

**STELUX** Holdings International Limited  
**寶光實業(國際)有限公司**

*Incorporated in Bermuda with limited liability*

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

**Stock Code: 84**

**INTERIM REPORT 2019/2020**

website: [www.stelux.com](http://www.stelux.com)

**INTERIM REPORT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019**

The directors of Stelux Holdings International Limited (the “Company”) report the interim results and financial information of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2019. The condensed consolidated results of the Group for the six months ended 30 September 2019, the condensed consolidated balance sheet as at 30 September 2019, the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity of the Group for the six months ended 30 September 2019, all of which are unaudited, along with the relevant explanatory notes, are set out below.

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019**

		Unaudited Six months ended 30 September	
	Note	2019 HK\$'000	2018 HK\$'000
<b>Continuing operations</b>			
Revenues	4,5	593,686	751,598
Cost of sales		<u>(296,721)</u>	<u>(368,435)</u>
Gross profit		296,965	383,163
Other losses, net	6	(6,849)	(11,232)
Other income	7	24,754	9,728
Selling expenses		(229,547)	(289,000)
General and administrative expenses		(109,148)	(104,645)
Other operating expenses		(16,541)	(15,318)
Finance costs		<u>(18,513)</u>	<u>(12,861)</u>
Loss before income tax	8	(58,879)	(40,165)
Income tax expense	9	(8,639)	(5,076)
Loss for the period from continuing operations		<u>(67,518)</u>	<u>(45,241)</u>
<b>Discontinued operations</b>			
Loss for the period from discontinued operations		–	(1,706)
Gain on disposal of discontinued operations		–	104,447
Profit for the period arising from discontinued operations		<u>–</u>	<u>102,741</u>
(Loss)/profit for the period		<u><u>(67,518)</u></u>	<u><u>57,500</u></u>
Attributable to:			
Equity holders of the Company		(67,627)	57,430
Non-controlling interests		109	70
(Loss)/profit for the period		<u><u>(67,518)</u></u>	<u><u>57,500</u></u>
Dividends	10	<u>–</u>	<u>198,830</u>
		<b>HK cents</b>	<b>HK cents</b>
Loss per share from continuing operations attributable to the equity holders of the Company – Basic and diluted	11	<u><u>(6.46)</u></u>	<u><u>(4.33)</u></u>
(Loss)/profit per share attributable to the equity holders of the Company – Basic and diluted	11	<u><u>(6.46)</u></u>	<u><u>5.49</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019**

	<b>Unaudited Six months ended 30 September</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
(Loss)/profit for the period	<u><b>(67,518)</b></u>	<u>57,500</u>
Other comprehensive (loss)/income:		
<i>Items that may be reclassified subsequently     to profit or loss:</i>		
Exchange differences of translation of foreign operations	<b>(2,738)</b>	(681)
Release of exchange reserve upon disposal of discontinued operations	<u>-</u>	<u>(14,978)</u>
	<u><b>(2,738)</b></u>	<u>(15,659)</u>
<i>Items that will not be reclassified to profit or loss:</i>		
Gain on revaluation of property, plant and equipment	-	8,398
Change in fair value of equity investments at fair value through other comprehensive income	<u><b>28</b></u>	<u>(302)</u>
	<u><b>28</b></u>	<u>8,096</u>
Other comprehensive loss for the period	<u><b>(2,710)</b></u>	<u>(7,563)</u>
Total comprehensive (loss)/income for the period	<u><b>(70,228)</b></u>	<u>49,937</u>
Attributable to:		
Equity holders of the Company	<b>(70,446)</b>	50,950
Non-controlling interests	<u><b>218</b></u>	<u>(1,013)</u>
Total comprehensive (loss)/income for the period	<u><b>(70,228)</b></u>	<u>49,937</u>

**CONDENSED CONSOLIDATED BALANCE SHEET  
AS AT 30 SEPTEMBER 2019**

	Note	<b>Unaudited 30 September 2019 HK\$'000</b>	31 March 2019 HK\$'000
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	12	<b>149,645</b>	165,411
Investment properties	12	<b>586,100</b>	586,100
Right-of-use assets		<b>392,207</b>	–
Prepaid lease premium	12	–	11,135
Intangible assets	12	<b>64,224</b>	65,633
Deferred tax assets		<b>49,344</b>	49,553
Equity investments at fair value through other comprehensive income		<b>14,998</b>	14,970
Deposits and prepayments	14	<b>53,642</b>	55,080
		<hr/> <b>1,310,160</b>	<hr/> 947,882
Total non-current assets			
Current assets			
Inventories	13	<b>515,955</b>	559,829
Trade and other receivables	14	<b>166,620</b>	182,488
Pledged bank deposit		<b>58,857</b>	56,649
Cash and cash equivalents		<b>162,083</b>	234,869
		<hr/> <b>903,515</b>	<hr/> 1,033,835
Total current assets			
		<hr/> <b>2,213,675</b>	<hr/> 1,981,717
Total assets			
<b>EQUITY</b>			
Capital and reserves attributable to the equity holders of the Company			
Share capital	15	<b>104,647</b>	104,647
Reserves		<b>809,887</b>	880,324
		<hr/> <b>914,534</b>	<hr/> 984,971
Shareholders' funds		<b>914,534</b>	984,971
Non-controlling interests		<b>7,100</b>	7,129
		<hr/> <b>921,634</b>	<hr/> 992,100
Total equity			
<b>LIABILITIES</b>			
Non-current liabilities			
Deferred tax liabilities		<b>32,819</b>	31,004
Lease liabilities		<b>190,567</b>	–
		<hr/> <b>223,386</b>	<hr/> 31,004
Total non-current liabilities			
Current liabilities			
Trade and other payables	16	<b>210,119</b>	237,472
Income tax payable		<b>22,927</b>	32,840
Interest-bearing bank and other borrowings	17	<b>642,302</b>	688,301
Lease liabilities		<b>193,307</b>	–
		<hr/> <b>1,068,655</b>	<hr/> 958,613
Total current liabilities			
		<hr/> <b>1,292,041</b>	<hr/> 989,617
Total liabilities			
		<hr/> <b>2,213,675</b>	<hr/> 1,981,717
Total equity and liabilities			

