

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

STELUX Holdings International Limited

寶光實業(國際)有限公司*

Incorporated in Bermuda with limited liability

website: <http://www.stelux.com>

Stock Code: 84

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2022

HIGHLIGHTS

- Group Turnover slightly down 1.95% to HK\$692.5 million
- Loss Attributable to Equity Holders of the Company of HK\$106.7 million after taking into account of the following non-cash items:
 - the accounting impact from HKFRS 16 Leases (non-cash) of HK\$29.1 million (income) (FY2020/21: HK\$76.3 million (income));
 - an impairment loss (non-cash) of HK\$8.1 million (FY2020/21: HK\$15.7 million) relating to right-of-use assets mainly arising from retail stores with declined store profitability;
 - an impairment loss (non-cash) of HK\$23.0 million (FY2020/21: HK\$54.1 million) due to revaluation of investment properties and leasehold land and buildings as at year end;
 - a stock provision expense relating to slow-moving watch movements was nil in FY2021/22 (FY2020/21: HK\$19.3 million); and
 - an impairment of intangible assets (non-cash) of HK\$2.7 million (FY2020/21: HK\$5.6 million) due to reducing recoverable amount.

If the above non-cash items were excluded, the Group would have reported a loss of HK\$102.0 million in FY2021/22. This represents an improvement of 36.8% compared with a loss in FY2020/21 of HK\$161.3 million after excluding the above non-cash items and the gain on disposal of a subsidiary of HK\$97.8 million (relating to a property in Hong Kong).

* For identification purpose only

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 2022 as follows:

**CONSOLIDATED INCOME STATEMENT AND
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022**

	<i>Note</i>	2022 HK\$’000	2021 <i>HK\$’000</i>
Revenues	2	692,507	706,267
Cost of sales		(368,770)	(381,542)
Gross profit		323,737	324,725
Other (losses)/gains		(11,332)	43,102
Other income		42,949	96,375
Selling expenses		(233,712)	(266,760)
General and administrative expenses		(161,516)	(161,376)
Other operating expenses		(31,688)	(63,246)
Finance costs		(19,275)	(28,710)
Loss before tax		(90,837)	(55,890)
Income tax expense	3	(15,623)	(25,731)
Loss for the year		(106,460)	(81,621)
Loss for the year attributable to:			
Equity holders of the Company		(106,716)	(81,890)
Non-controlling interests		256	269
		(106,460)	(81,621)
Loss per share	4		
Basic and diluted (HK cents)		(10.20)	(7.83)

**CONSOLIDATED INCOME STATEMENT AND
STATEMENT OF COMPREHENSIVE INCOME (Continued)**

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other comprehensive (loss)/income:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences of translation of foreign operations	(3,108)	42,687
<i>Item that will not be reclassified to profit or loss:</i>		
Change in fair value of equity investment at fair value through other comprehensive income	<u>(281)</u>	<u>(3,570)</u>
Other comprehensive (loss)/income for the year, net of tax	<u>(3,389)</u>	<u>39,117</u>
Total comprehensive loss for the year	<u>(109,849)</u>	<u>(42,504)</u>
Total comprehensive loss for the year attributable to:		
Equity holders of the Company	(109,374)	(42,926)
Non-controlling interests	<u>(475)</u>	<u>422</u>
	<u>(109,849)</u>	<u>(42,504)</u>

**CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2022**

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		196,748	265,476
Investment properties		283,100	296,700
Right-of-use assets		77,593	123,990
Intangible assets		51,342	53,459
Equity investment at fair value through other comprehensive income		1,593	1,874
Deposits and prepayments	5	14,757	20,643
Deferred tax assets		7,046	16,071
		<hr/>	<hr/>
Total non-current assets		632,179	778,213
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories		260,679	267,303
Trade and other receivables	5	135,740	141,978
Cash and cash equivalents		112,121	170,344
		<hr/>	<hr/>
		508,540	579,625
Assets classified as held for sale	8	41,311	–
		<hr/>	<hr/>
Total current assets		549,851	579,625
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		1,182,030	1,357,838
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

CONSOLIDATED BALANCE SHEET (Continued)

