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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 2023**

### **HIGHLIGHTS**

- Group Turnover increased by 16.3% to HK\$805.5 million
- Profit Attributable to Equity Holders of the Company of HK\$50.8 million after taking into account of the following items:
  - the gain on disposal of a property in Hong Kong (“Disposal gain”) of HK\$78.7 million (FY2021/22: nil);
  - the accounting impact from HKFRS 16 Leases (non-cash) of HK\$12.4 million (income) (FY2021/22: HK\$29.1 million (income));
  - an impairment loss (non-cash) of HK\$5.6 million (FY2021/22: HK\$8.1 million) relating to right-of-use assets mainly arising from retail stores with declined store profitability;
  - a revaluation gain of investment properties (non-cash) of HK\$14.8 million (FY2021/22: impairment loss of HK\$23.0 million due to revaluation of investment properties and leasehold land and buildings);
  - an impairment loss of intangible assets (non-cash) of HK\$3.9 million (FY2021/22: HK\$2.7 million) due to reducing recoverable amount.

If the Disposal gain and the above non-cash items were excluded, the Group would have reported a loss of HK\$45.6 million in FY2022/23. This represents a reduction of loss by 55.3% compared with a loss HK\$102.0 million in FY2021/22 after excluding the above non-cash items.

\* 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 2023 as follows:

**CONSOLIDATED INCOME STATEMENT AND  
STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2023**

	<i>Note</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Revenues	3	<b>805,454</b>	692,507
Cost of sales		<u><b>(440,309)</b></u>	<u>(368,770)</u>
<b>Gross profit</b>		<b>365,145</b>	323,737
Other gains/(losses)	4	<b>93,315</b>	(11,332)
Other income		<b>34,156</b>	42,949
Selling expenses		<b>(239,138)</b>	(233,712)
General and administrative expenses		<b>(168,084)</b>	(161,516)
Other operating expenses		<b>(4,550)</b>	(31,688)
Finance costs		<u><b>(21,273)</b></u>	<u>(19,275)</u>
<b>Profit/(loss) before tax</b>		<b>59,571</b>	(90,837)
Income tax expense	5	<u><b>(8,466)</b></u>	<u>(15,623)</u>
<b>Profit/(loss) for the year</b>		<u><b>51,105</b></u>	<u>(106,460)</u>
<b>Profit/(loss) for the year attributable to:</b>			
Equity holders of the Company		<b>50,795</b>	(106,716)
Non-controlling interests		<u><b>310</b></u>	<u>256</u>
		<u><b>51,105</b></u>	<u>(106,460)</u>
Earnings/(loss) per share	6		
Basic and diluted (HK cents)		<u><b>4.85</b></u>	<u>(10.20)</u>

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Other comprehensive income/(loss):</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences of translation of foreign operations	(7,261)	(3,108)
<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>1,471</u>	<u>(281)</u>
<b>Other comprehensive loss for the year, net of tax</b>	<u>(5,790)</u>	<u>(3,389)</u>
<b>Total comprehensive income/(loss) for the year</b>	<u><b>45,315</b></u>	<u><b>(109,849)</b></u>
<b>Total comprehensive income/(loss) for the year attributable to:</b>		
Equity holders of the Company	45,906	(109,374)
Non-controlling interests	<u>(591)</u>	<u>(475)</u>
	<u><b>45,315</b></u>	<u><b>(109,849)</b></u>

**CONSOLIDATED BALANCE SHEET  
AS AT 31 MARCH 2023**

	<i>Note</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>183,683</b>	196,748
Investment properties		<b>297,900</b>	283,100
Right-of-use assets		<b>85,668</b>	77,593
Intangible assets		<b>48,518</b>	51,342
Equity investment at fair value through other comprehensive income		<b>3,064</b>	1,593
Deposits and prepayments	8	<b>17,220</b>	14,757
Deferred tax assets		<b>7,091</b>	7,046
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>643,144</b>	632,179
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current assets</b>			
Inventories		<b>222,127</b>	260,679
Trade and other receivables	8	<b>112,426</b>	135,740
Cash and cash equivalents		<b>85,426</b>	112,121
		<hr/>	<hr/>
		<b>419,979</b>	508,540
Assets classified as held for sale	10	–	41,311
		<hr/>	<hr/>
<b>Total current assets</b>		<b>419,979</b>	549,851
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total assets</b>		<b>1,063,123</b>	1,182,030
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## CONSOLIDATED BALANCE SHEET (Continued)

