

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 2023/2024

website: www.stelux.com

**INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

The Board of directors (the “Board”) 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 2023. The condensed consolidated results of the Group for the six months ended 30 September 2023, the condensed consolidated balance sheet as at 30 September 2023, 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 2023, 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 2023**

		Unaudited Six months ended 30 September	
	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
Revenues	2	368,294	408,349
Cost of sales		(189,653)	(226,900)
Gross profit		178,641	181,449
Other (losses)/gains	3	(3,218)	73,599
Other income	4	13,648	20,276
Selling expenses		(121,224)	(116,026)
General and administrative expenses		(78,817)	(85,401)
Other operating expenses		(784)	(5,678)
Finance costs		(14,509)	(8,670)
(Loss)/profit before tax	5	(26,263)	59,549
Income tax expense	6	(3,641)	(6,163)
(Loss)/profit for the period		(29,904)	53,386
Attributable to:			
Equity holders of the Company		(29,942)	53,209
Non-controlling interests		38	177
(Loss)/profit for the period		(29,904)	53,386
		HK cents	HK cents
(Loss)/earnings per share	8		
– Basic and diluted		(2.86)	5.08

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

	Unaudited	
	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
(Loss)/profit for the period	<u>(29,904)</u>	<u>53,386</u>
Other comprehensive loss:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences of translation of foreign operations	<u>(11,376)</u>	<u>(20,533)</u>
	<u>(11,376)</u>	<u>(20,533)</u>
<i>Item that will not be reclassified to profit or loss:</i>		
Change in fair value of equity investment at fair value through other comprehensive income	<u>201</u>	<u>(66)</u>
	<u>201</u>	<u>(66)</u>
Other comprehensive loss for the period	<u>(11,175)</u>	<u>(20,599)</u>
Total comprehensive (loss)/income for the period	<u><u>(41,079)</u></u>	<u><u>32,787</u></u>
Attributable to:		
Equity holders of the Company	<u>(40,652)</u>	33,648
Non-controlling interests	<u>(427)</u>	<u>(861)</u>
Total comprehensive (loss)/income for the period	<u><u>(41,079)</u></u>	<u><u>32,787</u></u>

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2023**

	<i>Note</i>	Unaudited 30 September 2023 HK\$'000	31 March 2023 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	184,839	183,683
Investment properties		297,900	297,900
Right-of-use assets	10	103,819	85,668
Intangible assets		47,548	48,518
Equity investment at fair value through other comprehensive income		3,265	3,064
Deposits and prepayments	12	26,288	17,220
Deferred tax assets		6,941	7,091
Total non-current assets		<u>670,600</u>	<u>643,144</u>
Current assets			
Inventories	11	252,424	222,127
Trade and other receivables	12	113,942	112,426
Cash and cash equivalents		62,768	85,426
Total current assets		<u>429,134</u>	<u>419,979</u>
Total assets		<u>1,099,734</u>	<u>1,063,123</u>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	13	104,647	104,647
Reserves		278,753	319,405
Shareholders' funds		383,400	424,052
Non-controlling interests		5,584	6,011
Total equity		<u>388,984</u>	<u>430,063</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		26,314	26,278
Lease liabilities		51,204	41,087
Total non-current liabilities		<u>77,518</u>	<u>67,365</u>
Current liabilities			
Trade and other payables	14	207,379	147,415
Income tax payable		24,125	23,751
Bank borrowings	15	340,077	342,848
Lease liabilities		61,651	51,681
Total current liabilities		<u>633,232</u>	<u>565,695</u>
Total liabilities		<u>710,750</u>	<u>633,060</u>
Total equity and liabilities		<u>1,099,734</u>	<u>1,063,123</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

