(39,330)**	(11,000)
	1,034,794	1,457,779	**(271,049)**	(57,890)

	Discontinued operations	
	Revenue	Segment results
	2019	2019
	HK$'000	*HK$'000*
Hong Kong	145,265	15,632
Macau	9,956	2,242
Mainland China	32,741	(7,896)
Rest of Asia	30,996	(3,482)
	218,958	6,496

2. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information (Continued)

An analysis of the Group's non-current assets (other than equity investments at fair value through other comprehensive income and deferred tax assets) by geographical area is as follows:

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**411,328**	375,065
Macau	**322,640**	360,574
Mainland China	**26,113**	10,858
Rest of Asia	**147,278**	97,264
Europe	**36,639**	39,598
	943,998	883,359

The revenue information above is based on the locations of the customers.

There were no revenue transactions with a single external customer which amounted to 10% or more of the Group's revenue during the year (2019: Nil).

Revenue recognised that was included in contract liabilities at the beginning of the reporting period:

	2020	2019
	HK$'000	*HK$'000*
Sales of watches	**1,058**	2,887

Performance obligations

The performance obligation is satisfied upon delivery of the goods and payment is mainly on cash and credit card settlement, except for wholesale customers, where payment is due within credit period from delivery. As at 31 March 2020, the remaining performance obligations (unsatisfied or partially unsatisfied) are part of contracts that have an original expected duration of one year or less, the transaction price allocated to which is not presented according to practical expedient in HKFRS 15.

3. INCOME TAX EXPENSE

	2020	2019
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**3,925**	7,500
– Overseas profits tax	**5,268**	23,041
– (Over)/under provisions in respect of prior years	**(523)**	192
	8,670	30,733
Deferred income tax	**12,542**	12,792
Income tax expense	**21,212**	43,525
Income tax expense is attributable to:		
– Continuing operations	**21,212**	28,967
– Discontinued operations	**–**	2,281
– Gain on disposal of discontinued operations	**–**	12,277
	21,212	43,525

Hong Kong and Thailand profits taxes have been provided at the rate of 16.5% (2019: 16.5%) and 20% (2019: 20%) respectively, based on the estimated assessable profits for the year ended 31 March 2020 less relief, if any. Taxation on the remaining overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

4. DIVIDENDS

	2020	2019
	HK$'000	*HK$'000*
Special, paid of HK$Nil (2019: HK$0.19) per ordinary share	**–**	198,830

The directors did not recommended any interim or final dividends in respect of the years ended 31 March 2020 and 2019.

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 disposal group and was approved by the shareholders in the special general meeting on 19 April 2018. The special distribution, amounting to HK$198.83 million, had been paid on 14 June 2018.

5. LOSS PER SHARE

Basic

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

	2020	2019
	HK$'000	*HK$'000*
Loss from continuing operations	**(402,898)**	(144,611)
Profit from discontinued operations	**–**	110,060
Loss attributable to equity holders of the Company	**(402,898)**	(34,551)
Weighted average number of ordinary shares in issue (thousands)	**1,046,474**	1,046,474
	HK cents	*HK cents*
Basic loss per share from continuing operations	**(38.50)**	(13.82)
Basic earnings per share from discontinued operations	**–**	10.52
Basic loss per share attributable to the equity holders of the Company	**(38.50)**	(3.30)

Diluted

Diluted loss per share for the years ended 31 March 2019 and 31 March 2020 are the same as the basic loss per share amounts as there were no potentially dilutive ordinary shares in issues during two years.

6. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables, gross	**80,107**	86,036
Less: Impairment loss	**(112)**	(494)
	79,995	85,542
Other receivables	**35,155**	38,116
Deposits	**78,912**	95,148
Prepayments	**6,030**	18,762
	200,092	237,568
Less: non-current portion	**(36,638)**	(55,080)
Current portion	**163,454**	182,488

The ageing analysis of the trade receivables based on invoice date is as follows

	2020	2019
	HK$'000	*HK$'000*
0-60 days	**28,692**	35,027
Over 60 days	**51,415**	51,009
	80,107	86,036

Note:

The Group engages designated import and export agents for the importation of products from the subsidiaries in Hong Kong to the subsidiaries in the Mainland China. The balances due from and due to the import and export agents are settled on a back-to-back basis, and such balances are repayable on demand. The Group's trade receivables and trade payables include balances due from and due to the import and export agents of HK$34.596 million as at 31 March 2020 (2019: HK$33.096 million).