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital		104,647	104,647
Reserves		<u>319,405</u>	<u>273,499</u>
<b>Shareholders' funds</b>		<b>424,052</b>	378,146
Non-controlling interests		<u>6,011</u>	<u>6,602</u>
<b>Total equity</b>		<b><u>430,063</u></b>	<b><u>384,748</u></b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		26,278	26,690
Lease liabilities		<u>41,087</u>	<u>35,690</u>
<b>Total non-current liabilities</b>		<b><u>67,365</u></b>	<b><u>62,380</u></b>
<b>Current liabilities</b>			
Trade and other payables	9	147,415	180,634
Income tax payable		23,751	25,054
Bank borrowings		342,848	473,876
Lease liabilities		<u>51,681</u>	<u>55,338</u>
<b>Total current liabilities</b>		<b><u>565,695</u></b>	<b><u>734,902</u></b>
<b>Total liabilities</b>		<b><u>633,060</u></b>	<b><u>797,282</u></b>
<b>Total equity and liabilities</b>		<b><u>1,063,123</u></b>	<b><u>1,182,030</u></b>

# 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 Companies Ordinance. 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 2 (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.

As at 31 March 2023, the Group recorded net current liabilities of approximately HK\$145.716 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\$342.848 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\$129.122 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\$60.314 million as at 31 March 2023, 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 when they fall due. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

The Group had early applied the Amendments to HKFRS 16, COVID-19 Related Rent Concessions beyond 30 June 2021, for the year ended 31 March 2022.

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 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements Project	Annual Improvements to HKFRS Standard 2018-2020
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combination

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.

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

The Group has not early applied new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 April 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

		<b>Effective for accounting periods of the group beginning on or after</b>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 April 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 April 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 April 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 April 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 April 2023
Amendments to HKFRS 16	Lease Liability in a Sales and Leaseback	1 April 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by HKICPA
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 April 2024

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. 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.

Unallocated income represents dividend income from unlisted equity investment and gain on disposal of assets held for sale. 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 2023

	<u>Watch retail</u>			
	Hong Kong, Macau and Mainland China <i>HK\$'000</i>	Rest of Asia <i>HK\$'000</i>	Watch wholesale trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenues from contracts with customers within the scope of HKFRS 15</b>				
– Gross segment	274,023	255,136	457,342	986,501
– Inter-segment	–	–	(181,047)	(181,047)
<b>Sales to external customers</b>	<u>274,023</u>	<u>255,136</u>	<u>276,295</u>	<u>805,454</u>
<b>Timing of revenue recognition</b>				
– At a point in time	<u>274,023</u>	<u>255,136</u>	<u>276,295</u>	<u>805,454</u>
<b>Segment results</b>	<u>(14,713)</u>	<u>6,546</u>	<u>40,975</u>	32,808
Unallocated income				79,184
Net corporate expenses				(31,148)
Finance costs				(21,273)
<b>Profit before tax</b>				59,571
Income tax expense				(8,466)
<b>Profit for the year</b>				<u>51,105</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 March 2023 (Continued)

	Watch retail				
	Hong Kong, Macau and Mainland China <i>HK\$'000</i>	Rest of Asia <i>HK\$'000</i>	Watch wholesale trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Addition of non-current assets:					
– Property, plant and equipment	(2,645)	(3,201)	(582)	(796)	(7,224)
– Right-of-use assets	(27,314)	(35,190)	(9,726)	–	(72,230)
Depreciation:					
– Property, plant and equipment	(3,664)	(3,820)	(476)	(10,731)	(18,691)
– Right-of-use assets	(24,667)	(26,958)	(4,166)	–	(55,791)
Impairment of:					
– Property, plant and equipment	(320)	–	–	–	(320)
– Intangible assets	–	–	(3,878)	–	(3,878)
– Right-of-use assets	(1,897)	(3,673)	–	–	(5,570)
Fair value change of investment properties	10,600	–	–	4,200	14,800
Reversal of provision for inventories	<u>6,821</u>	<u>109</u>	<u>1,244</u>	<u>–</u>	<u>8,174</u>
Segment assets	<u>353,007</u>	<u>139,400</u>	<u>227,068</u>	<u>343,648</u>	<u>1,063,123</u>
Segment liabilities	<u>(78,261)</u>	<u>(57,497)</u>	<u>(81,857)</u>	<u>(415,445)</u>	<u>(633,060)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