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		104,647	104,647
Reserves		273,499	382,873
		<u>378,146</u>	<u>487,520</u>
Shareholders' funds		378,146	487,520
Non-controlling interests		6,602	7,077
		<u>6,602</u>	<u>7,077</u>
Total equity		<u><u>384,748</u></u>	<u><u>494,597</u></u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		26,690	27,760
Lease liabilities		35,690	70,148
		<u>62,380</u>	<u>97,908</u>
Total non-current liabilities		<u><u>62,380</u></u>	<u><u>97,908</u></u>
Current liabilities			
Trade and other payables	6	180,634	148,724
Income tax payable		25,054	17,441
Bank borrowings		473,876	512,797
Lease liabilities		55,338	86,371
		<u>734,902</u>	<u>765,333</u>
Total current liabilities		<u><u>734,902</u></u>	<u><u>765,333</u></u>
Total liabilities		<u><u>797,282</u></u>	<u><u>863,241</u></u>
Total equity and liabilities		<u><u>1,182,030</u></u>	<u><u>1,357,838</u></u>

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.

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.

During the year ended 31 March 2022, the Group incurred a net loss of approximately HK\$106.460 million and as of that date, the Group recorded net current liabilities of approximately HK\$185.051 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\$473.876 million which contain a repayment on demand clause. Based on the Group’s credit history and historical relationship with the banks, the directors of the Company 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 amounted to HK\$234.876 million.

In order to strengthen the Group’s liquidity in the foreseeable future, the directors of the Company have taken measures such as closing down under-performing retail stores and implementing various cost control measures to reduce the costs of operations. The Group continues with the implementation of the aforementioned measures in order to achieve further improvement of the Group’s liquidity in short term and long term periods.

The directors of the Company have taken into account the cash requirements of the Group for the next twelve months commencing from the end of the reporting period. With unutilised banking facilities of approximately HK\$82.668 million as at 31 March 2022, other potential sources of funding, and continued adoption of the above measures, the directors have therefore concluded that the Group will have sufficient working capital to fully meet its financial obligations as they fall due during that period. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. BASIS OF PREPARATION (Continued)

ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, Interest Rate Benchmark Reform – Phrase 2
HKFRS 4 and HKFRS 16

In addition, the Group has early applied the Amendments to HKFRS 16 “COVID-19 Related Rent Concessions beyond 30 June 2021”.

Except as described below, the application of the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. With the extended time limit, the additional rent concessions received after 30 June 2021 have been accounted for as negative variable lease payments recognised in income statement in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 April 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. BASIS OF PREPARATION (Continued)

ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

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

Other than the amendments to HKFRS 16, COVID-19 Related Rent Concessions beyond 30 June 2021, 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 2021. 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	Reference to the Conceptual Framework	1 April 2022
Amendments to HKAS 16	Property, plant and equipment: proceeds before intended use	1 April 2022
Amendments to HKAS 37	Onerous contracts—cost of fulfilling a contract	1 April 2022
Annual Improvements to HKFRSs	2018–2020 Cycle	1 April 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 April 2023
Amendments to HKAS 1	Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements-Disclosure of Accounting Policies	1 April 2023
Amendments to HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors-Definition of Accounting Estimates	1 April 2023
Amendments to HKAS 12	Income Taxes-Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 April 2023

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 business nature and geographical perspectives. From a perspective on business nature, 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) the rest of Asia.

Revenue represents sales of goods from watch retail segment and watch wholesale trading segment. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. REVENUE AND SEGMENT INFORMATION (Continued)

Unallocated income represents gain on disposal of a subsidiary. 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 investment, deferred tax assets and cash and cash equivalents. Unallocated liabilities represent lease liabilities, other payables and accruals at corporate level, bank borrowings, deferred tax liabilities and income tax payable.