Other than the balances due from the import and export agents, the Group allows an average credit period of 60 days from the invoice date to its trade receivables.

7. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**61,826**	87,451
Contract liabilities	**451**	1,058
Other payables	**45,741**	20,838
Accruals	**64,565**	118,971
Provision	**–**	9,154
	172,583	237,472

Trade payables are unsecured and usually paid within 30 days of recognition.

The ageing analysis of the trade payables based on invoice date is as follows:

	2020	2019
	HK$'000	*HK$'000*
0-60 days	**22,192**	45,722
Over 60 days	**39,634**	41,729
	61,826	87,451

8. DISCONTINUED OPERATIONS/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 retail and wholesale business (the "Disposal") at a consideration of HK$400 million, subject to adjustments. The Disposal was communicated to shareholders on 22 March 2018 through a circular. The Disposal was subsequently approved by the shareholders in the special general meeting on 19 April 2018. The completion of the Disposal took place on 1 June 2018.

8. DISCONTINUED OPERATIONS/DISPOSAL OF BUSINESS (Continued)

The net assets disposed of and the resulting gain on disposal of HK$111.766 million is summated as follows:

	2019
	HK$'000
Property, plant and equipment	70,728
Prepaid lease premium	13,220
Other non-current assets	11,590
Inventories	216,403
Trade and other receivables	165,370
Cash and cash equivalents	59,987
Trade and other payables	(211,538)
Amount due to the Group	(403,827)
Other non-current liabilities	(50,832)
Net assets disposed	(128,899)
Gain on disposal	
Considerations	(3,827)
Net assets disposed	128,899
Release of cumulative exchange reserve on disposal	14,978
Professional fees and taxes on disposal	(28,284)
	111,766
Satisfied 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:

	2019
	HK$'000
Cash consideration	400,000
Cash and bank disposed of	(59,987)
Net inflow of bank balances and cash in respect of the disposal group	340,013

8. DISCONTINUED OPERATIONS/DISPOSAL OF BUSINESS (Continued)

The financial performance and cash flows information presented are for the two months ended 31 May 2018.

	Two months ended 31 May 2018 *HK$'000*
Revenue	218,958
Other losses	(2,004)
Other income	5,738
Expenses	(222,117)
Profit before tax	575
Income tax expense	(2,281)
Loss from discontinued operations	(1,706)
Gain on disposal of discontinued operations, net of tax	111,766
Profit for the period	110,060
Release of exchange reserve relating to discontinued operations	(14,978)
Total comprehensive income from discontinued operations	95,082

	Two months ended 31 May 2018 *HK$'000*
Net cash outflow from operating activities	(51,380)
Net cash outflow from investing activities	(1,576)
Net cash outflow from financing activities	(31,410)
Net decrease in cash and cash equivalents	(84,366)

9. CONTINGENT LIABILITIES

In April 2018, a third party filed a legal claim against one of the subsidiaries (the "Subsidiary") of the Group for outstanding management service fees plus interest and surcharges amounting to THB143.67 million. Subsequently on 31 January 2020, both parties mutually settled the dispute while the Subsidiary agreed to pay THB18.45 million (equivalent to approximately HK$4.428 million) to the third party, who agreed not to pursue the case further.

10. POST BALANCE SHEET DATE EVENT

Prior to the date of this announcement, the Group obtained a one-off waiver from a bank from strict compliance with certain covenant requirements of bank borrowings amounting to HK$429.697 million.

MANAGEMENT DISCUSSION AND ANALYSIS

- Group Turnover down 29.0% to HK$1,034.8 million

- Loss Attributable to Equity Holders of the Company of HK$402.9 million

- Group Inventory down 33.4% to HK$373.0 million

For the year under review, Group turnover decreased by 29.0% to HK$1,034.8 million (FY2018/19: HK$1,457.8 million) and a loss attributable to Group equity holders of HK$402.9 million was recorded as the worsened socio-political climate in Hong Kong since June 2019, the ongoing US-China trade war and the COVID-19 pandemic outbreak since late January 2020 exerted severe pressure on the turnover and operating performance of the Group.