	Unaudited	
	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operations	39,736	54,272
Interest paid	(10,408)	(5,740)
Interest on lease liabilities	(4,101)	(2,930)
Overseas profits tax paid	(2,716)	(2,321)
Overseas profits tax refunded	23	218
	<hr/>	<hr/>
Net cash generated from operating activities	22,534	43,499
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,932)	(2,946)
Proceeds from sale of property, plant and equipment	1	45
Proceeds from sale of assets classified as held for sale	-	120,000
Interest received	67	140
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(12,864)	117,239
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Cash flows from financing activities		
Drawdown of bank loans	84,039	65,115
Repayment of bank loans	(86,810)	(178,774)
Principal portion of lease payments	(29,632)	(35,342)
	<hr/>	<hr/>
Net cash used in financing activities	(32,403)	(149,001)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net (decrease)/increase in cash and cash equivalents	(22,733)	11,737
Cash and cash equivalents at 1 April	85,426	112,121
Effect of foreign exchange rate changes	75	(2,651)
	<hr/>	<hr/>
Cash and cash equivalents at 30 September	62,768	121,207
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Analysis of the balance of cash and cash equivalents:		
Bank balances and cash	62,768	121,207
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

	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	Accumulated loss HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total equity HK\$'000
At 1 April 2022	104,647	1,977	(658)	(56,058)	403,684	(75,446)	378,146	6,602	384,748
Profit for the period	-	-	-	-	-	53,209	53,209	177	53,386
Other comprehensive loss:									
Exchange differences of translation of foreign operations	-	-	-	(19,495)	-	-	(19,495)	(1,038)	(20,533)
Change in fair value of equity investment at fair value through other comprehensive income	-	-	(66)	-	-	-	(66)	-	(66)
Total comprehensive (loss)/income for the period ended 30 September 2022	-	-	(66)	(19,495)	-	53,209	33,648	(861)	32,787
At 30 September 2022	<u>104,647</u>	<u>1,977</u>	<u>(724)</u>	<u>(75,553)</u>	<u>403,684</u>	<u>(22,237)</u>	<u>411,794</u>	<u>5,741</u>	<u>417,535</u>
At 1 April 2023	104,647	1,977	813	(62,418)	403,684	(24,651)	424,052	6,011	430,063
(Loss)/profit for the period	-	-	-	-	-	(29,942)	(29,942)	38	(29,904)
Other comprehensive loss:									
Exchange differences of translation of foreign operations	-	-	-	(10,911)	-	-	(10,911)	(465)	(11,376)
Change in fair value of equity investment at fair value through other comprehensive income	-	-	201	-	-	-	201	-	201
Total comprehensive income/(loss) for the period ended 30 September 2023	-	-	201	(10,911)	-	(29,942)	(40,652)	(427)	(41,079)
At 30 September 2023	<u>104,647</u>	<u>1,977</u>	<u>1,014</u>	<u>(73,329)</u>	<u>403,684</u>	<u>(54,593)</u>	<u>383,400</u>	<u>5,584</u>	<u>388,984</u>

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICIES

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 unaudited condensed interim consolidated financial information should be read in conjunction with the 2023 annual financial statements, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

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 2023.

In the period, the Group has adopted all the new and amended Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2023. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

A number of new or amended standards are effective from 1 April 2023 but they do not have a material effect on the Group’s unaudited condensed consolidated financial statements.

2. REVENUE AND SEGMENT INFORMATION

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

Revenue represents sales of goods from watch retail segment and watch wholesale trading segment. Sales between operating segments are carried out on terms equivalent to those prevailing in arm's length transactions. The executive directors assess the performance of the operating segments based on a measure of adjusted earnings before interest and tax ("EBIT"). This measurement basis excludes unallocated income and net corporate expenses. Unallocated income represents gain on disposal of a property. Net corporate expenses mainly represent corporate staff costs and provision for senior management bonus.