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019**

	<i>Note</i>	<b>Unaudited Six months ended 30 September 2019 HK\$'000</b>	2018 HK\$'000
Cash flows from operating activities			
Cash generated from operations		<b>102,150</b>	76,531
Interest paid		<b>(12,793)</b>	(12,861)
Hong Kong profits tax refunded		<b>10</b>	–
Overseas profits tax paid		<b>(10,998)</b>	(2,721)
Overseas profits tax refunded		<b>1,276</b>	–
		<hr/>	<hr/>
Net cash generated from operating activities		<b>79,645</b>	60,949
Cash flows from investing activities			
Purchase of property, plant and equipment		<b>(8,515)</b>	(20,654)
Proceeds from sale of property, plant and equipment		<b>107</b>	1,626
Interest received		<b>468</b>	793
Disposal of business	20	<b>–</b>	417,024
		<hr/>	<hr/>
Net cash (used in)/generated from investing activities		<b>(7,940)</b>	398,789
Cash flows from financing activities			
Drawdown of bank loans		<b>54,090</b>	134,994
Repayment of bank loans		<b>(100,061)</b>	(327,109)
Repayment of bank overdrafts		<b>–</b>	(6,365)
Capital element of finance lease payments		<b>(28)</b>	(32)
Principal portion of lease payment		<b>(102,185)</b>	–
Increased in pledged bank deposit		<b>–</b>	(55,384)
Dividends paid to the Company's shareholders		<b>–</b>	(198,830)
		<hr/>	<hr/>
Net cash used in financing activities		<b>(148,184)</b>	(452,726)
Net (decrease)/increase in cash and cash equivalents		<b>(76,479)</b>	7,012
Cash and cash equivalents at 1 April		<b>234,869</b>	246,278
Effect of foreign exchange rate changes		<b>3,693</b>	28,410
		<hr/>	<hr/>
Cash and cash equivalents at 30 September		<b>162,083</b>	281,700
Analysis of the balance of cash and cash equivalents:			
Bank balances and cash		<b>162,083</b>	281,700
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019**

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Exchange reserve HK\$'000	Property, plant and equipment revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2018	104,647	1,977	10,123	(47,240)	201,644	749,439	1,020,590	8,193	1,028,783
Profit for the period	-	-	-	-	-	57,430	57,430	70	57,500
Other comprehensive (loss)/income:									
Exchange differences of translation of foreign operations	-	-	-	402	-	-	402	(1,083)	(681)
Change in fair value of equity investments at fair value through other comprehensive income	-	-	(302)	-	-	-	(302)	-	(302)
Release of exchange reserve upon disposal of discontinued operations	-	-	-	(14,978)	-	-	(14,978)	-	(14,978)
Revaluation gain on transfer of property, plant and equipment to investment properties, net of tax	-	-	-	-	8,398	-	8,398	-	8,398
Total comprehensive (loss)/income for the period ended 30 September 2018	-	-	(302)	(14,576)	8,398	57,430	50,950	(1,013)	49,937
Dividends paid	-	-	-	-	-	(198,830)	(198,830)	(227)	(199,057)
At 30 September 2018	<u>104,647</u>	<u>1,977</u>	<u>9,821</u>	<u>(61,816)</u>	<u>210,042</u>	<u>608,039</u>	<u>872,710</u>	<u>6,953</u>	<u>879,663</u>
At 1 April 2019	<u>104,647</u>	<u>1,977</u>	<u>12,719</u>	<u>(54,114)</u>	<u>403,684</u>	<u>516,058</u>	<u>984,971</u>	<u>7,129</u>	<u>992,100</u>
Effect of adoption of HKFRS 16	-	-	-	-	-	9	9	-	9
At 1 April 2019 (restated)	<u>104,647</u>	<u>1,977</u>	<u>12,719</u>	<u>(54,114)</u>	<u>403,684</u>	<u>516,067</u>	<u>984,980</u>	<u>7,129</u>	<u>992,109</u>
(Loss)/profit for the period	-	-	-	-	-	(67,627)	(67,627)	109	(67,518)
Other comprehensive income/(Loss):									
Exchange differences of translation of foreign operations	-	-	-	(2,847)	-	-	(2,847)	109	(2,738)
Change in fair value of equity investments at fair value through other comprehensive income	-	-	28	-	-	-	28	-	28
Total comprehensive income/(loss) for the period ended 30 September 2019	-	-	28	(2,847)	-	(67,627)	(70,446)	218	(70,228)
Dividends paid	-	-	-	-	-	-	-	(247)	(247)
At 30 September 2019	<u>104,647</u>	<u>1,977</u>	<u>12,747</u>	<u>(56,961)</u>	<u>403,684</u>	<u>448,440</u>	<u>914,534</u>	<u>7,100</u>	<u>921,634</u>

# NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

## 1. BASIS OF PREPARATION

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

The condensed interim consolidated financial information should be read in conjunction with the 2019 annual financial statements, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

Except as mentioned below, the accounting policies and methods of computation used in the preparation of these condensed interim consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 March 2019.

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

The Group has adopted the following new and amended standards for the first time for the current period’s consolidated interim financial report:

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Annual Improvements to	Amendments to HKFRS 3,
HKFRSs 2015-2017 Cycle	HKFRS 11, HKAS 12 and HKAS 23

Except for the impact of the adoption of HKFRS 16 as further explained below, the adoption of the above new and amended standards have no material impact to the Group.

#### **HKFRS 16 “Lease”**

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.



## 1. BASIS OF PREPARATION (Continued)

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

#### **New definition of a lease**

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

#### **As a lessee – Leases previously classified as operating leases**

##### *Nature of the effect of adoption of HKFRS 16*

The Group has certain lease contracts for its office properties, retail shops and warehouse. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognize and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognize right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

##### *Impacts on transition*

Lease liabilities at 1 April 2019 were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and presented separately in the consolidated balance sheet as at 30 September 2019.

The right-of-use assets for leases were recognized based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated balance sheet.