The Group would have reported a loss of HK$145.8 million in FY2019/20, after excluding the following non-cash items totalling HK$257.1 million:

– the accounting impact from HKFRS 16 Leases of HK$12.3 million

– an impairment of HK$76.9 million relating to right-of-use assets mainly arising from retail stores with declined store profitability

– an impairment of HK$66.3 million due to revaluation of investment properties

– a stock provision expense of HK$95.4 million mainly relating to slow-moving watch movements given the uncertain watch retail environment

– an impairment of intangible assets of HK$6.2 million due to reducing recoverable amount

Compared to FY2018/19, the Group reported a loss of HK$144.7 million after excluding a gain on Disposal of the Optical Business of HK$111.8 million recorded in FY2018/19 following the completion on 1 June 2018, by the Group of the disposal of its entire optical retail and wholesale businesses (the "**Discontinued Operations**") to its controlling shareholder and a loss from the Discontinued Operations of HK$1.7 million.

Group gross profit margin was maintained at around 48.8% (FY2018/19: 50.7%) as promotional strategies were implemented to stimulate consumer demand and to reduce inventory to enhance liquidity.

In FY 2019/20, the Group continued with measures to further reduce operating costs:-

- selling expenses (excluding expenses related to investment in brand building) fell 20.6% mainly due to reduced rental expenses and other overheads at shops

- Group general and administrative expenses fell by 21.6%

- In FY2019/20, capital expenditures were significantly reduced by 62.1% to HK$11.4 million (FY2018/19: HK$30.1 million). Shop numbers fell by 15.5% in line with Group strategy to close non-performing shops and rationalise shop portfolio to improve shop productivity

- The Group's inventory declined by 33.4% vs that at the end of March 2019 as a stock provision expense of HK$95.4 million for slow-moving watch movements was recorded with a view that the consumption of watch movements will remain stagnant given the current sluggish retail climate and uncertainty around the magnitude of recovery of retail and tourism in the near future. Excluding the impact of the provision expense of watch movements, Group inventory balance at the end of March 2020 declined by 16.3% or HK$91.4 million year-on-year as a result of strict inventory control and tightened stock procurement.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: Nil per ordinary share).

CITY CHAIN GROUP

The City Chain Group operates around 185 stores in Hong Kong, Macau, Mainland China (the "**Greater China**"), Singapore, Thailand and Malaysia together with on-line stores for "City Chain" and "Solvil et Titus".

The City Chain Group reported a 33.7% decline in turnover to HK$773.3 million (FY2018/19: HK$1,166.5 million) and a loss before interest and tax (LBIT) of HK$206.1 million (FY2018/19: HK$98.0 million) with an impairment loss of HK$76.9 million being right-of-use assets of the Group's retail stores arising from the adoption of the new HKFRS 16 Lease.

As part of the CITY CHAIN Group's key strategy to shift to an omni-channel model, we have continued to invest in our e-commerce business. Due to COVID-19, we accelerated our pace of investment, adopting the necessary infrastructure and expertise, increasing allocation of marketing expenditure on our online operations such as social networking platforms to maintain quality interactions with consumers to boost online sales and to enhance the online brand presence of CITY CHAIN.

Greater China

Turnover for CITY CHAIN operations in Greater China fell by 42.3% to HK$477.1 million (FY2018/19: HK$826.3 million) amid a difficult retail environment in Hong Kong/Macau which resulted in a wider LBIT of HK$209.2 million (FY2018/19: LBIT HK$98.9 million). In line with our shop consolidation strategy, 27 shops were closed. An impairment loss of HK$71.9 million being the right-of-use assets of the Group's retail stores in Greater China and a deficit in valuation of investment properties of HK$29.5 million contributed to this wider LBIT.

Following streamlining operations, the operating expenses in Greater China fell by 21.7% in FY2019/20. This falling costs trend is expected to continue in FY2020/21.

Our online business in Hong Kong performed up to expectations whilst cost efficiencies at our Mainland China watch e-commerce business improved.

Southeast Asia

Before the outbreak of COVID-19 in Q4 FY2019/20, our Southeast Asian operations in Singapore, Malaysia and Thailand were generally impacted by weak sentiment during the year due to declining country exports. Therefore, with less jobs and lower variable income, consumers were more conservative with spending. Since March 2020, the situation seriously worsened when economic activities were severely disrupted by lockdowns and movement controls imposed by individual governments as our physical stores were temporarily closed.

Turnover at our Southeast Asian operations declined by 12.9% to HK$296.2 million (FY2018/19: HK$340.2 million) with the number of shops falling by 6.6% due to the closure of certain non-performing shops. Despite the challenging business environment, with continuous efforts on cost control and productivity improvement, our Southeast Asian operations reported an EBIT (excluding exchange difference) of HK$3.1 million. (FY2018/19: HK$3.4 million)

Due to our quicker pace of investment online, we saw an uplift in online sales together with a strengthening of our brand presence on different online market place platforms.

