**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 2021

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 2021 as follows:

## CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

| | *Note* | **2021** *HK$'000* | 2020 *HK$'000* |
|---|---|---|---|
| Revenues | *2* | **706,267** | 1,034,794 |
| Cost of sales | | **(381,542)** | (529,403) |
| **Gross profit** | | **324,725** | 505,391 |
| Other gains/(losses) | | **43,102** | (68,292) |
| Other income | | **96,375** | 53,705 |
| Selling expenses | | **(266,760)** | (444,765) |
| General and administrative expenses | | **(161,376)** | (186,095) |
| Other operating expenses | | **(63,246)** | (190,809) |
| Finance costs | | **(28,710)** | (50,607) |
| **Loss before tax** | | **(55,890)** | (381,472) |
| Income tax expense | *3* | **(25,731)** | (21,212) |
| **Loss for the year** | | **(81,621)** | (402,684) |

* *For identification purposes only*

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

| | Note | **2021** | 2020 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Loss for the year attributable to:** | | | |
| Equity holders of the Company | | **(81,890)** | (402,898) |
| Non-controlling interests | | **269** | 214 |
| | | **(81,621)** | (402,684) |
| Loss per share | *4* | | |
| Basic and diluted *(HK cents)* | | **(7.83)** | (38.50) |
| **Other comprehensive income/(loss):** | | | |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences of translation of foreign operations | | **42,687** | (42,789) |
| *Item that will not be reclassified to profit or loss:* | | | |
| Change in fair value of equity investments at fair value through other comprehensive income | | **(3,570)** | (9,526) |
| **Other comprehensive income/(loss) for the year, net of tax** | | **39,117** | (52,315) |
| **Total comprehensive loss for the year** | | **(42,504)** | (454,999) |
| **Total comprehensive loss for the year attributable to:** | | | |
| Equity holders of the Company | | **(42,926)** | (454,525) |
| Non-controlling interests | | **422** | (474) |
| | | **(42,504)** | (454,999) |

**CONSOLIDATED BALANCE SHEET**
**AS AT 31 MARCH 2021**

| | Note | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Non-current assets | | | |
| Property, plant and equipment | | **265,476** | 131,315 |
| Investment properties | | **296,700** | 519,800 |
| Right-of-use assets | | **123,990** | 198,704 |
| Intangible assets | | **53,459** | 57,541 |
| Equity investment at fair value through other comprehensive income | | **1,874** | 5,444 |
| Deposits and prepayments | *5* | **20,643** | 36,638 |
| Deferred tax assets | | **16,071** | 38,384 |
| **Total non-current assets** | | **778,213** | 987,826 |
| Current assets | | | |
| Inventories | | **267,303** | 373,040 |
| Trade and other receivables | *5* | **141,978** | 163,454 |
| Pledged bank deposits | | **–** | 54,579 |
| Cash and cash equivalents | | **170,344** | 127,016 |
| **Total current assets** | | **579,625** | 718,089 |
| **Total assets** | | **1,357,838** | 1,705,915 |
| **EQUITY** | | | |
| Capital and reserves attributable to the equity holders of the Company | | | |
| Share capital | | **104,647** | 104,647 |
| Reserves | | **382,873** | 425,799 |
| Shareholders' funds | | **487,520** | 530,446 |
| Non-controlling interests | | **7,077** | 6,655 |
| **Total equity** | | **494,597** | 537,101 |

## CONSOLIDATED BALANCE SHEET (Continued)

| | Note | 2021<br>*HK$'000* | 2020<br>*HK$'000* |
|---|---|---|---|
| **LIABILITIES** | | | |
| Non-current liabilities | | | |
| Deferred tax liabilities | | **27,760** | 32,933 |
| Lease liabilities | | **70,148** | 118,251 |
| **Total non-current liabilities** | | **97,908** | 151,184 |
| **Current liabilities** | | | |
| Trade and other payables | *6* | **148,724** | 172,583 |
| Income tax payable | | **17,441** | 16,288 |
| Bank borrowings | | **512,797** | 651,449 |
| Lease liabilities | | **86,371** | 177,310 |
| **Total current liabilities** | | **765,333** | 1,017,630 |
| **Total liabilities** | | **863,241** | 1,168,814 |
| **Total equity and liabilities** | | **1,357,838** | 1,705,915 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