1. BASIS OF PREPARATION (Continued)

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

As a lessee – Leases previously classified as operating leases (Continued)

*Impacts on transition (Continued)*

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases were onerous by applying HKAS 37 immediately before 1 April 2019 as an alternative to performing an impairment review

The impact on the consolidated balance sheet as at 1 April 2019 as a result of the adoption of HKFRS 16 is as follows:

	<b>Increase/ (decrease) HK\$'000</b>
<b>Assets</b>	
Right-of-use assets	456,413
Prepaid lease premium	<u>(11,135)</u>
Total assets	<u><u>445,278</u></u>
<b>Liabilities</b>	
Lease liabilities	<u>445,269</u>
Total liabilities	<u><u>445,269</u></u>
<b>Equity</b>	
Retained earnings	<u>9</u>
Total equity	<u><u>9</u></u>

## 1. BASIS OF PREPARATION (Continued)

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

#### As a lessee – Leases previously classified as operating leases (Continued)

##### *Impacts on transition (Continued)*

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	<i>HK\$'000</i>
Operating lease commitments as at 31 March 2019	439,707
Discounted using the incremental borrowing rate at 1 April 2019	<u>(23,712)</u>
Discounted operating lease commitments as at 1 April 2019	415,995
Less:	
Commitments relating to short-term leases and those with a remaining lease term ending on or before 31 March 2020	(34,076)
Commitments relating to leases not yet commence on 1 April 2019	(25,489)
Commitments relating to leases of low-value assets	(8)
Add:	
Adjustments relating to changes in the lease payments	<u>88,847</u>
Lease liabilities as at 1 April 2019	<u><u>445,269</u></u>
Of which are:	
Current lease liabilities	192,013
Non-current lease liabilities	<u>253,256</u>
	<u><u>445,269</u></u>

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised HK\$392,207,000 of right-of-use assets and HK\$383,874,000 of lease liabilities as at 30 September 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and finance costs, instead of operating lease expenses. During the six months ended 30 September 2019, the Group recognised HK\$99,683,000 of depreciation charges and HK\$5,720,000 of finance costs from these leases.

## 1. BASIS OF PREPARATION (Continued)

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

The following new standards and amendments have been issued but are not effective for the financial year beginning 1 April 2019 and have not been early adopted:

		<b>Effective for accounting periods beginning on or after</b>
Amendments to HKFRS 3	Definition of a Business	1 April 2020
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17	Insurance Contracts	1 April 2021
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 April 2020

The Group is in the process of making an assessment of the impact of these new standards and amendments to standards upon initial application but is not yet in a position to state whether these new standards and amendments to standards would have a significant impact on its results of operations and financial position.

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

## 2. ESTIMATES

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

In preparing these condensed interim consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 March 2019.

### **3. FINANCIAL RISK MANAGEMENT**

#### **3.1 Financial risk factors**

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

The condensed interim consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2019.

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

#### **3.2 Fair value estimation**

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

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

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

There were no changes in valuation techniques during the period.

#### **3.3 Group's valuation process**

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

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

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

#### 4. SEGMENT INFORMATION

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

Revenue represents sales of goods. Sales between operating segments are carried out on terms equivalent to those prevailing in arm's length transactions. The executive directors assess the performance of the operating segments based on a measure of adjusted earnings before interest and tax ("EBIT"). This measurement basis excludes unallocated income and net corporate expenses.

The optical retail segment and certain subsidiaries under optical wholesale trading segment (the "Disposal group" or "discontinued operations") were discontinued and disposed on 1 June 2018.

The watch retail segment and watch wholesale trading segment together formed the continuing operations.

Unallocated income represents gain on disposal of discontinued operations. Net corporate expenses mainly represent corporate staff costs and provision for senior management bonus. Unallocated assets represent property, plant and equipment, investment properties and right-of-use assets at corporate level, unlisted equity investments, deferred tax assets, pledged bank deposit and cash and cash equivalents. Unallocated liabilities represent lease liabilities, other payables and accruals at corporate level, interest-bearing bank and other borrowings, deferred tax liabilities and income tax payable.

	Six months ended 30 September 2019			
	Continuing operations			
	Watch retail		Watch wholesale trading	
	Hong Kong, Macau and Mainland China	Rest of Asia		Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Revenues from contracts with customers</b>				
Gross segment	309,004	142,658	242,690	694,352
Inter-segment	-	-	(100,666)	(100,666)
	<u>309,004</u>	<u>142,658</u>	<u>142,024</u>	<u>593,686</u>
<b>Sales to external customers</b>	<u>309,004</u>	<u>142,658</u>	<u>142,024</u>	<u>593,686</u>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	<u>309,004</u>	<u>142,658</u>	<u>142,024</u>	<u>593,686</u>
<b>Segment results</b>	<u>(39,328)</u>	<u>(6,234)</u>	<u>19,255</u>	<u>(26,307)</u>
<b>Net corporate expenses</b>				(14,059)
<b>Finance costs</b>				(18,513)
<b>Loss before income tax</b>				(58,879)
<b>Income tax expense</b>				(8,639)
<b>Loss for the period</b>				<u>(67,518)</u>

#### 4. SEGMENT INFORMATION (Continued)

As at 30 September 2019

	Watch retail		Watch wholesale trading	Total HK\$'000
	Hong Kong, Macau and Mainland China HK\$'000	Rest of Asia HK\$'000	HK\$'000	
Segment assets	777,541	233,054	437,281	1,447,876
Unallocated assets				765,799
<b>Total assets</b>				<b>2,213,675</b>
Segment liabilities	316,966	109,605	104,366	530,937
Unallocated liabilities				761,104
<b>Total liabilities</b>				<b>1,292,041</b>

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

#### 4. SEGMENT INFORMATION (Continued)

As at 31 March 2019

	Watch retail		Watch wholesale trading	
	Hong Kong, Macau and Mainland China <i>HK\$'000</i>	Rest of Asia <i>HK\$'000</i>	<i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	582,945	150,340	462,157	1,195,442
Unallocated assets				<u>786,275</u>
Total assets				<u><u>1,981,717</u></u>
Segment liabilities	96,014	34,963	78,691	209,668
Unallocated liabilities				<u>779,949</u>
Total liabilities				<u><u>989,617</u></u>

#### 5. REVENUES

	Six months ended 30 September	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue from contracts with customers		
Sales of goods	<u><u>593,686</u></u>	<u><u>751,598</u></u>

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



## 6. OTHER LOSSES, NET

	<b>Six months ended</b>	
	<b>30 September</b>	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain/(loss) on disposal of property, plant and equipment, net	72	(1,760)
Exchange loss, net	<b>(6,921)</b>	<b>(9,472)</b>
	<b><u>(6,849)</u></b>	<b><u>(11,232)</u></b>

## 7. OTHER INCOME

	<b>Six months ended</b>	
	<b>30 September</b>	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Building management fee income	1,230	1,170
Rental income	5,863	3,639
Interest income	468	793
Shared service income	13,200	–
Sundries	<b>3,993</b>	<b>4,126</b>
	<b><u>24,754</u></b>	<b><u>9,728</u></b>

## 8. EXPENSES BY NATURE

The Group's loss before income tax from continuing operations has been derived after debiting the following items in the income statement.