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>	
<b>Revenues from contracts with customers within the scope of HKFRS 15</b>				
– Gross segment	242,664	198,748	392,540	833,952
– Inter-segment	–	–	(141,445)	(141,445)
<b>Sales to external customers</b>	<u>242,664</u>	<u>198,748</u>	<u>251,095</u>	<u>692,507</u>
<b>Timing of revenue recognition</b>				
– At a point in time	<u>242,664</u>	<u>198,748</u>	<u>251,095</u>	<u>692,507</u>
<b>Segment results</b>	<u>(72,797)</u>	<u>(1,381)</u>	<u>45,839</u>	(28,339)
Net corporate expenses				(43,223)
Finance costs				<u>(19,275)</u>
<b>Loss before tax</b>				(90,837)
Income tax expense				<u>(15,623)</u>
<b>Loss for the year</b>				<u>(106,460)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 March 2022 (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>			
Addition of non-current assets:					
– Property, plant and equipment	(5,159)	(2,387)	(296)	(1,276)	(9,118)
– Right-of-use assets	(36,011)	(21,585)	(661)	–	(58,257)
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)
	<u>375,063</u>	<u>138,205</u>	<u>254,438</u>	<u>414,324</u>	<u>1,182,030</u>
Segment assets					
	<u>375,063</u>	<u>138,205</u>	<u>254,438</u>	<u>414,324</u>	<u>1,182,030</u>
Segment liabilities					
	<u>(88,008)</u>	<u>(53,216)</u>	<u>(83,857)</u>	<u>(572,201)</u>	<u>(797,282)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. 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	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong, Macau and Mainland China	383,180	341,221	435	(53,451)
Rest of Asia	421,076	351,158	34,306	28,742
Europe	1,198	128	(1,933)	(3,630)
	<b>805,454</b>	<b>692,507</b>	<b>32,808</b>	<b>(28,339)</b>

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong, Macau and Mainland China	510,010	509,516
Rest of Asia	85,862	77,059
Europe	37,117	36,965
	<b>632,989</b>	<b>623,540</b>

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 (2022: Nil).

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Sales of watches	1,280	2,164

#### 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 2023, 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)

### 4. OTHER GAINS/(LOSSES)

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Exchange losses	(454)	(1,303)
Fair value changes of investment properties	14,800	(13,600)
Gain/(loss) on disposal of property, plant and equipment	67	(232)
Gain on disposal of assets held for sale	78,689	–
Gain on termination of leases	213	3,803
	<u>93,315</u>	<u>(11,332)</u>

### 5. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax		
– Hong Kong profits tax	3,649	2,841
– Overseas profits tax	5,314	5,113
– Under/(over) provision in prior years	98	(356)
	<u>9,061</u>	<u>7,598</u>
Deferred tax	(595)	8,025
	<u>8,466</u>	<u>15,623</u>

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 6. EARNINGS/(LOSS) PER SHARE

#### Basic

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

	2023	2022
Profit/(loss) attributable to equity holders of the Company <i>(HK\$'000)</i>	<u>50,795</u>	<u>(106,716)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,046,474</u>	<u>1,046,474</u>
Basic earnings/(loss) per share attributable to equity holders of the Company <i>(HK cents)</i>	<u>4.85</u>	<u>(10.20)</u>

#### Diluted

Diluted earnings/(loss) per share for the years ended 31 March 2023 and 31 March 2022 are the same as the basic earnings/(loss) per share amounts as there were no potentially dilutive ordinary shares in issues during two years.

### 7. DIVIDEND

The directors did not recommend the payment of any dividends for the year ended 31 March 2023 (2022: nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 8. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables, gross	71,942	83,678
Less: impairment loss	<u>(21)</u>	<u>(23)</u>
	71,921	83,655
Other receivables	7,499	7,298
Deposits	41,626	54,321
Prepayments	<u>8,600</u>	<u>5,223</u>
	129,646	150,497
Less: non-current portion	<u>(17,220)</u>	<u>(14,757)</u>
Current portion	<u><b>112,426</b></u>	<u><b>135,740</b></u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0-60 days	31,916	39,081
Over 60 days	<u>40,026</u>	<u>44,597</u>
	<u><b>71,942</b></u>	<u><b>83,678</b></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\$32.902 million as at 31 March 2023 (2022: HK\$33.253 million).