For the six months ended 30 September 2023

	Watch retail			Total HK\$'000
	Hong Kong, Macau and Mainland China HK\$'000	Rest of Asia HK\$'000	Watch wholesale trading HK\$'000	
Revenues from contracts with customers within the scope of HKFRS 15				
– Gross segment	147,737	109,845	208,453	466,035
– Inter-segment	–	–	(97,741)	(97,741)
Sales to external customers	<u>147,737</u>	<u>109,845</u>	<u>110,712</u>	<u>368,294</u>
Timing of revenue recognition				
– At a point in time	<u>147,737</u>	<u>109,845</u>	<u>110,712</u>	<u>368,294</u>
Segment results	<u>(9,937)</u>	<u>(589)</u>	<u>13,470</u>	2,944
Net corporate expenses				(14,698)
Finance costs				<u>(14,509)</u>
Loss before tax				(26,263)
Income tax expense				<u>(3,641)</u>
Loss for the period				<u><u>(29,904)</u></u>

2. REVENUE AND SEGMENT INFORMATION (Continued)

As at 30 September 2023

	Watch retail			Total HK\$'000
	Hong Kong, Macau and Mainland China HK\$'000	Rest of Asia HK\$'000	Watch wholesale trading HK\$'000	
Segment assets	395,673	141,662	245,934	783,269
Unallocated assets				316,465
Total assets				1,099,734
Segment liabilities	(96,225)	(65,261)	(117,831)	(279,317)
Unallocated liabilities				(431,433)
Total liabilities				(710,750)

For the six months ended 30 September 2022

	Watch retail			Total HK\$'000
	Hong Kong, Macau and Mainland China HK\$'000	Rest of Asia HK\$'000	Watch wholesale trading HK\$'000	
Revenues from contracts with customers within the scope of HKFRS 15				
– Gross segment	132,560	127,928	245,832	506,320
– Inter-segment	–	–	(97,971)	(97,971)
Sales to external customers	<u>132,560</u>	<u>127,928</u>	<u>147,861</u>	<u>408,349</u>
Timing of revenue recognition				
– At a point in time	<u>132,560</u>	<u>127,928</u>	<u>147,861</u>	<u>408,349</u>
Segment results	<u>(23,496)</u>	<u>3,172</u>	<u>25,282</u>	4,958
Unallocated income				78,689
Net corporate expenses				(15,428)
Finance costs				(8,670)
Profit before tax				59,549
Income tax expense				(6,163)
Profit for the period				<u>53,386</u>

2. REVENUE AND SEGMENT INFORMATION (Continued)

As at 31 March 2023

	Watch retail		Watch wholesale trading HK\$'000	Total HK\$'000
	Hong Kong, Macau and Mainland China HK\$'000	Rest of Asia HK\$'000		
Segment assets	353,007	139,400	227,068	719,475
Unallocated assets				343,648
Total assets				<u>1,063,123</u>
Segment liabilities	(78,261)	(57,497)	(81,857)	(217,615)
Unallocated liabilities				(415,445)
Total liabilities				<u>(633,060)</u>

3. OTHER (LOSSES)/GAINS

	Six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000
(Loss)/gain on disposal of property, plant and equipment	(17)	39
Gain on disposal of assets classified as held for sale	-	78,689
Exchange loss, net	(3,241)	(5,174)
Gain on termination of leases	40	45
	<u>(3,218)</u>	<u>73,599</u>

4. OTHER INCOME

	Six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000
Building management fee income	1,290	1,290
Rental income	3,002	2,392
Rent concession	-	1,129
Interest income	67	140
Government subsidies	20	6,379
Shared service income	7,200	7,200
Sundries	2,069	1,746
	<u>13,648</u>	<u>20,276</u>

5. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax has been derived after debiting or (crediting) the following items in the income statement.