	<b>Six months ended</b>	
	<b>30 September</b>	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment		
– Owned	17,361	21,700
– Leased	23	28
Depreciation of right-of-use assets	<b>99,683</b>	–
Impairment loss of property, plant and equipment	6,529	4,680
Amortisation of prepaid lease premium	–	1,424
Amortisation of intangible assets	<b>1,160</b>	1,173
Operating leases on buildings	–	150,482
Expenses relating to short-term leases and leases of low-value assets	<b>29,054</b>	–
Provision for stocks	<b>8,194</b>	707
Donations	77	253
Employee benefit expenses	<b><u>138,071</u></b>	<b><u>162,010</u></b>

## 9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the six months ended 30 September 2019 (2018: 16.5%) less relief for available tax losses. Taxation on overseas profits has been calculated on the estimated assessable profits for the six months ended 30 September 2019 at the rates of taxation prevailing in those territories in which the Group operates.

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

	Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
Current income tax		
Hong Kong profits tax	3,410	3,146
Overseas profits tax	3,121	4,012
Under/(over) provisions in respect of prior years	83	(3)
	<u>6,614</u>	<u>7,155</u>
Deferred income tax	2,025	(2,079)
Income tax expense	<u><u>8,639</u></u>	<u><u>5,076</u></u>

## 10. DIVIDENDS

	Six months ended 30 September	
	2019 HK\$'000	2018 HK\$'000
No interim dividend for 2019 (2018: nil) per ordinary share	–	–
No special dividend for 2019 (2018: paid of HK\$0.19) per ordinary share	–	198,830
	<u>–</u>	<u>198,830</u>

At a board meeting held on 21 November 2019, the directors did not propose the payment of an interim dividend for the six months ended 30 September 2019 (2018: nil).

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

## 11. (LOSS)/PROFIT PER SHARE

### Basic

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

	<b>Six months ended 30 September</b>	
	<b>2019</b>	2018
Weighted average number of ordinary shares in issue (thousands)	<b><u>1,046,474</u></b>	<u>1,046,474</u>
Loss from continuing operations attributable to equity holders of the Company (HK\$'000)	<b>(67,627)</b>	(45,311)
Profit from discontinued operations attributable to equity holders of the Company (HK\$'000)	<u>–</u>	<u>102,741</u>
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	<b><u>(67,627)</u></b>	<u>57,430</u>
Basic loss per share from continuing operations (HK cents)	<b>(6.46)</b>	(4.33)
Basic profit per share from discontinued operations (HK cents)	<u>–</u>	<u>9.82</u>
Total basic (loss)/profit per share (HK cents)	<b><u>(6.46)</u></b>	<u>5.49</u>

### Diluted

Diluted (loss)/profit per share for the six months ended 30 September 2019 and 2018 equal the basic (loss)/profit per share since there was no potentially dilutive ordinary share.

## 12. CAPITAL EXPENDITURE

	Goodwill HK\$'000	Trademarks HK\$'000	Technical know-how HK\$'000	Total intangible assets HK\$'000	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Prepaid lease premium HK\$'000
<b>Opening net book amount as at 1 April 2019</b>	<b>10,328</b>	<b>54,034</b>	<b>1,271</b>	<b>65,633</b>	<b>165,411</b>	<b>586,100</b>	<b>11,135</b>
Additions	-	-	-	-	8,515	-	-
Transfer to right-of-use assets	-	-	-	-	-	-	(11,135)
Exchange differences	(309)	43	17	(249)	(333)	-	-
Disposals	-	-	-	-	(35)	-	-
Depreciation/amortisation	-	-	(1,160)	(1,160)	(17,384)	-	-
Impairment	-	-	-	-	(6,529)	-	-
<b>Closing net book amount as at 30 September 2019</b>	<b>10,019</b>	<b>54,077</b>	<b>128</b>	<b>64,224</b>	<b>149,645</b>	<b>586,100</b>	<b>-</b>
<b>Opening net book amount as at 1 April 2018</b>	<b>10,773</b>	<b>54,678</b>	<b>3,985</b>	<b>69,436</b>	<b>322,772</b>	<b>230,000</b>	<b>14,266</b>
Additions	-	-	-	-	20,654	-	-
Revaluation upon transfer to investment properties	-	-	-	-	8,398	-	-
Transfer to investment properties	-	-	-	-	(12,200)	-	-
Transfer from property, plant and equipment	-	-	-	-	-	12,200	-
Exchange differences	(694)	(415)	(256)	(1,365)	(4,741)	-	(598)
Disposals	-	-	-	-	(3,386)	-	-
Depreciation/amortisation	-	-	(1,173)	(1,173)	(21,728)	-	(1,424)
Impairment	-	-	-	-	(4,680)	-	-
<b>Closing net book amount as at 30 September 2018</b>	<b>10,079</b>	<b>54,263</b>	<b>2,556</b>	<b>66,898</b>	<b>305,089</b>	<b>242,200</b>	<b>12,244</b>
<b>Opening net book amount as at 1 October 2018</b>	<b>10,079</b>	<b>54,263</b>	<b>2,556</b>	<b>66,898</b>	<b>305,089</b>	<b>242,200</b>	<b>12,244</b>
Additions	-	-	-	-	9,493	-	-
Revaluation upon transfer to investment property	-	-	-	-	217,100	-	-
Transfer to investment property	-	-	-	-	(343,900)	-	-
Transfer from property, plant and equipment	-	-	-	-	-	343,900	-
Exchange differences	249	(229)	(136)	(116)	1,197	-	263
Disposals	-	-	-	-	(3,192)	-	-
Depreciation/amortisation	-	-	(1,149)	(1,149)	(20,805)	-	(1,372)
Write back of impairment	-	-	-	-	429	-	-
<b>Closing net book amount as at 31 March 2019</b>	<b>10,328</b>	<b>54,034</b>	<b>1,271</b>	<b>65,633</b>	<b>165,411</b>	<b>586,100</b>	<b>11,135</b>

### 13. INVENTORIES

	<b>30 September 2019 HK\$'000</b>	31 March 2019 HK\$'000
Raw materials	129,988	130,073
Work-in-progress	5,387	5,561
Finished goods	<u>593,766</u>	<u>630,103</u>
	<b>729,141</b>	765,737
Less: provision for inventories	<u>(213,186)</u>	<u>(205,908)</u>
	<u><b>515,955</b></u>	<u>559,829</u>