Other than the balances due from the import and export agents, the Group allows an average credit period of 60 days (2022: 60 days) from the invoice date to its trade receivables.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	64,763	71,388
Contract liabilities	1,345	1,280
Other payables	24,826	60,431
Accruals	56,481	47,535
	<u>147,415</u>	<u>180,634</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0-60 days	29,090	34,348
Over 60 days	35,673	37,040
	<u>64,763</u>	<u>71,388</u>

### 10. ASSETS CLASSIFIED AS HELD FOR SALE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Land and buildings transfer from property plant and equipment	<u>–</u>	<u>41,311</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 anticipated that the disposal would be completed in 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.

The disposal was completed on 10 August 2022 and gain on disposal of approximately HK\$78.689 million was recognised in other gains/(losses) during the year ended 31 March 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

- Group Turnover increased by 16.3% to HK\$805.5 million
- Profit Attributable to Equity Holders of the Company of HK\$50.8 million

During the year ended 31 March 2023 (“**FY2022/23**”), Group turnover increased by 16.3% to HK\$805.5 million compared with HK\$692.5 million in the year ended 31 March 2022 (“**FY2021/22**”).

A profit attributable to Group equity holders of HK\$50.8 million was recorded in FY2022/23 (FY2021/22: Loss of HK\$106.7 million) after taking into account of the following items:

- the gain on disposal of a property in Hong Kong (“**Disposal gain**”) of HK\$78.7 million (FY2021/22: nil);
- the accounting impact from HKFRS 16 Leases (non-cash) of HK\$12.4 million (income) (FY2021/22: HK\$29.1 million (income));
- an impairment loss (non-cash) of HK\$5.6 million (FY2021/22: HK\$8.1 million) relating to right-of-use assets mainly arising from retail stores with declined store profitability;
- a revaluation gain of investment properties (non-cash) of HK\$14.8 million (FY2021/22: impairment loss of HK\$23.0 million due to revaluation of investment properties and leasehold land and buildings);
- the impairment loss of intangible assets (non-cash) was HK\$3.9 million in FY2022/23 (FY2021/22: HK\$2.7 million) due to reducing recoverable amount.

If the above Disposal gain and the non-cash items were excluded, the Group would have reported a loss of HK\$45.6 million in FY2022/23. This represents a reduction of loss by 55.3% compared with a loss of HK\$102.0 million in FY2021/22 after excluding the above non-cash items, which was due to recovery of sales in Hong Kong and Southeast Asia region together with uplift in operating efficiency in all operating regions.

The Group gross profit margin was 45.3% in FY2022/23 (FY2021/22: 46.7%), decrease by 1.4%. The gross profit margin of retail segment improved resulting from fine-tuning of product portfolio. However, it was partly offset by the shrinking gross profit margin in wholesale segment.

Various government subsidies of approximately HK\$7.5 million (FY2021/22: HK\$8.4 million) were received in our operating regions during the reporting period.

In FY2022/23, the Group continued to implement inventory control measures. The Group inventory balance at 31 March 2023 was HK\$222.1 million, a decline of 14.8% or HK\$38.6 million compared with the balance at 31 March 2022 of HK\$260.7 million. Stock turnover days improved from 258 days at 31 March 2022 to 184 days at 31 March 2023. Continuous inventory control and prudent stock procurement are in place to strengthen balance sheet management.

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 March 2023 (2022: Nil per ordinary share).

## **CITY CHAIN GROUP**

- City Chain Group turnover increased by 20% year-on-year
- City Chain Group loss before interest and tax (“**LBIT**”) reduced to HK\$8.2 million (FY2021/22: HK\$74.2 million)

The CITY CHAIN Group operates around 109 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”.

The CITY CHAIN Group reported a 20% increase in turnover to HK\$529.2 million (FY2021/22: HK\$441.4 million) which was mainly driven by sales growth in Hong Kong with same store sales growth of 38.8% and the momentum in Southeast Asia. The loss before interest and tax (LBIT) was HK\$8.2 million (FY2021/22: HK\$74.2 million).

### **Greater China**

Turnover for CITY CHAIN operations in Greater China was HK\$274.1 million (FY2021/22: HK\$242.7 million), representing a y-o-y growth of 12.9%. The rise was mainly driven by the growth in Hong Kong of 32.1% y-o-y, partly offset by the sales drop in Mainland China and Macau due to the strict movement control throughout the FY2022/23. A loss before interest and tax (“**LBIT**”) of HK\$14.7 million (FY2021/22: HK\$72.8 million) was recorded after taking into account of the following factors:

- a revaluation gain of investment properties of HK\$10.6 million in FY2022/23 due to valuation at year end (FY2021/22: impairment loss HK\$10.7 million); and
- the accounting impact from HKFRS 16 Leases of HK\$9.4 million (income) (FY2021/22: HK\$23.7 million (income)).