For the year ended 31 March 2022

	Watch retail			Total <i>HK\$'000</i>
	Hong Kong, Macau and Mainland China <i>HK\$'000</i>	Rest of Asia <i>HK\$'000</i>	Watch wholesale trading <i>HK\$'000</i>	
Revenues from contracts with customers within the scope of HKFRS 15				
– Gross segment	242,664	198,748	392,540	833,952
– Inter-segment	–	–	(141,445)	(141,445)
	242,664	198,748	251,095	692,507
Sales to external customers	242,664	198,748	251,095	692,507
Timing of revenue recognition				
– At a point in time	242,664	198,748	251,095	692,507
	242,664	198,748	251,095	692,507
Segment results	(72,797)	(1,381)	45,839	(28,339)
Net corporate expenses				(43,223)
Finance costs				(19,275)
				(90,837)
Loss before tax				(90,837)
Income tax expense				(15,623)
				(106,460)
Loss for the year				(106,460)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 March 2022 (Continued)

	Watch retail			Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
	Hong Kong, Macau and Mainland China <i>HK\$'000</i>	Rest of Asia <i>HK\$'000</i>	Watch wholesale trading <i>HK\$'000</i>		
Capital expenditures	(5,159)	(2,387)	(296)	(1,276)	(9,118)
Depreciation:					
– Property, plant and equipment	(4,099)	(5,499)	(600)	(14,710)	(24,908)
– Right-of-use assets	(29,108)	(36,803)	(6,540)	(3,178)	(75,629)
Impairment of:					
– Property, plant and equipment	(1,086)	(14)	–	(9,367)	(10,467)
– Intangible assets	–	–	(2,722)	–	(2,722)
– Right-of-use assets	(8,051)	(7)	–	–	(8,058)
Fair value change of investment properties	(10,700)	–	–	(2,900)	(13,600)
Provision for inventories	(2,275)	(773)	(2,756)	–	(5,804)
Inventories written off	(757)	(34)	(74)	–	(865)
Segment assets	375,063	138,205	254,438	414,324	1,182,030
Segment liabilities	(88,008)	(53,216)	(83,857)	(572,201)	(797,282)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 March 2021

	Watch retail			Total <i>HK\$'000</i>
	Hong Kong, Macau and Mainland China <i>HK\$'000</i>	Rest of Asia <i>HK\$'000</i>	Watch wholesale trading <i>HK\$'000</i>	
Revenues from contracts with customers within the scope of HKFRS 15				
– Gross segment	254,287	218,214	351,756	824,257
– Inter-segment	–	–	(117,990)	(117,990)
Sales to external customers	<u>254,287</u>	<u>218,214</u>	<u>233,766</u>	<u>706,267</u>
Timing of revenue recognition				
– At a point in time	<u>254,287</u>	<u>218,214</u>	<u>233,766</u>	<u>706,267</u>
Segment results	<u>(75,145)</u>	<u>5,543</u>	<u>20,037</u>	(49,565)
Unallocated income				97,778
Net corporate expenses				(75,393)
Finance costs				<u>(28,710)</u>
Loss before tax				(55,890)
Income tax expense				<u>(25,731)</u>
Loss for the year				<u><u>(81,621)</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 March 2021 (Continued)

	Watch retail		Watch wholesale trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
	Hong Kong, Macau and Mainland China <i>HK\$'000</i>	Rest of Asia <i>HK\$'000</i>			
Capital expenditures	(3,039)	(744)	(311)	(59)	(4,153)
Depreciation:					
– Property, plant and equipment	(6,000)	(7,454)	(1,116)	(13,279)	(27,849)
– Right-of-use assets	(58,591)	(40,208)	(6,403)	(3,181)	(108,383)
Impairment of:					
– Property, plant and equipment	(1,300)	(258)	–	(5,986)	(7,544)
– Intangible assets	–	–	(5,583)	–	(5,583)
– Right-of-use assets	(14,388)	(1,288)	–	–	(15,676)
Fair value change of investment properties	(15,300)	–	–	(32,800)	(48,100)
Provision for inventories	(2,168)	(121)	(22,596)	–	(24,885)
Inventories written off	(1,425)	(54)	(81)	–	(1,560)
Segment assets	418,242	153,402	257,349	528,845	1,357,838
Segment liabilities	(111,019)	(71,537)	(80,054)	(600,631)	(863,241)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

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

	Revenue		Segment results	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong, Macau and Mainland China	341,221	343,832	(53,451)	(54,215)
Rest of Asia	351,158	362,122	28,742	30,125
Europe	128	313	(3,630)	(25,475)
	692,507	706,267	(28,339)	(49,565)

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong, Macau and Mainland China	509,516	600,058
Rest of Asia	77,059	123,703
Europe	36,965	36,507
	623,540	760,268

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

These were no revenue transactions with a single external customer which amounted to 10% or more of the Group's revenue during the year (2021: Nil).