### 14. TRADE AND OTHER RECEIVABLES

	<b>30 September 2019 HK\$'000</b>	31 March 2019 HK\$'000
Trade receivables, gross	89,767	86,036
Less: loss allowance for impairment of trade receivables	<u>(66)</u>	<u>(494)</u>
Trade receivables, net (note)	<b>89,701</b>	85,542
Deposits	88,174	95,148
Other receivables	33,983	38,116
Prepayment	<u>8,404</u>	<u>18,762</u>
	<b>220,262</b>	237,568
Less: non-current portion	<u>(53,642)</u>	<u>(55,080)</u>
Current portion	<u><b>166,620</b></u>	<u>182,488</u>
Trade receivables analysed by invoice date:		
0-60 days	42,224	35,027
Over 60 days	<u>47,543</u>	<u>51,009</u>
	<u><b>89,767</b></u>	<u>86,036</u>

Note:

The Group engages designated import and export agents for the importation of products from its subsidiaries in Hong Kong to its subsidiaries in Mainland China. The balances due from and due to the import and export agents are settled on a back-to-back basis, and such balances are repayable on demand. The Groups trade receivables and trade payables include balances due from and due to the import and export agents of HK\$32,112,000 as at 30 September 2019 (31 March 2019: HK\$33,096,000).

## 15. SHARE CAPITAL

	Note	Number of shares of HK\$0.1 each	HK\$'000
Issued and fully paid:			
At 30 September 2018, 31 March 2019, 1 April 2019 and 30 September 2019		<b><u>1,046,474,025</u></b>	<b><u>104,647</u></b>

Note:

The Company and its subsidiaries did not set up or operate any share option scheme for the six months ended 30 September 2019 and the year ended 31 March 2019.

## 16. TRADE AND OTHER PAYABLES

	30 September 2019 HK\$'000	31 March 2019 HK\$'000
Trade payables	90,856	87,451
Contract liabilities	502	1,058
Other payables	29,951	20,838
Accruals	<b><u>88,810</u></b>	<b><u>128,125</u></b>
Total trade and other payables	<b><u>210,119</u></b>	<b><u>237,472</u></b>
Trade payables analysed by invoice date:		
0-60 days	50,378	45,722
Over 60 days	<b><u>40,478</u></b>	<b><u>41,729</u></b>
	<b><u>90,856</u></b>	<b><u>87,451</u></b>

## 17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Note	30 September 2019 HK\$'000	31 March 2019 HK\$'000
Bank borrowings, secured	(a)	642,279	688,250
Obligations under finance leases	(c)	<b><u>23</u></b>	<b><u>51</u></b>
		<b><u>642,302</u></b>	688,301
Current portion		<b><u>(642,302)</u></b>	<b><u>(688,301)</u></b>
Non-current portion		<b><u>–</u></b>	<b><u>–</u></b>

17. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Note:

- (a) The Group's bank borrowings are repayable as follows:

	<b>30 September 2019 HK\$'000</b>	31 March 2019 HK\$'000
Repayable on demand and within 1 year	<u>642,279</u>	<u>688,250</u>
	<u><b>642,279</b></u>	<u><b>688,250</b></u>

Included in bank borrowings as at 30 September 2019 are secured borrowings of HK\$642,279,000 (31 March 2019: HK\$688,250,000), which are secured by property, plant and equipment, investment properties and pledged bank deposit of the Group.

- (b) Movement in bank loans during the period is analysed as follows:

	<b>Six months ended 30 September 2019</b>	
	<b>HK\$'000</b>	2018 HK\$'000
Opening balance	<b>688,250</b>	927,935
Drawdown of bank loans	<b>54,090</b>	134,994
Repayment of bank loans	<b>(100,061)</b>	(327,109)
Exchange differences	-	(1,145)
Closing balance	<u><b>642,279</b></u>	<u><b>734,675</b></u>

- (c) The obligations under finance leases are repayable as follows:

	<b>30 September 2019 HK\$'000</b>	31 March 2019 HK\$'000
Within 1 year	<u>26</u>	<u>57</u>
Future finance charges on finance leases	<u>26</u> (3)	<u>57</u> (6)
Present value of finance lease liabilities	<u><b>23</b></u>	<u><b>51</b></u>

The present value of finance lease liabilities is analysed as follows:

	<b>30 September 2019 HK\$'000</b>	31 March 2019 HK\$'000
Within 1 year	<u>23</u>	<u>51</u>
	<u><b>23</b></u>	<u><b>51</b></u>

## 18. COMMITMENTS

### (a) Non-cancellable operating leases (where the Group is the lessee)

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

	<b>30 September 2019 HK\$'000</b>	31 March 2019 HK\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Not later than one year	<b>37,139</b>	224,862
Later than one year but not later than five years	–	213,022
Later than five years	–	1,823
	<u><b>37,139</b></u>	<u>439,707</u>

### (b) Non-cancellable operating leases (where the Group is the lessor)

Minimum lease payments receivable on leases of certain land and buildings are as follows:

	<b>30 September 2019 HK\$'000</b>	31 March 2019 HK\$'000
<b>Investment properties</b>		
Commitments for minimum lease payments receivable in relation to non-cancellable operating leases are payable as follows:		
Not later than one year	<b>10,250</b>	10,422
Later than one year but not later than five years	<b>4,822</b>	10,074
	<u><b>15,072</b></u>	<u>20,496</u>
	<b>30 September 2019 HK\$'000</b>	31 March 2019 HK\$'000

### **Properties**

Commitments for minimum lease payments receivable in relation to non-cancellable subleases of operating leases are payable as follows:

Not later than one year	<b>1,242</b>	2,012
Later than one year but not later than five years	<b>393</b>	722
	<u><b>1,635</b></u>	<u>2,734</u>



## 19. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

As at 30 September 2019, Yee Hing Company Limited (“Yee Hing”) held 855,200 shares of the Company through its subsidiary Active Lights Company Limited, 55% of the total issued ordinary shares of Yee Hing Company Limited is held by Klayze Holdings Limited, which is the trustee of a discretionary trust (the “Trust”). Mr. Joseph C.C. Wong is a beneficiary of the Trust and was therefore deemed to be interested in 855,200 shares of the Company through the Trust’s interest in Yee Hing Company Limited.