If the above two factors were excluded in both years, the LBIT for FY2022/23 would be HK\$34.7 million, a reduction in loss by 59.6% or HK\$51.1 million from HK\$85.8 million for FY2021/22.

Since January 2023, Hong Kong has resumed cross-border travel with Mainland China. With tourist arrivals and resumption of normal travel, retail sales in the quarter January to March 2023 strongly improved by 80% year on year. However, the uncertain macro-economic environment and inflationary pressures casted doubts on the pace of recovery. Prudent procurement management and strict discipline in operating cost will be continued to sustain long term growth of the business.

Meanwhile, our online business of our own brands “CITY CHAIN” and “SOLVIL et TITUS” has continued to report a profitable result in Hong Kong despite the fact that certain customers switched from online to physical stores after the relaxation of social-distancing and anti-pandemic measures. At the same time, efficiency on our Mainland China watch e-commerce business has also continued to improve.

### **Southeast Asia**

With reopening of economies and gradual recovery in consumer sentiment, our Southeast Asian operations recorded turnover growth of 28.4% to HK\$255.1 million (FY2021/22: HK\$198.7 million) and generated earnings before interest and tax (“**EBIT**”) of HK\$6.5 million (FY2021/22: LBIT of HK\$1.4 million). Singapore and Malaysia operations posted an EBIT of HK\$11.6 million (FY2021/22: EBIT of HK\$8.4 million), while Thailand operations recorded a reduced loss of HK\$5.1 million (FY2021/22: LBIT of HK\$9.8 million).

With continual investments in our e-commerce platforms and corresponding marketing efforts, our e-commerce business in Southeast Asia regions continued to develop satisfactorily during FY2022/23 with sales growth by approximately 74.4% y-o-y.

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

Turnover for this division comprising our supply chain and wholesale trading subsidiaries increased by 10.0% to HK\$276.3 million (FY2021/22: HK\$251.1 million) and an EBIT of HK\$41.0 million was posted (FY2021/22: HK\$45.8 million).

As mentioned in the Group’s Voluntary Announcement of Business Update published on 1 August 2022, the modification of wholesale distributorship arrangements of “GRAND SEIKO” and “CREDOR” watches in Singapore, Brunei and Malaysia was effective from 3 October 2022. The Group will continue to:

- (a) distribute as sole wholesale distributor for “GRAND SEIKO” and “CREDOR” watches in Hong Kong and Macau, and “SEIKO” watches in Hong Kong, Macau, Singapore, Brunei and Malaysia;
- (b) act as retailer for “GRAND SEIKO”, “SEIKO” and “CREDOR” watches in Hong Kong, Macau, Singapore and Malaysia.

Our wholesale trading unit will continue to launch various marketing campaigns with quality service support to increase sell-through rate to retailers.

## GROUP OUTLOOK

Despite there was gradual recovery of retail performance in our operating regions, tourist arrivals and local consumer sentiments were yet to reach pre-pandemic levels. In addition, inflationary pressure and rising interest rate could impact economy recovery and consumer spending power. The Group maintains a cautious view on the short run outlook given the uncertainties in post-pandemic development and economic growth in our operating regions. The Group also remains judicious in taking various measures in streamlining operating costs to enhance shop productivity and corporate financial performance, while endeavours to achieve sustainable business development. Given the uplift of our e-commerce development in various regions, the Group will continue to invest in this growing segment to realize the potential of integration of online and offline 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 60.7% (31 March 2022: 95.7%) with shareholders' funds standing at HK\$424.1 million (31 March 2022: HK\$378.1 million) and net debts of HK\$257.4 million (31 March 2022: HK\$361.8 million). The net debts are based on the bank borrowings of HK\$342.8 million (31 March 2022: HK\$473.9 million) and less bank balance and cash of HK\$85.4 million (31 March 2022: HK\$112.1 million). The bank borrowings comprised of HK\$116.4 million repayable within one year and HK\$226.4 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\$60.8 million. The unutilized banking facilities as at 31 March 2023 was HK\$60.314 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. The Disposal was completed in August 2022 ("**Completion**") and the gain on disposal of HK\$78.7 million was recognised in the financial year ended 31 March 2023. Majority of the sales proceeds were used to repay bank loans of the Group.