	Six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000
Depreciation of		
– Property, plant and equipment	9,993	9,185
– Right-of-use assets	31,426	28,622
(Reversal of)/impairment loss of		
– Property, plant and equipment	(403)	253
– Right-of-use assets	(2,985)	1,215
Lease rentals in respect of land and buildings		
– Short-term and variable lease payments	18,010	16,536
– Rent concession	–	(1,129)
Write back of provision for inventories	(470)	(11,603)
Inventories written off	140	13,170
Donations	117	20
Employee benefit expenses	92,646	95,111

6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000
Current income tax		
– Hong Kong profits tax	3,181	3,173
– Overseas profits tax	530	4,585
– Over provision in respect of prior years	(25)	(40)
	3,686	7,718
Deferred income tax	(45)	(1,555)
	3,641	6,163

Hong Kong profits tax has been provided at the rate of 16.5% based on the estimated assessable profits for the six months ended 30 September 2023 (2022: 16.5%) less tax relief, if any. Taxation on overseas profits has been calculated on the estimated assessable profits for the six months ended 30 September 2023 at the rates of taxation prevailing in the jurisdictions in which the Group operates.

7. DIVIDEND

At a board meeting held on 23 November 2023, the directors did not propose the payment of an interim dividend for the six months ended 30 September 2023 (2022: nil).

8. (LOSS)/EARNINGS PER SHARE

Basic

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

	Six months ended 30 September	
	2023	2022
Weighted average number of ordinary shares in issue (thousands)	<u>1,046,474</u>	<u>1,046,474</u>
(Loss)/profit attributable to equity holders of the Company (HK\$'000)	<u>(29,942)</u>	<u>53,209</u>
Basic (loss)/earnings per share (HK cents)	<u>(2.86)</u>	<u>5.08</u>

Diluted

Diluted (loss)/earnings per share for the six months ended 30 September 2023 and 30 September 2022 are the same as the basic (loss)/earnings per share amounts as there were no potentially dilutive ordinary share in issues during two periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2023, the Group acquired property, plant and equipment of approximately HK\$12.932 million (2022: HK\$2.946 million).

10. RIGHT-OF-USE ASSETS

During the six months ended 30 September 2023, the Group acquired right-of-use assets of approximately HK\$53.331 million (2022: HK\$26.568 million).

11. INVENTORIES

	30 September 2023 HK\$'000	31 March 2023 HK\$'000
Raw materials	173,139	173,847
Work-in-progress	10,286	10,827
Finished goods	<u>375,762</u>	<u>345,871</u>
	559,187	530,545
Less: provision for inventories	<u>(306,763)</u>	<u>(308,418)</u>
	<u>252,424</u>	<u>222,127</u>

12. TRADE AND OTHER RECEIVABLES

	30 September 2023 HK\$'000	31 March 2023 HK\$'000
Trade receivables, gross	74,057	71,942
Less: impairment loss	<u>(20)</u>	<u>(21)</u>
Trade receivables, net (<i>note</i>)	74,037	71,921
Other receivables	5,811	7,499
Deposits	50,454	41,626
Prepayments	<u>9,928</u>	<u>8,600</u>
	140,230	129,646
Less: non-current portion	<u>(26,288)</u>	<u>(17,220)</u>
Current portion	<u>113,942</u>	<u>112,426</u>
Trade receivables analysed by invoice date:		
0-60 days	31,921	31,916
Over 60 days	<u>42,136</u>	<u>40,026</u>
	<u>74,057</u>	<u>71,942</u>

Note:

The Group engages designated import and export agents for the importation of products from the subsidiaries in Hong Kong to the subsidiaries in 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\$33.159 million as at 30 September 2023 (31 March 2023: HK\$32.902 million).

13. SHARE CAPITAL

<i>Note</i>	Number of shares of HK\$0.1 each	HK\$'000
Issued and fully paid:		
At 30 September 2022, 31 March 2023, 1 April 2023 and 30 September 2023	<u>1,046,474,025</u>	<u>104,647</u>

Note:

The Company and its subsidiaries did not set up or operate any share option scheme for the six months ended 30 September 2023 and the year ended 31 March 2023.