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

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

During the year ended 31 March 2021, the Group incurred a net loss of approximately HK$81.621 million and as of that date, the Group recorded net current liabilities of approximately HK$185.708 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$512.797 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$237.775 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. Furthermore, as at 31 March 2021, the gearing ratio of the Group was improved from 88.6% to 70.2%. 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$122.724 million as at 31 March 2021, other potential sources of funding, and continued adoption of the above measures, the directors have therefore concluded that the Group will have sufficient working capital to fully meet its financial obligations as they fall due during that period. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

## 1. BASIS OF PREPARATION (Continued)

### *ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS*

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

The Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and 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 2020 for the preparation of the consolidated financial statements:

| | |
|---|---|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |

In addition, as at 31 March 2020, the Group has early applied the Amendments to HKFRS 16, COVID-19 Related Rent Concessions.

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and 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.

***Amendments to HKAS 1 and HKAS 8, Definition of Material***

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the consolidated financial statements.

***Amendments to HKFRS 3, Definition of a Business***

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 April 2020. The application of the amendments had no impact on the consolidated financial statements.

## 1. BASIS OF PREPARATION (Continued)

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

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

***Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest Rate Benchmark Reform***

The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform.

The amendments had no impact on the consolidated financial statements of the Group as the Group's designated hedged items/assessment of hedge effectiveness/is not affected by the interest rate benchmark reform.

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

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19 Related Rent Concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19 Related Rent Concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in income statement in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 April 2020.

## 1. BASIS OF PREPARATION (Continued)

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

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2020. These new and revised HKFRSs include the following which may be relevant to the Group.

| | | **Effective for accounting periods beginning on or after** |
|---|---|---|
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 | 1 April 2021 |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework | 1 April 2022 |
| Amendments to HKAS 1 | Classification of liabilities as current or non-current | 1 April 2023 |
| Amendments to HKAS 16 | Property, plant and equipment: proceeds before intended use | 1 April 2022 |
| Amendments to HKAS 37 | Onerous contracts – cost of fulfilling a contract | 1 April 2022 |
| Annual Improvements to HKFRSs | 2018–2020 Cycle | 1 April 2022 |

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

## 2. REVENUE AND SEGMENT INFORMATION

The chief operating decision-makers have been identified as the executive directors of the Company. The executive directors review the Group's financial information mainly from business nature and geographical perspectives. From a perspective on business nature, the Group has two reportable segments namely watch retail and watch wholesale trading segments. From a geographical perspective, management mainly assesses the performance of watch retail operations in (i) Hong Kong, Macau and Mainland China and (ii) 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 a subsidiary. Net corporate expenses mainly represent corporate staff costs and provision for senior management bonus. Unallocated assets represent property, plant and equipment, investment properties and right-of-use assets at corporate level, unlisted equity investments, deferred tax assets, pledged bank deposits and cash and cash equivalents. Unallocated liabilities represent lease liabilities, other payables and accruals at corporate level, bank borrowings, deferred tax liabilities and income tax payable.

## 2. REVENUE AND SEGMENT INFORMATION (Continued)

**For the year ended 31 March 2021**

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

## 2. REVENUE AND SEGMENT INFORMATION (Continued)

**For the year ended 31 March 2021 (Continued)**

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

## 2. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 March 2020

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

## 2. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 March 2020 (Continued)

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

## 2. REVENUE AND SEGMENT INFORMATION (Continued)

### Geographical information

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

| | Revenue | | Segment results | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong, Macau and Mainland China | **343,832** | 587,775 | **(54,215)** | (249,441) |
| Rest of Asia | **362,122** | 445,072 | **30,125** | 17,722 |
| Europe | **313** | 1,947 | **(25,475)** | (39,330) |
| | **706,267** | 1,034,794 | **(49,565)** | (271,049) |

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:

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong, Macau and Mainland China | **600,058** | 760,081 |
| Rest of Asia | **123,703** | 147,278 |
| Europe | **36,507** | 36,639 |
| | **760,268** | 943,998 |

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 (2020: Nil).