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 2023, the current assets and current liabilities were approximately HK\$420.0 million (31 March 2022: HK\$549.9 million) and HK\$565.7 million (31 March 2022: HK\$734.9 million), respectively. The current ratio was approximately 0.74 (0.75 as at 31 March 2022).

As at 31 March 2023, the Group's total equity funds amounted to HK\$430.1 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 2023, 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 suppliers amounting to approximately HK\$7.202 million (31 March 2022: HK\$5.296 million).

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

As at 31 March 2023, certain property, plant and equipment and investment properties amounting to HK\$443.6 million (31 March 2022: HK\$479.8 million of certain property, plant and equipment, investment properties and assets classified as held for sale) were pledged to secure banking facilities granted to the Group.

The investment properties were revalued by independent valuers as at 31 March 2023. A revaluation gain of HK\$14.8 million was recorded in the year ended 31 March 2023 accordingly.

The annual results for FY2022/23 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 2023, the Group had around 842 employees (31 March 2022: 917). 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 29 August 2023 (Tuesday) (or any adjournment thereof), the Register of Members of the Company will be closed from 24 August 2023 (Thursday) to 29 August 2023 (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 23 August 2023 (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 2023 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 2023 and up to the date of this announcement, the Company has complied with the code provisions under the Corporate Governance Code (the "Code Provisions") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), except for the following deviations:

### **Code Provision C.2.1**

Under Code Provision C.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 B.2.2**

Under Code Provision B.2.2, 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 B.2.2 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 E.1.2**

This Code Provision deals with the terms of reference of a remuneration committee. The Company has adopted the terms of reference under Code Provision E.1.2 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.

## **Model Code for Securities Transactions by Directors of Listed Issuers**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules (the “Model Code”) as the code of conduct regarding director’s securities transactions. The Company has also made specific enquiry of all its directors to ascertain whether they have complied with or whether there has been any non-compliance with the required standard set out in the Model Code. All directors complied with the provisions of the Model Code throughout the period under review.

## **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 Ms. Honnus Cheung Ho Ling (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 FY2022/23 and up to the date of this announcement) on 29 April 2022, 21 June 2022, 22 November 2022, 27 April 2023 and 20 June 2023 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 2023 and interim results for FY2022/23 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, Ms. Honnus Cheung Ho Ling (all independent non-executive directors) and Mr. Joseph C.C. Wong (Group Chairman and CEO). Two meetings were held on 23 June 2022 and 27 June 2023, to conduct review of the remuneration packages of the executive directors.

## **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, Ms. Honnus Cheung Ho Ling, Mr. Jeff Ho Chi Kin and Mr. Ricky Lai Kai Ming.

Code Provision B.3.1 deals with the terms of reference of a Nomination Committee. The Company has adopted the terms of reference under Code Provision B.3.1. During the financial year, and up to the date of this Announcement, the Committee met twice on 8 July 2022 and 27 June 2023. 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. On the meeting held on 8 July 2022, Dr. Agnes Kwong Yi Hang and Mr. Jeff Ho Chi Kin were due to retire at the 2022 AGM. Mr. Jeff Ho Chi Kin, being eligible had put forward himself for re-election, Dr. Agnes Kwong Yi Hang decided not to put herself forward for re-election. In the nomination process for a new independent non-executive director to take the place of Dr. Kwong, the Committee received and assessed the CVs of several prospective candidates. The Committee proposed 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 of directors.

On the meeting held on 27 June 2023, Mr. Wallace Kwan Chi Kin and Mr. Ricky Lai Kai Ming are due to retire at the forthcoming 2023 AGM and are being eligible to put themselves forward for re-election.

## **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 Ms. Honnus Cheung Ho Ling. The Committee held a meeting on 27 April 2023 to review the Company's compliance with the Code Provisions and disclosure in the Corporate Governance Report amongst other things.

## **PUBLICATION OF FINANCIAL INFORMATION AND ANNUAL REPORT**

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at [www.hkex.com.hk](http://www.hkex.com.hk) under "Latest Listed Company Information" and the Company's website at <http://www.stelux.com> under "Announcements & Notices". The Company's Annual Report for 2023 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, 27 June 2023

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:*

Jeff Ho Chi Kin, Ricky Lai Kai Ming and Honnus Cheung Ho Ling