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Sales of watches	2,164	451

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 2022, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
– Hong Kong profits tax	2,841	2,905
– Overseas profits tax	5,113	4,960
– (Over)/under provision in prior years	<u>(356)</u>	<u>59</u>
	7,598	7,924
Deferred tax	<u>8,025</u>	<u>17,807</u>
	<u>15,623</u>	<u>25,731</u>

The provision for Hong Kong profits tax for 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year. Taxation on 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. 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.

	2022	2021
Loss attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>(106,716)</u>	<u>(81,890)</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>1,046,474</u>	<u>1,046,474</u>
Basic loss per share attributable to the equity holders of the Company (<i>HK cents</i>)	<u>(10.20)</u>	<u>(7.83)</u>

Diluted

Diluted loss per share for the years ended 31 March 2021 and 31 March 2022 are the same as the basic loss per share amounts as there were no potentially dilutive ordinary shares in issues during two years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables, gross	83,678	79,424
Less: impairment loss	<u>(23)</u>	<u>(20)</u>
	83,655	79,404
Other receivables	7,298	12,603
Deposits	54,321	65,817
Prepayments	<u>5,223</u>	<u>4,797</u>
	150,497	162,621
Less: non-current portion	<u>(14,757)</u>	<u>(20,643)</u>
Current portion	<u>135,740</u>	<u>141,978</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0-60 days	39,081	35,947
Over 60 days	<u>44,597</u>	<u>43,477</u>
	<u>83,678</u>	<u>79,424</u>

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\$33.253 million as at 31 March 2022 (2021: HK\$33.955 million).

Other than the balances due from the import and export agents, the Group allows an average credit period of 60 days (2021: 60 days) from the invoice date to its trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	71,388	60,185
Contract liabilities	1,280	2,164
Other payables	60,431	27,603
Accruals	47,535	58,772
	<u>180,634</u>	<u>148,724</u>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0-60 days	34,348	24,027
Over 60 days	37,040	36,158
	<u>71,388</u>	<u>60,185</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. DISPOSAL OF A SUBSIDIARY

On 6 January 2021, the Group disposed of 100% of its entire equity interest in STL Properties Limited, a wholly owned subsidiary of the Group for a cash consideration of HK\$107.965 million.

Details of net assets of STL Properties Limited at date of disposal were as follows:

	2021 <i>HK\$'000</i>
Property, plant and equipment	10,761
Deposits and prepayments	2
Income tax payable	(37)
Deferred tax liabilities	(539)
Total net assets disposed	<u>10,187</u>
Consideration	
Cash consideration	<u>107,965</u>
Gain on disposal of a subsidiary	
Cash consideration received	107,965
Net assets disposed	<u>(10,187)</u>
Gain on disposal	<u><u>97,778</u></u>
Net cash inflow arising on disposal	
Cash consideration received	<u><u>107,965</u></u>

8. ASSETS CLASSIFIED AS HELD FOR SALE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Land and buildings transfer from property, plant and equipment	<u><u>41,311</u></u>	<u><u>–</u></u>

On 28 January 2022, the Group entered into a provisional agreement with an independent third party seeking to dispose one of its properties and anticipates that the disposal will be completed by August 2022. Further on 10 February 2022, a sale and purchase agreement were executed, both parties have reached a consensus on the selling price of HK\$120 million and a deposit sum of HK\$12 million was received by the Group before 31 March 2022.

The directors of the Company expect that the fair value less costs to sell of the business will be higher than the aggregate carrying amount of the property. Therefore, no impairment loss was recognised neither on reclassification of the assets nor as at 31 March 2022.