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

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Sales of watches | **451** | 1,058 |

### 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 2021, the remaining performance obligations (unsatisfied or partially unsatisfied) are part of contracts that have an original expected duration of one year or less, the transaction price allocated to which is not presented according to practical expedient in HKFRS 15.

## 3. INCOME TAX EXPENSE

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current income tax | | |
| – Hong Kong profits tax | **2,905** | 3,925 |
| – Overseas profits tax | **4,960** | 5,268 |
| – Under/(over) provisions in respect of prior years | **59** | (523) |
| | **7,924** | 8,670 |
| Deferred income tax | **17,807** | 12,542 |
| Income tax expense | **25,731** | 21,212 |

The provision for Hong Kong profits tax for 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

## 4. LOSS PER SHARE

**Basic**

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

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss attributable to equity holders of the Company | **(81,890)** | (402,898) |
| Weighted average number of ordinary shares in issue *(thousands)* | **1,046,474** | 1,046,474 |
| Basic loss per share attributable to the equity holders of the Company *(HK cents)* | **(7.83)** | (38.50) |

**Diluted**

Diluted loss per share for the years ended 31 March 2020 and 31 March 2021 are the same as the basic loss per share amounts as there were no potentially dilutive ordinary shares in issues during two years.

## 5. TRADE AND OTHER RECEIVABLES

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables, gross | **79,424** | 80,107 |
| Less: Impairment loss | **(20)** | (112) |
| | **79,404** | 79,995 |
| Other receivables | **12,603** | 35,155 |
| Deposits | **65,817** | 78,912 |
| Prepayments | **4,797** | 6,030 |
| | **162,621** | 200,092 |
| Less: non-current portion | **(20,643)** | (36,638) |
| Current portion | **141,978** | 163,454 |

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

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0-60 days | **35,947** | 28,692 |
| Over 60 days | **43,477** | 51,415 |
| | **79,424** | 80,107 |

*Note:*

The Group engages designated import and export agents for the importation of products from the subsidiaries in Hong Kong to the subsidiaries in the Mainland China. The balances due from and due to the import and export agents are settled on a back-to-back basis, and such balances are repayable on demand. The Group's trade receivables and trade payables include balances due from and due to the import and export agents of HK$33.955 million as at 31 March 2021 (2020: HK$34.596 million).

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

## 6. TRADE AND OTHER PAYABLES

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **60,185** | 61,826 |
| Contract liabilities | **2,164** | 451 |
| Other payables | **27,603** | 45,741 |
| Accruals | **58,772** | 64,565 |
| | **148,724** | 172,583 |

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:

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0-60 days | **24,027** | 22,192 |
| Over 60 days | **36,158** | 39,634 |
| | **60,185** | 61,826 |

## 7. DISPOSAL OF A SUBSIDIARY

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

- Group Turnover down 31.7% to HK$706.3 million
- Loss Attributable to Equity Holders of the Company of HK$81.9 million (FY2019/20: HK$402.9 million)
- Gearing ratio at 70.2% (31 March 2020: 88.6%)
- Net debt at HK$342.5 million, down HK$127.3 million from HK$469.8 million at 31 March 2020
- Group Inventory down HK$105.7 million or 28.3% to HK$267.3 million

For the year under review, Group turnover decreased by 31.7% to HK$706.3 million (FY2019/20: HK$1,034.8 million) as the pandemic severely disrupted economic activities with lockdowns in some of our operating regions. A loss attributable to Group equity holders of HK$81.9 million was recorded after taking into account the following items:

– a gain on disposal of a subsidiary of HK$97.8 million (relating to a property in Hong Kong);
– the accounting impact from HKFRS 16 Leases (non-cash) of HK$76.3 million (income);
– an impairment (non-cash) of HK$15.7 million relating to right-of-use assets mainly arising from retail stores with declined store profitability;
– an impairment loss (non-cash) of HK$54.1 million due to revaluation of investment properties and leasehold land and buildings as at 31 March 2021;
– a stock provision expense (non-cash) of HK$19.3 million relating to slow-moving watch movements; and
– an impairment of intangible assets (non-cash) of HK$5.6 million due to reducing recoverable amount.