SUPPLY CHAIN MANAGEMENT AND WHOLESALE TRADING

Turnover for this division comprising our supply chain and wholesale trading subsidiaries decreased moderately by 10.2% to HK$261.5 million (FY2018/19: HK$291.2 million) and a LBIT of HK$65.0 million was posted. Excluding the provision expense of HK$95.4 million for slow-moving watch movements, this division reported a profit during FY2019/20, a decrease of 24.2% compared with FY2018/19.

As the sole distributor for the "SEIKO" and "GRAND SEIKO" brand of watches in Hong Kong, Macau, Singapore, Brunei and Malaysia, our wholesale trading unit launched various marketing campaigns, which were well received, and with prompt service support promoted sell-through to retailers.

COVID-19 AND THE SHORT TERM OUTLOOK

In the territories where we operate, all of our stores have re-opened following the relaxation of controls by most governments. However, the outbreak and rapid spread of COVID-19 have caused seismic disruptions posing a significant threat to the global economy and the duration and true extent of these disruptions are uncertain, whilst closer to home here in Hong Kong, we still continue to feel the impact of ongoing socio-political tensions. These external conditions severely impacted Group turnover in April and May 2020, and amid such a challenging external environment, it is difficult to assess the economic recovery for the remaining 1H FY2020/21. The Group will continue to adopt appropriate measures to meet the headwinds, including closely monitoring cash flow, operating costs, capital expenditure, inventory management; closing non-performing shops and applying for COVID-19 related government relief/subsidies. The financial impact of cost containment measures will continue to be reflected in FY2020/21.

OUR COMMITMENT TO CHANGE

We remain committed to an omni-channel business model and notwithstanding the harsh external conditions will continue not only to prioritise but also accelerate deployment of resources in this area. Therefore, in the coming months, we will invest in appropriate infrastructure to grow our online presence and also enhance synergies between our online and offline businesses.

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.

Group gearing ratio was 88.6% (31 March 2019: 40.3%) with shareholders' funds standing at HK$530.4 million (31 March 2019: HK$985.0 million) and net debts of HK$469.8 million (31 March 2019: HK$396.8 million). The net debts are based on the bank borrowings of HK$651.4 million (31 March 2019: HK$688.3 million) less bank balance and cash of HK$181.6 million (of the Group as at 31 March 2019: HK$291.5 million) of which HK$54.6 million were pledged (31 March 2019: HK$56.6 million). The bank borrowings comprised of HK$115.8 million repayable within one year and HK$ 535.6 million with scheduled repayment after one year but repayable on demand and were classified as current liabilities. The increase in gearing ratio was due to the fact that certain non-cash expenses (such as stock provision and impairment of investment properties, right-of-use assets and intangible assets) were recorded during FY2019/20, and thus reducing shareholders' funds. The Group's cash inflow from its operations was HK$159.1 million. Upon adoption of HKFRS 16 Leases, the repayment of lease liabilities is included in financing activities and therefore the cash inflow from its operations increased. The unutilized banking facilities as at 31 March 2020 was HK$192 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 31 March 2020, the current assets and current liabilities were approximately HK$718.1 million (31 March 2019: HK$1,033.8 million) and HK$1,017.6 million (31 March 2019: HK$958.6 million), respectively. The current ratio was approximately 0.71 (1.08 as at 31 March 2019). On the adoption of HKFRS 16 Leases, the Group recognized the commitments under operating leases for future periods as lease liabilities, whereas, under the previous accounting standard, no such liabilities were required. Therefore, the net current assets is lower.

As at 31 March 2020, the Group's total equity funds amounted to HK$537.1 million.

Prior to the date of this announcement, the Group obtained a one-off waiver from a bank from strict compliance with certain covenant requirements of bank borrowings amounting to HK$429.697 million.

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

The Group does not engage in speculative derivative trading.

As at 31 March 2020, the Group does not have any significant contingent liabilities.

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

As at 31 March 2020, certain property, plant and equipment, investment properties and bank deposit amounting to HK$640.4 million (31 March 2019: HK$712.3 million) were pledged to secure banking facilities granted to the Group. Capital expenditures was under control and reduced to HK$11.4 million (FY2018/19: HK$30.1 million).