As at 31 March 2022, the assets classified as held for sale were pledged as security for the Group's bank borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

- Group Turnover slightly down 1.95% to HK\$692.5 million
- Loss Attributable to Equity Holders of the Company of HK\$106.7 million (FY2020/21: HK\$81.9 million)

Despite economic activities continued to be disrupted by the pandemic, as well as movement control in some of our operating regions, Group turnover decreased mildly by 1.95% to HK\$692.5 million (FY2020/21: HK\$706.3 million) for the year under review. A loss attributable to Group equity holders of HK\$106.7 million was recorded after taking into account of the following non-cash items:

- the accounting impact from HKFRS 16 Leases (non-cash) of HK\$29.1 million (income) (FY2020/21: HK\$76.3 million (income));
- an impairment loss (non-cash) of HK\$8.1 million (FY2020/21: HK\$15.7 million) relating to right-of-use assets mainly arising from retail stores with declined store profitability;
- an impairment loss (non-cash) of HK\$23.0 million (FY2020/21: HK\$54.1 million) due to revaluation of investment properties and leasehold land and buildings as at year end;
- a stock provision expense relating to slow-moving watch movements was nil in FY2021/22 (FY2020/21: HK\$19.3 million); and
- an impairment of intangible assets (non-cash) of HK\$2.7 million (FY2020/21: HK\$5.6 million) due to reducing recoverable amount.

If the above non-cash items were excluded, the Group would have reported a loss of HK\$102.0 million in FY2021/22. This represents an improvement of 36.8% compared with a loss in FY2020/21 of HK\$161.3 million after excluding the above non-cash items and the gain on disposal of a subsidiary of HK\$97.8 million (relating to a property in Hong Kong). This improvement was due to ongoing enhancement in operating efficiency.

As the COVID-19 situation started to be stabilised in some of the Group's operating regions, it is noticed that the Group's turnover has picked up with an increase of 26.1% in the 2H FY2021/22 compared with 1H FY2021/22. This momentum continued from April to May 2022 with annual growth of 17% due to rebound in consumer sentiments in Hong Kong and Southeast Asia.

The Group gross profit margin improved to 46.7% compared with 46.0% in FY2020/21 as a result of fine tuning of product portfolio.

Various government subsidies of approximately HK\$8.4 million (FY2020/21: HK\$31.2 million) were received in our operating regions during the reporting period.

In FY2021/22, the Group continued to implement measures to further reduce operating costs and strengthen liquidity, including the below:-

- selling expenses (excluding expenses related to investment in brand building) fell by 15.0% mainly due to reduced rental expenses and other overheads at shops;
- general and administrative expenses maintained at same level as last year following a decrease for two consecutive years of 13.3% in FY2020/21 and 21.6% in FY2019/20;
- strict inventory control and prudent stock procurement to reduce Group inventory balance which declined by 2.5% or HK\$6.6 million compared with the balance at 31 March 2021.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2022 (2021: Nil per ordinary share).

CITY CHAIN GROUP

The CITY CHAIN Group operates around 142 stores in Hong Kong, Macau, Mainland China (“Greater China”), Singapore, Thailand and Malaysia together with online stores under our own brands of “CITY CHAIN” and “SOLVIL et TITUS” respectively.

The CITY CHAIN Group reported a 6.6% decline in turnover to HK\$441.4 million (FY2020/21: HK\$472.5 million) and a loss before interest and tax (LBIT) of HK\$74.2 million (FY2020/21: HK\$69.6 million).

In FY2021/22, the CITY CHAIN Group recorded a profitable result in e-commerce business in Hong Kong and Southeast Asia regions with annual sales growth of 14.3% and 102% respectively. Under the pandemic, we are strengthening product assortment and accelerating our pace of investment in our online operations. As such, interactions with consumers were enhanced so that the sales via omni channels were boosted with the enhanced awareness of our own brands “CITY CHAIN” and “SOLVIL et TITUS”.