If the above items are excluded, the Group would have reported a loss of HK$161.3 million.

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

– the accounting impact from HKFRS 16 Leases of HK$12.3 million (expense);
– an impairment of HK$76.9 million relating to right-of-use assets mainly arising from retail stores with declined store profitability;
– an impairment loss of HK$66.3 million due to revaluation of investment properties;
– a stock provision expense of HK$95.4 million mainly relating to slow-moving watch movements; and
– an impairment of intangible assets of HK$6.2 million due to a reducing recoverable amount.

Group gross profit margin was 46.0% compared with 48.8% in FY2019/20 as promotional strategies were implemented to stimulate consumer demand and to reduce inventory to enhance liquidity.

Various government subsidies of approximately HK$31.2 million were received in our operating regions during the reporting period.

In FY 2020/21, the Group continued with measures, including those below, to further reduce operating costs and to strengthen liquidity:–

- selling expenses (excluding expenses related to investment in brand building) which fell 43.5% mainly due to reduced rental expenses and other overheads at shops

- Group general and administrative expenses which fell further by 13.3% in FY2020/21 following a decrease of 21.6% in FY2019/20

- capital expenditures which were significantly reduced by 63.2% to HK$4.2 million (FY2019/20: HK$11.4 million) in line with Group strategy to close non-performing shops and to rationalise shop portfolio to improve shop productivity. Shop numbers fell by 19.4% y-o-y.

- strict inventory control and tightened stock procurement to reduce Group inventory balance which declined by 28.3% against that at the end of March 2020 (after including a stock provision expense of HK$19.3 million for slow-moving watch movements which was made with a view that the consumption of watch movements will remain stagnant given the current adverse retail climate and uncertainty around the magnitude of recoveries of the retail and tourism sectors in the near future). Excluding the impact of the provision expense, Group inventory balance at the end of March 2021 declined by 23.2% or HK$86.4 million y-o-y.

**FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: Nil per ordinary share).

**CITY CHAIN GROUP**

The CITY CHAIN Group operates around 150 stores in Hong Kong, Macau, Mainland China (the "Greater China"), Singapore, Thailand and Malaysia together with on-line stores for "CITY CHAIN" and "SOLVIL et TITUS".

The CITY CHAIN Group reported a 38.9% decline in turnover to HK$472.5 million (FY2019/20: HK$773.3 million) and a loss before interest and tax (LBIT) of HK$69.6 million (FY2019/20: HK$206.1 million with the impact of an impairment loss of HK$76.9 million being right-of-use assets of the Group's retail stores arising from the adoption of the new HKFRS 16 Leases in FY2019/20).

In FY2020/21, as the CITY CHAIN Group progressed with its migration to an omni-channel business model encouraging results were reported by our e-commerce business in Hong Kong. Moreover, our upgraded CRM membership program "Delights", a key component to the development of our omni-channel business was launched in Hong Kong and Mainland China in 2019 and continues to strengthen customer engagement. Under COVID-19, we continued to accelerate our pace of investment, adopting the necessary infrastructure and expertise, increasing allocation of marketing expenditure on our online operations such as social networking platforms to maintain quality interactions with consumers to boost online sales and to enhance the online brand presence of "CITY CHAIN" and "SOLVIL et TITUS".

**Greater China**

Turnover for our CITY CHAIN operations in Greater China fell by 46.7% to HK$254.3 million (FY2019/20: HK$477.1 million) but LBIT narrowed to HK$75.1 million (FY2019/20: LBIT HK$209.2 million) mainly attributable to tight cost control measures in place throughout the year and the accounting impact from HKFRS 16 Leases. In line with our shop consolidation strategy, number of shops reduced by 19 shops compared with March 2020. A deficit in valuation of investment properties of HK$15.3 million was recorded in FY2020/21.

Notwithstanding the pandemic, we saw a mild recovery of sales in the quarter from January to March 2021 ("Q4") with a positive y-o-y despite reduced number of shops. We continued to see a y-o-y sales growth from April to May 2021.

Our online business in Hong Kong delivered a promising performance with escalating sales recorded in FY20/21 and a satisfactory EBIT was recorded, whilst cost efficiencies at our Mainland China watch e-commerce business continued to improve.