The following is a summary of the significant related party transactions carried out in the normal course of the Group’s business:

### (i) Provision of services to related companies

	Six months ended 30 September	
	2019	2018
	HK\$’000	HK\$’000
Rental and services income from related companies (note)	<u>20,231</u>	<u>13,622</u>

Note:

The provision of services to related companies is analysed as follows:

	Six months ended 30 September	
	2019	2018
	HK\$’000	HK\$’000
Building management service income (note a)	1,230	1,170
Shared service income (note b)	13,200	8,800
Rental income (note c)	3,192	1,836
Royalty income (note d)	458	353
Sundries	<u>2,151</u>	<u>1,463</u>
	<u>20,231</u>	<u>13,622</u>

## 19. RELATED PARTY TRANSACTIONS (Continued)

### (i) Provision of services to related companies (Continued)

Note: (Continued)

- (a) A wholly-owned subsidiary of the Group entered into a renewal agreement with Mengiwa Property Investment Limited (“MPIL”), a wholly-owned subsidiary company of Yee Hing, for the provision of the following services for the period from 1 April 2019 to 31 March 2022:
- (a) contract administration with respect to contracts entered into between MPIL and third parties from time to time;
  - (b) property agency liaison and tenancy management;
  - (c) management of the property manager of Stelux House; and
  - (d) other miscellaneous administrative services.

The fee for the provision of the above services was agreed at HK\$205,000 (2018: HK\$195,000) per calendar month during the duration of the agreement, which will be expired on 31 March 2022.

- (b) The Group provided administrative services to a related company which has directors in common with the Group. Shared service income was charged at cost basis allocated based on the counterparties’ usage of each type of service, taking into account factors such as headcount and the number of shops.
- (c) The Group provided leasing services to related parties which have directors in common with the Group. Rental income was charged to related parties based on the occupied area ratio times total actual costs incurred.
- (d) The Group provided licensing service to related parties which have directors in common with the Group. Royalty income was charged at 10% of the amount invoiced by suppliers or vendors of the counterparties.

### (ii) Purchases of services from related companies

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
Rental expense (note a)	8,100	7,594
Lease management expenses (note b)	300	300
	<u>8,400</u>	<u>7,894</u>

## 19. RELATED PARTY TRANSACTIONS (Continued)

### (ii) Purchases of services from related companies (Continued)

Note:

- (a) During the period, certain subsidiaries of the Group have entered into tenancy agreements with the following related parties for office premises, shops, warehouses, showroom and car-parking spaces:

	<b>Rental expenses for the Six months ended 30 September</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
MPIL	<b>3,892</b>	5,305
Other related parties	<b>4,208</b>	2,289
	<b><u>8,100</u></b>	<u>7,594</u>

- (b) A related party provided lease management service to the Group, The fee of the provision of such services was charged at pre-determined amount during the agreement period.

### (iii) Period/year-end balances arising from services income and rental expenses

	<b>30 September 2019</b>	31 March 2019
	<b>HK\$'000</b>	HK\$'000
Trade balances receivable from related companies	<b>24,660</b>	8,451
Trade balances payable to related companies	<b><u>(2,205)</u></b>	<u>(1,943)</u>

### (iv) Key management compensation

	<b>Six months ended 30 September</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Salaries and other short-term employee benefits	<b>2,505</b>	4,141
Other long-term benefits	<b>41</b>	63
	<b><u>2,546</u></b>	<u>4,204</u>

## 20. DISPOSAL OF BUSINESS

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

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

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

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

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

## 20. DISPOSAL OF BUSINESS (Continued)

The financial performance presented are for the two months ended 31 May 2018.

	Unaudited For the two months ended 31 May 2018 HK\$'000
Revenue	218,958
Other gains, net	102,443
Other income	15,953
Expenses	<u>(232,332)</u>
Profit before income tax	105,022
Income tax expense	<u>(2,281)</u>
Profit from discontinued operations	102,741
Exchange differences on translation of discontinued operations	<u>(14,978)</u>
Total comprehensive income from discontinued operations	<u><u>87,763</u></u>

## 21. CONTINGENT LIABILITIES

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

## MANAGEMENT DISCUSSION AND ANALYSIS

- Group Turnover fell by 21.0% to HK\$593.7 million
- Loss Attributable to Equity Holders of the Company at HK\$67.6 million
- Group Gearing Ratio at 46.1% (March 2019: 40.3%)
- Group Inventory reduced by 19.7% to HK\$516.0 million vs that as at 30 September 2018

For the period under review, Group turnover decreased by 21.0% to HK\$593.7 million (1H 2018: HK\$751.6 million). The socio-political climate in Hong Kong since June 2019, the ongoing US-China trade war and the slowing economies in Greater China and Southeast Asia exerted severe pressures on the turnover performance of the Group.

Hence, the Group reported a loss attributable to its equity holders of HK\$67.6 million. Excluding the accounting impact of HKFRS 16 Leases, the loss would have been HK\$65.4 million. In 1H 2018, a profit of HK\$57.4 million was recorded due to a gain on Disposal of the Optical Business which was recognised during 1H 2018, following the completion on 1 June 2018, by the Group of the disposal of its entire optical retail and wholesale businesses to its controlling shareholder. Excluding this gain on Disposal, the Group would have reported a loss of HK\$47.0 million for the six months ended 30 September 2018.

Group gross profit margin was maintained at around 50.0% (1H 2018: 51.0%) as more promotional activities were executed to stimulate consumer demand and to reduce inventory.

Through strict inventory control and tightened stock procurement, the Group's inventory declined by 7.8% vs that at the end of March 2019 with faster inventory turnover days of 291 days (September 2018: 313 days).

Group gearing ratio was 46.1% (March 2019: 40.3%) and capital expenditure was well contained at HK\$8.5 million (1H 2018: HK\$20.7 million). Shop numbers fell by 18.3% in line with Group strategy to rationalise shop portfolio.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019 (2018: Nil per ordinary share).

## CITY CHAIN GROUP

- City Chain Group turnover down by 24.8%
- City Chain Group loss before interest and tax (LBIT) of HK\$45.6 million (1H 2018: HK\$29.5 million)

The City Chain Group operates around 200 stores in Hong Kong, Macau, Mainland China (the "Greater China"), Singapore, Thailand and Malaysia together with on-line stores for "City Chain" and "Solvil et Titus".

## **Greater China**

Turnover for CITY CHAIN operations in Greater China fell by 28.9% to HK\$309.0 million (1H 2018: HK\$434.3 million). The diseconomies of scale associated from the fall in turnover, particularly, from Hong Kong led to an increase in LBIT to HK\$39.3million (1H 2018: HK\$25.8 million).