Greater China

In Hong Kong, the retail sales were improved by 8.3%. Same store sales also achieved a growth of 22.5%. However, the worsening Omicron spread in Mainland China and Macau offset such growth, causing the turnover for our CITY CHAIN operations in Greater China fell by 4.6% to HK\$242.7 million (FY2020/21: HK\$254.3 million). Greater China regions recorded LBIT of HK\$72.8 million (FY2020/21: LBIT HK\$75.1 million). If the accounting impact from HKFRS 16 Leases in both years was excluded, the LBIT for FY2021/22 would be HK\$96.5 million, improved by HK\$49.7 million or 34% from HK\$146.2 million for FY2020/21. A deficit in valuation of investment properties of HK\$10.7 million was recorded in FY2021/22 (FY2020/21: deficit of HK\$15.3 million).

Although there was fifth wave of the pandemic in Hong Kong in the quarter from January to March 2022, recovery has been noted since April 2022. Business was supported by a strengthened product portfolio, attributing an annual sales growth of approximately 22% in Hong Kong throughout April and May 2022.

Meanwhile, our online business in Hong Kong sustained a growing trend and a profit with y-o-y growth of 20.4% was recorded. At the same time, efficiency on our Mainland China watch e-commerce business also continued to improve.

Southeast Asia

Our Southeast Asian operations in Singapore, Malaysia and Thailand were impacted by various extents of travel restrictions between June to August 2021. Despite these restrictions, by focusing on refreshing product portfolio, streamlining cost structure and developing omni channels, we have adapted to the new normal and achieved annual growth rate of approximately 102% for our e-commerce business.

Turnover at our Southeast Asian operations declined by 8.9% to HK\$198.7 million (FY2020/21: HK\$218.2 million) with an aggregate LBIT of HK\$1.4 million (FY2020/21: EBIT of HK\$5.5 million). Singapore and Malaysian operations posted an EBIT of HK\$8.4 million (FY2020/21: HK\$9.7 million) while Thailand operations posted a loss of HK\$9.8 million (FY2020/21: loss of HK\$4.2 million). With gradual reopening of economies, retail sales performance and profitability has improved since April 2022.

SUPPLY CHAIN MANAGEMENT AND WHOLESALE TRADING

Turnover for this division comprising our supply chain and wholesale trading subsidiaries increased moderately by 7.4% to HK\$251.1 million (FY2020/21: HK\$233.8 million) and an EBIT of HK\$45.8 million was posted. (FY2020/21: HK\$20.0 million with a provision expense of HK\$19.3 million for slow-moving watch movements).

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

GROUP OUTLOOK

Although the global market continues to be affected by the pandemic, the Group strives to stay ahead of the changing consumer behaviour while maintains the prudent view on the short run outlook given the uncertainties in post-pandemic development and magnitude of economic recovery in our operating regions. The Group will continue to invest in the growing segment of e-commerce business and leverage available resources to integrate online and offline transaction channels. By developing these new business strategies, the Group shall be able to achieve the goal of accelerating sales growth and delivering satisfactory shopping experience particularly in online channels.

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 95.7% (31 March 2021: 70.2%) with shareholders' funds standing at HK\$378.1 million (31 March 2021: HK\$487.5 million) and net debts of HK\$361.8 million (31 March 2021: HK\$342.5 million). The net debts are based on the bank borrowings of HK\$473.9 million (31 March 2021: HK\$512.8 million) and less bank balance and cash of HK\$112.1 million (31 March 2021: HK\$170.3 million). The bank borrowings comprised of HK\$226.2 million repayable within one year and HK\$247.7 million with scheduled repayment after one year but repayable on demand and were classified as current liabilities. The Group's cash inflow from its operations was HK\$92.2 million. The unutilized banking facilities as at 31 March 2022 was HK\$82.7 million.

On 28 January 2022, a subsidiary of the Group entered into a provisional agreement with an independent third party for the disposal ("Disposal") of a property in Hong Kong at a consideration of HK\$120 million. A deposit of HK\$12 million has been received by the Group before 31 March 2022. The Disposal will be completed in August 2022 ("Completion") and an unaudited gain on disposal of approximately HK\$79 million will be recognised in the financial year ending 31 March 2023. Upon Completion, the Group intends to utilize part of the net proceeds to partially repay bank loans of the Group and accordingly reduce future interest expenses and lower the gearing ratio to strengthen liquidity of the Group. The balance of the net proceeds will be retained as general working capital.