**Southeast Asia**

Our Southeast Asian operations in Singapore, Malaysia and Thailand were impacted by COVID-19 almost throughout the year as curfews and movement controls were implemented within these countries. Certain shopping malls either closed temporarily in response to government demand for controlling crowds and sanitization or voluntarily shortened operating hours. Work-from-home and no dine-in arrangements were prevalent and reduced foot traffic in shopping malls significantly. Moreover, these economies were hit hard by muted tourism. Despite these however, our operation teams remained agile, and managed these unprecedented challenges with an emphasised focus on enlarging our local customer base, growing e-commerce sales and negotiating for rental concessions.

Turnover at our Southeast Asian operations declined by 26.3% to HK$218.2 million (FY2019/20: HK$ 296.2 million) with the number of shops reduced by 17% due to the closure of certain non-performing shops mainly in Thailand and Singapore. Despite the challenging business environment, our Singapore and Malaysian operations posted an EBIT (excluding exchange difference) of HK$10.2 million. Our Singapore operations recorded a same store growth of 11.4% in the last 4 months of the financial year. Our Southeast Asian operations reported an aggregate EBIT (excluding exchange difference) of HK$6.5 million (FY2019/20: HK$3.1 million) despite a loss of HK$3.7 million posted by our Thai operations.

**SUPPLY CHAIN MANAGEMENT AND WHOLESALE TRADING**

Turnover for this division comprising our supply chain and wholesale trading subsidiaries decreased moderately by 10.6% to HK$233.8 million (FY2019/20: HK$261.5 million) and an EBIT of HK$20.0 million was posted. Excluding a provision expense of HK$19.3 million for slow-moving watch movements, this division would have reported a profit of HK$39.3 million (FY2019/20, a profit of HK$30.4 million excluding a provision expense of HK$95.4 million for slow-moving watch movements).

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

## COVID-19 AND THE SHORT TERM OUTLOOK

In the short to medium term, the direction of the pandemic, associated vaccine rollout and take up will continue to dictate the pace of economic recovery in most of the regions where we operate. Based on these factors, the Group is highly likely to continue operating in a challenging environment for the remaining fiscal year.

The Group will continue to adopt appropriate measures to meet these headwinds, including closely monitoring cash flow, operating costs, capital expenditure, inventory management; closing non-performing shops. The financial impact of cost containment measures will continue to be reflected in FY2021/22. However, we will continue to accelerate investment in our online businesses and further progress the development of our omni-channel business.

## 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 70.2% (31 March 2020: 88.6%) with shareholders' funds standing at HK$487.5 million (31 March 2020: HK$530.4 million) and net debts of HK$342.5 million (31 March 2020: HK$469.8 million). The net debts are based on the bank borrowings of HK$512.8 million (31 March 2020: HK$651.4 million) less bank balance and cash of HK$170.3 million (31 March 2020: HK$181.6 million of which HK$54.6 million were pledged). The bank borrowings comprised of HK$226.2 million repayable within one year and HK$ 286.6 million with scheduled repayment after one year but repayable on demand and were classified as current liabilities.

The decrease in gearing ratio was due to the disposal of a property by way of transfer of shares in a subsidiary to a third party during FY2020/21 with most of the sales proceeds used to repay bank loans. The Group's cash inflow from its operations was HK$185.3 million. The unutilized banking facilities as at 31 March 2021 was HK$122.7 million.

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

As at 31 March 2021, the current assets and current liabilities were approximately HK$579.6 million (31 March 2020: HK$718.1 million) and HK$765.3 million (31 March 2020: HK$1,017.6 million), respectively. The current ratio was approximately 0.76 (0.71 as at 31 March 2020).

As at 31 March 2021, the Group's total equity funds amounted to HK$494.6 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 2021, the Group does not have any significant contingent liabilities.

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

As at 31 March 2021, certain property, plant and equipment and investment properties amounting to HK$513.9 million (31 March 2020: HK$640.4 million of certain property, plant and equipment, investment properties and bank deposit) were pledged to secure banking facilities granted to the Group. Capital expenditure was well controlled and reduced to HK$4.2 million (FY2019/20: HK$11.4 million).