The investment properties were revalued by an independent valuer as at 31 March 2020. An impairment loss of HK$66.3 million was recorded in the year ended 31 March 2020 accordingly.

The deferred tax asset balance decreased by HK$11.2 million and this expense was charged to the income statement during the year ended 31 March 2020. The decrease was mainly from a decrease in tax losses recognised as deferred tax asset.

The annual results for FY2019/20 have been reviewed by the Audit Committee.

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 at 31 March 2020, the Group had around 1,120 employees (31 March 2019: 1,550). 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.

CLOSURE OF REGISTER OF MEMBERS

To determine entitlement to attend and vote at the forthcoming Annual General Meeting on 28 August 2020 (Friday) (or any adjournment thereof), the Register of Members of the Company will be closed from 25 August 2020 (Tuesday) to 28 August 2020 (Friday) both days inclusive, during which period no transfer of shares will be effected.

All transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 24 August 2020 (Monday).

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.

SCOPE OF RSM HONG KONG

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, the consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in this preliminary announcement have been agreed by the Group's auditor, RSM Hong Kong, to be the same as the figures set out in the Group's draft consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on this preliminary announcement.

CORPORATE GOVERNANCE

During the year ended 31 March 2020, 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 the Chairman and CEO of the Group. The Company believes that with Mr. Joseph C.C. Wong acting as both Chairman and CEO, consistent leadership is ensured further enabling 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 since the Board comprises of experienced and competent individuals, with the majority of the Board made up of 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.

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. The principal responsibilities of the Audit Committee include the review and supervision of the Group's financial reporting process, risk management and internal control systems and maintaining an appropriate relationship with the Company's external auditors. The Committee held five meetings on 19 November 2019, 1 April 2020, 16 April 2020, 22 April 2020 and 24 June 2020 to discuss matters, including, resignation of the Group's previous auditor, recommendation to appoint a replacement auditor, the Group's audit service plan, the review of accounting standards (including HKFRS 16 Leases), 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 risk management and internal controls 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 year ended 31 March 2020 and interim results for FY2019/20 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) and Mr. Joseph C.C. Wong (Group Chairman and CEO). By way of circular resolutions, and at a meeting held on 22 April 2020, the remuneration packages of the executive directors for FY2019/20 and the directors' fees for FY2019/20 for all directors were reviewed.

Nomination Committee

The Nomination Committee comprises of Mr. Joseph C. C. Wong (Chairman of the Nomination Committee, Group Chairman and CEO) and three independent non-executive directors, namely, Mr. Wu Chun Sang, Professor Lawrence Wu Chi Man and Dr. Agnes Kwong Yi Hang.

Code Provision A.5.3 deals with the terms of reference of a Nomination Committee. The Company has adopted the terms of reference under Code Provision A.5.3. During the financial year, and up to the date of this Announcement, the Committee met once. The Committee considered the independence of the retiring independent non-executive directors and confirmed having received from each of the independent non-executive directors an annual confirmation of his/her independence. Dr. Agnes Kwong Yi Hang and Mr. Wu Chun Sang are due to retire at the forthcoming AGM. Dr. Agnes Kwong Yi Hang, being eligible has put forward herself for re-election, Mr. Wu Chun Sang has decided not to put himself forward for re-election. In the nomination process for a new independent non-executive director to take the place of Mr. Wu, the Committee has received and assessed the CVs of several prospective candidates. The Committee proposes the most appropriate individual with the right balance of skills, experience, and industry background for the position based on the Company's board diversity policies and nomination processes for appointment or election/re-election of directors. In line with the Group's strategy to move to an omni-channel business model, the Committee selected and nominated to the Board a candidate with an e-commerce related background to add to the balance of relevant skill sets on the Board.

Corporate Governance Committee

The Corporate Governance Committee comprises of Mr. Wallace Kwan Chi Kin (Chairman of the Corporate Governance Committee and CFO) and three independent non-executive directors, namely, Professor Lawrence Wu Chi Man, Mr. Nelson Wu Chun Sang and Dr. Agnes Kwong Yi Hang. The Committee held a meeting on 22 April 2020 to review the Company's compliance with the Code Provisions and disclosure in the Corporate Governance Report amongst other things.

PUBLICATION OF FINANCIAL INFORMATION AND ANNUAL REPORT

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk under "Latest Listed Company Information" and the Company's website at http://www.stelux.com under "Announcements & Notices". The Company's Annual Report for 2020 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

Hong Kong, 26 June 2020

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