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 assets of the Group are in Hong Kong dollars, the natural hedge mechanism is applied.

As at 31 March 2022, the current assets and current liabilities were approximately HK\$549.9 million (31 March 2021: HK\$579.6 million) and HK\$734.9 million (31 March 2021: HK\$765.3 million), respectively. The current ratio was approximately 0.75 (0.76 as at 31 March 2021).

As at 31 March 2022, the Group's total equity funds amounted to HK\$384.7 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 2022, a subsidiary of the Company had contingent liabilities in respect of bank guarantees given to landlords in lieu of rental deposits for certain retail shops and a supplier amounting to approximately HK\$5.296 million (2021: HK\$4.810 million).

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

As at 31 March 2022, certain property, plant and equipment, investment properties and assets classified as held for sale amounting to HK\$479.8 million (31 March 2021: HK\$513.9 million of certain property, plant and equipment and investment properties) were pledged to secure banking facilities granted to the Group.

The investment properties and leasehold land and buildings were revalued by independent valuers as at 31 March 2022. An impairment loss of HK\$23.0 million was recorded in the year ended 31 March 2022 accordingly.

The annual results for FY2021/22 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 2022, the Group had around 917 employees (31 March 2021: 1,025). 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 16 August 2022 (Tuesday) (or any adjournment thereof), the Register of Members of the Company will be closed from 11 August 2022 (Thursday) to 16 August 2022 (Tuesday) 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 10 August 2022 (Wednesday).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the year. 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 2022 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 2022, 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 four non-executive directors; Mr. Jeff Ho Chi Kin (independent) (Chairman of the Audit Committee), Mr. Suriyan Joshua Kanjanapas, Mr. Ricky Lai Kai Ming (independent) and Dr. Agnes Kwong Yi Hang (independent). 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 (within FY2021/22 and up to the date of this announcement) on 20 April 2021, 22 June 2021, 23 November 2021, 29 April 2022 and 21 June 2022 to discuss matters, including, the Group's audit service plan, the review of accounting standards, 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 and ESG related issues and risks on the Group's businesses (if any); 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 2022 and interim results for FY2021/22 before they were presented to the Board, for approval.

Remuneration Committee

The Remuneration Committee comprises of Mr. Ricky Lai Kai Ming (Chairman of the Remuneration Committee), Mr. Jeff Ho Chi Kin, Dr. Agnes Kwong Yi Hang (all independent non-executive directors) and Mr. Joseph C.C. Wong (Group Chairman and CEO). By way of circular resolution, and a meeting held on 23 June 2022, the remuneration packages of the executive directors were reviewed.

Nomination Committee

The Nomination Committee comprises of Mr. Joseph C. C. Wong (Chairman of the Nomination Committee, Group Chairman and CEO), Mr. Suriyan Joshua Kanjanapas and three independent non-executive directors, namely, Dr. Agnes Kwong Yi Hang, Mr. Jeff Ho Chi Kin and Mr. Ricky Lai Kai Ming.

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 twice. 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. During the financial year, Mr. Suriyan Joshua Kanjanapas was nominated as non-executive director of the Company. According to the nomination process for appointment of directors, the Committee conducted an interview with Mr. Suriyan Joshua Kanjanapas and believed his skills and knowledge will be valuable assets to the Board and will increase board diversity.

Corporate Governance Committee

The Corporate Governance Committee comprises of Mr. Wallace Kwan Chi Kin (Chairman of the Corporate Governance Committee and Group CFO) and three independent non-executive directors, namely, Mr. Jeff Ho Chi Kin, Mr. Ricky Lai Kai Ming and Dr. Agnes Kwong Yi Hang. The Committee held a meeting on 29 April 2022 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 2022 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, 23 June 2022

Directors of the Company as at the date hereof:

Executive directors:

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

Non-Executive director:

Suriyan Kanjanapas (also known as Suriyan Joshua Kanjanapas)

Independent Non-Executive directors:

Agnes Kwong Yi Hang, Jeff Ho Chi Kin and Ricky Lai Kai Ming