The investment properties and leasehold land and buildings were revalued by independent valuers as at 31 March 2021. An impairment loss of HK$54.1 million was recorded in the year ended 31 March 2021 accordingly.

The deferred tax asset balance decreased by HK$22.3 million and this expense was charged to the income statement during the year ended 31 March 2021. The decrease was mainly from a decrease in tax losses and other temporary differences recognised as a deferred tax asset.

The annual results for FY2020/21 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 2021, the Group had around 1,025 employees (31 March 2020: 1,120). 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 31 August 2021 (Tuesday) (or any adjournment thereof), the Register of Members of the Company will be closed from 26 August 2021 (Thursday) to 31 August 2021 (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 25 August 2021 (Wednesday).

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## SCOPE OF RSM HONG KONG

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, the consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2021 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 2021, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code Provisions") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), except for the following deviations:

### Code Provision A.2.1

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

### Code Provision A.4.2

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

**Code Provision B.1.3**

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

**Audit Committee**

The Audit Committee comprises of three independent non-executive directors; Mr. Jeff Ho Chi Kin (Chairman of the Audit Committee), Professor Lawrence Wu Chi Man and Dr. Agnes Kwong Yi Hang. The principal responsibilities of the Audit Committee include the review and supervision of the Group's financial reporting process, risk management and internal control systems and maintaining an appropriate relationship with the Company's external auditors. The Committee held seven meetings (within FY2020/21 and up to the date of this announcement) on 1 April 2020, 16 April 2020, 22 April 2020 and 24 June 2020, 24 November 2020, 20 April 2021 and 22 June 2021 to discuss matters, including, the disposal of a property by way of transfer of shares in a subsidiary, the Group's audit service plan, the review of accounting standards (including HKFRS 16 Leases), principles and practices adopted by the Group and other financial reporting matters; to ensure the completeness, accuracy and fairness of the financial statements of the Company; to discuss the effectiveness of the systems of risk management and internal controls throughout the Group including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and their training programmes and budget 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 2021 and interim results for FY2020/21 before they were presented to the Board, for approval.

**Remuneration Committee**

The Remuneration Committee comprises of Professor Lawrence Wu Chi Man (Chairman of the Remuneration Committee), Mr. Jeff Ho Chi Kin, Dr. Agnes Kwong Yi Hang (all independent non-executive directors) and Mr. Joseph C.C. Wong (Group Chairman and CEO). By way of circular resolution, the remuneration packages of the executive directors for FY2020/21 were reviewed.

**Nomination Committee**

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

Code Provision A.5.3 deals with the terms of reference of a Nomination Committee. The Company has adopted the terms of reference under Code Provision A.5.3. During the financial year, and up to the date of this Announcement, the Committee met once. The Committee considered the independence of the retiring independent non-executive directors and confirmed having received from each of the independent non-executive directors an annual confirmation of his/her independence. Mr. Wallace Kwan Chi Kin and Professor Lawrence Wu Chi Man are due to retire at the forthcoming AGM. Mr. Wallace Kwan Chi Kin, being eligible has put himself forward for re-election and Professor Wu Chi Man having served the Group for more than 15 years has decided not to put himself forward for re-election. In the nomination process for a new independent non-executive director to take the place of Professor Wu, the Committee has received and assessed the CVs of several prospective candidates. The Committee proposes the most appropriate individual with the right balance of skills, experience, and industry background for the position based on the Company's board diversity policies and nomination processes for appointment or election/re-election of directors.

### 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, Professor Lawrence Wu Chi Man, Mr. Jeff Ho Chi Kin and Dr. Agnes Kwong Yi Hang. The Committee held a meeting on 20 April 2021 to review the Company's compliance with the Code Provisions and disclosure in the Corporate Governance Report amongst other things.

## PUBLICATION OF FINANCIAL INFORMATION AND ANNUAL REPORT

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk under "Latest Listed Company Information" and the Company's website at http://www.stelux.com under "Announcements & Notices". The Company's Annual Report for 2021 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, 24 June 2021

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:*

Lawrence Wu Chi Man, Agnes Kwong Yi Hang and Ho Chi Kin (also known as Jeff Ho)