Amid the ongoing US-China trade tensions and the socio-political events in Hong Kong since June 2019, reduced tourist traffic, weak local consumption and periodic disruption of shop operations severely impacted shop performance in Hong Kong, whilst weak tourist spending also impacted Macau.

To improve performance in Mainland China, the Group has re-focused efforts and resources in the Greater Bay area. Hence, during the period, around 6% of same store sales growth was achieved. Together with an uplift in shop productivity and cost rationalisation, operating losses fell by 27.6% in Mainland China.

The operating performance of our watch e-commerce business improved significantly with operating losses falling by 80.4% following various cost structuring measures and improvements in return on investment on paid traffic and conversion rate. The Group continues to increase allocation of marketing expenditure on our online operations in Greater China.

## **Southeast Asia**

Due to stagnant export and domestic consumption, slowing economies were observed simultaneously in Malaysia, Singapore and Thailand. With such weak market sentiment, turnover at our Southeast Asian operations declined by 14.2% to HK\$142.7 million (1H 2018: HK\$166.4 million). Total number of shops fell by 5.5%. These factors and also the impact from currency depreciation against the stronger Hong Kong dollar resulted in a LBIT of HK\$6.2million (1H 2018: LBIT HK\$3.6 million). Exchange neutral, our operations in Southeast Asia reported a LBIT of HK\$3.8 million (1H 2018: EBIT HK\$ 0.5 million).

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

Despite a moderate decrease of turnover by 5.9% to HK\$142.0 million (1H 2018: HK\$150.9 million), mainly due to stagnant order placement in Hong Kong, the Group's watch supply chain and wholesale trading units posted a profit of HK\$19.3 million (1H 2018: HK\$21.6 million) together with improvements in cost efficiencies. As the sole distributor for the "SEIKO" and "GRAND SEIKO" brand of watches in Hong Kong, Macau, Singapore, Brunei and Malaysia, the Group's wholesale unit launched various marketing campaigns, which were well received, and with prompt service support promoted sell-through to retailers.

## GROUP OUTLOOK

We are confident Hong Kong, which will remain as our Group headquarters will recover and rebound despite the present external situation not being conducive for business.

The Group remains committed to driving long term sustainable growth within the Greater Bay Area and South East Asia. As such, we continue to invest in one of our core growth strategies – developing a full watch retail O2O business and upgrading our CRM platforms. The first phase of the development was recently launched and final completion is scheduled in mid 2020. This, together with other measures, like strengthening the competitiveness of our brand and product portfolios will further enhance our market share in the watch retail sector over both the short term and longer horizon. To meet the pressing external situation, measures have also been adopted to strengthen liquidity and balance sheets.

We believe that with appropriate strategies and measures, the Group will be in the right place to reap the full benefits when business conditions turn and improve.

## FINANCE

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

The gearing ratio was 46.1% (31 March 2019: 40.3%) with shareholders' funds standing at HK\$914.5 million (31 March 2019: HK\$985.0 million) and net debts of HK\$421.4 million (31 March 2019: HK\$396.8 million). The net debts are based on the bank borrowings of HK\$642.3 million (31 March 2019: HK\$688.3 million) less bank balance and cash of HK\$220.9 million (of the Group as at 31 March 2019: HK\$291.5 million) of which HK\$58.9 million were pledged (HK\$56.6 million at 31 March 2019).

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

As at 30 September 2019, the Group's total equity funds amounted to HK\$921.6 million. The Group's cash inflow from its operations amounted to HK\$79.6 million and coupled with its existing cash and unutilized banking facilities will fund its future needs. Upon adoption of HKFRS 16, the repayment of lease liabilities is included in financing activities and therefore the cash inflow from its operations increased. The unutilized banking facilities at 30 September 2019 were HK\$231.0 million.



As at 30 September 2019, Group current assets and current liabilities were approximately HK\$903.5 million (31 March 2019: HK\$1,033.8 million) and HK\$1,068.7 million (31 March 2019: HK\$958.6 million), respectively. The current ratio was approximately 0.85 (1.08 as at 31 March 2019). On the adoption of HKFRS 16, the Group recognized the commitments under operating leases for future periods as lease liabilities, whereas, under the previous accounting standard, no such liabilities were required. Therefore the net current assets is lower.

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

The Group does not engage in speculative derivative trading.

As at 30 September 2019, the Group does not have any significant contingent liabilities except disclosed in Note 21 to the Condensed Interim Consolidated Financial Information.

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

Since 30 September 2019, there have been no important events affecting the Group which have occurred, and, hence there are no details to disclose.

The interim results for the six months ended 30 September 2019 have been reviewed by the Audit Committee.

#### **CAPITAL STRUCTURE OF THE GROUP**

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

#### **CHANGES IN THE COMPOSITION OF THE GROUP**

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

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

The Group's remuneration policies are reviewed on a regular basis and remuneration packages are in line with market practices in the relevant countries where the Group operates. As of 30 September 2019, the Group had 1,288 employees (at 30 September 2018: 1,663 employees).

#### **DETAILS OF THE CHARGES ON GROUP ASSETS**

At at 30 September 2019, certain property, plant and equipment, investment properties and bank deposit amounting to HK\$712.8 million (31 March 2019: HK\$712.3 million) were pledged to secure banking facilities granted to the Group. Capital expenditures were under control and reduced to HK\$8.5 million (1H 2018: HK\$20.7 million)

As at 30 September 2019, the Company had given guarantees to various banks to secure general banking facilities granted to certain subsidiaries amounting to HK\$1,264 million.

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

Mr. Wallace Kwan Chi Kin is eligible to an annual bonus determinable under the terms of an executive bonus scheme with respect to the management of the Group for the financial year ending 31 March 2020 (“Executive Bonus Scheme”). Mr. Joseph C. C. Wong declined to participate in the Executive Bonus Scheme for the financial year ending 31 March 2020. As such, Mr. Wong is not eligible to any bonus for the management of the Group for the six months ended 30 September 2019. Provision for the executive bonus in respect of Mr Kwan under the Executive Bonus Scheme for the six months ended 30 September 2019 amounted to HK\$450,000 (2018: HK\$1,550,000 for all directors eligible under the Executive Bonus Scheme).

As at 30 September 2019, the interests and short positions of the directors, and the Company’s chief executive in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

### (a) The Company-Ordinary shares

*Long position in shares and underlying shares of the Company*

Name of Director	Number of shares				Total	Approximate percentage of issued share capital
	Personal interest	Family interest	Corporate/trust interest	Other interest		
Mr. Joseph C. C. Wong	548,474,814	11,000	855,200 (Note 1)	–	549,341,014	52.49

*Note:*

- As at 30 September 2019, Yee Hing Company Limited (“Yee Hing”) held 855,200 shares of the Company through its subsidiary Active Lights Company Limited, 55% of the total issued ordinary shares of Yee Hing Company Limited is held by Klayze Holdings Limited, which is the trustee of a discretionary trust (the “Trust”). Mr. Joseph C.C. Wong is a beneficiary of the Trust and was therefore deemed to be interested in 855,200 shares of the Company through the Trust’s interest in Yee Hing Company Limited.

**(b) Subsidiaries**

	Number of shares				Approximate percentage of the total preference shares in issue as at 30 September 2019
	Personal interest	Family interest	Corporate interest	Total	
(i) City Chain (Thailand) Company Limited – Preference shares <sup>(1)</sup>					
Mr. Joseph C. C. Wong	200	–	208,800	209,000	99.52
(ii) Stelux Watch (Thailand) Company Limited – Preference shares <sup>(2)</sup>					
Mr. Joseph C. C. Wong	600	–	–	600	16.67
(iii) Stelux (Thailand) Limited – Preference shares <sup>(3)</sup>					
Mr. Joseph C. C. Wong	5,100	–	–	5,100	100.00

*Note:*

- (1) City Chain (Thailand) Company Limited is a subsidiary of the Company. Each preference share carries a right to vote and a right to an annual fixed dividend but not to any other profit sharing.
- (2) Stelux Watch (Thailand) Company Limited is a subsidiary of the Company. Each preference share carries a right to vote and a right to an annual fixed dividend but not to any other profit sharing.
- (3) Stelux (Thailand) Limited is a subsidiary of the Company. Mr. Joseph C. C. Wong is entitled to approximately 8.6% of the voting power of such subsidiary and an annual fixed dividend by virtue of the 5,100 preference shares held by him but not to any other profit sharing.

Save as disclosed above, no directors, chief executive of the Company or their associates have any interest or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

## INTERESTS OF SHAREHOLDERS DISCLOSEABLE PURSUANT TO THE SFO

As at 30 September 2019, the following persons had interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

*Long position in shares and underlying shares of the Company*

Name of Shareholder	Number of shares				Total	Approximate percentage of issued share capital
	Beneficial interest	Family interest	Corporate/trust interest	Other interest		
Mr. Joseph C. C. Wong	548,474,814	11,000	855,200 (Note 1)	-	549,341,014	52.49

*Note:*

- (1) As at 30 September 2019, Yee Hing Company Limited (“Yee Hing”) held 855,200 shares of the Company through its subsidiary Active Lights Company Limited, 55% of the total issued ordinary shares of Yee Hing Company Limited is held by Klayze Holdings Limited, which is the trustee of a discretionary trust (the “Trust”). Mr. Joseph C.C. Wong is a beneficiary of the Trust and were therefore deemed to be interested in 855,200 shares of the Company through the Trust’s interest in Yee Hing Company Limited.

Save as disclosed above, the directors are not aware of any person (other than a director or chief executive of the Company or his/her respective associate(s)), who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 30 September 2019.

## SUBSTANTIAL SHAREHOLDING IN OTHER MEMBERS OF THE GROUP

The directors are not aware of any person (other than a director or chief executive of the Company or his/her respective associate(s)) who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

## OTHER DIRECTORS' INTERESTS

None of the directors or their respective associates had any interest in a business apart from the Company’s business which competes or is likely to compete, either directly or indirectly with, the Company’s business, or which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## **CORPORATE GOVERNANCE**

During the six months ended 30 September 2019, the Company has complied with the code provisions of 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 (the “Code”), except for the following deviations:

### **Code Provision A.2.1**

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

### **Code Provision A.4.2**

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

### **Code Provision B.1.3**

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

### **Audit Committee**

On 19 November 2019, the Audit Committee together with the management of the Company reviewed the effectiveness of the systems of internal control throughout the Group for the six months ended 30 September 2019 and discussed auditing and financial reporting matters including review of the Group’s results for the six months ended 30 September 2019 before they were presented to the board of directors for approval.

### **Remuneration Committee**

On 13 November 2019, the Remuneration Committee by circular resolutions determined the annual salaries and the Executive Bonus Scheme for its executive directors for the financial year ending 31 March 2020.

## **Nomination Committee and Corporate Governance Committee**

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

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

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

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

All directors complied with the provisions of the Model Code during the six months ended 30 September 2019.

On behalf of the Board  
**Joseph C. C. Wong**  
*Chairman and Chief Executive Officer*

Hong Kong, 21 November 2019

Directors of the Company as at the date hereof:

*Executive directors:*

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

*Independent Non-Executive directors:*

Wu Chun Sang, Lawrence Wu Chi Man and Agnes Kwong Yi Hang

## **CORPORATE INFORMATION**

### **Registered Office**

Victoria Place, 5th Floor  
31 Victoria Street  
Hamilton HM 10  
Bermuda

### **Principal Office**

27th Floor, Stelux House  
698 Prince Edward Road East  
San Po Kong  
Kowloon  
Hong Kong

### **Principal Bankers**

Hang Seng Bank Limited  
The Hongkong and Shanghai Banking  
Corporation Limited

### **Auditors**

Ernst & Young

### **Share Registrar**

MUFG Fund Services (Bermuda) Limited  
26 Burnaby Street  
Hamilton HM 11  
Bermuda

### **Branch Share Registrar and Transfer Office**

Computershare Hong Kong Investor  
Services Limited  
Room 1712-1716  
17th Floor  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

### **Audit Committee**

Mr. Wu Chun Sang  
*(Chairman of Committee)*  
Professor Lawrence Wu Chi Man  
Dr. Agnes Kwong Yi Hang

### **Remuneration Committee**

Professor Lawrence Wu Chi Man  
*(Chairman of Committee)*  
Mr. Joseph C. C. Wong  
Mr. Wu Chun Sang  
Dr. Agnes Kwong Yi Hang

### **Nomination Committee**

Mr. Joseph C. C. Wong  
*(Chairman of Committee)*  
Mr. Wu Chun Sang  
Professor Lawrence Wu Chi Man  
Dr. Agnes Kwong Yi Hang

### **Corporate Governance Committee**

Mr. Wallace Kwan Chi Kin  
*(Chairman of Committee)*  
Mr. Wu Chun Sang  
Professor Lawrence Wu Chi Man  
Dr. Agnes Kwong Yi Hang

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