14. TRADE AND OTHER PAYABLES

	30 September 2023 HK\$'000	31 March 2023 HK\$'000
Trade payables	102,974	64,763
Contract liabilities	2,710	1,345
Other payables	49,214	24,826
Accruals	52,481	56,481
	<u>207,379</u>	<u>147,415</u>
Trade payables analysed by invoice date:		
0-60 days	65,963	29,090
Over 60 days	37,011	35,673
	<u>102,974</u>	<u>64,763</u>

15. BANK BORROWINGS

	30 September 2023 HK\$'000	31 March 2023 HK\$'000
Bank borrowings	(a) <u>340,077</u>	<u>342,848</u>

Note:

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

	30 September 2023 HK\$'000	31 March 2023 HK\$'000
Repayable on demand and within 1 year	<u>340,077</u>	<u>342,848</u>

Included in bank borrowings as at 30 September 2023 are secured borrowings of HK\$334.817 million (31 March 2023: HK\$342.848 million), which are secured by property, plant and equipment and investment properties of the Group.

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

	Six months ended 30 September 2023 HK\$'000	2022 HK\$'000
Opening balance	342,848	473,876
Drawdown of bank loans	84,039	65,115
Repayment of bank loans	(86,810)	(178,774)
	<u>340,077</u>	<u>360,217</u>

16. 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 2023, Yee Hing Company Limited 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, 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	
	2023	2022
	HK\$'000	HK\$'000
Building management service income (note a)	1,290	1,290
Shared service income (note b)	7,200	7,200
Rental income (note c)	2,229	1,802
Royalty income (note d)	400	303
Sundries	1,111	1,663
	<u>12,230</u>	<u>12,258</u>

Note:

- (a) A wholly-owned subsidiary of the Group entered into a renewal agreement with Mengiwa Property Investment Limited ("MPII"), a wholly-owned subsidiary of Yee Hing Company Limited, for the provision of the following services for the period from 1 April 2022 to 31 March 2025 (2022: 1 April 2022 to 31 March 2025):
- (a) contract administration with respect to contracts entered into between MPII 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\$215,000 (2022: HK\$215,000) per calendar month during the agreement period.
- (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.

16. RELATED PARTY TRANSACTIONS (Continued)

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

Note: (Continued)

- (c) The Group provided leasing service 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	
	2023	2022
	HK\$'000	HK\$'000
Rental expense (<i>note a</i>)	4,664	4,586
Lease management expense (<i>note b</i>)	210	210
	<u>4,874</u>	<u>4,796</u>

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:

	Rental expense for the	
	six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
MPIL	3,864	3,872
Other related parties	800	714
	<u>4,664</u>	<u>4,586</u>

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

16. RELATED PARTY TRANSACTIONS (Continued)**(iii) Balance with related parties**

	30 September 2023 HK\$'000	31 March 2023 HK\$'000
Trade and other receivables	<u>6,196</u>	<u>4,988</u>
Trade and other payables	<u>(9,530)</u>	<u>(940)</u>

(iv) Key management compensation

	Six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000
Salaries and other short-term employee benefits	<u>2,618</u>	2,652
Contribution to retirement benefit scheme	<u>55</u>	53
	<u>2,673</u>	<u>2,705</u>

17. CONTINGENT LIABILITIES

As at 30 September 2023, a subsidiary of the Company had contingent liabilities in respect of bank guarantees given to landlords in lieu of rental deposits for certain retail shops and suppliers amounting to approximately HK\$9.168 million (31 March 2023: HK\$7.202 million).

MANAGEMENT DISCUSSION AND ANALYSIS

- Group Turnover decreased by 9.8% to HK\$368.3 million
- Loss Attributable to Equity Holders of the Company of HK\$29.9 million

During six months ended 30 September 2023 (“1H 2023” or “Period”), Group turnover decreased by 9.8% to HK\$368.3 million (six months ended 30 September 2022 (“1H 2022”): HK\$408.3 million).

The Group reported a loss attributable to equity holders of HK\$29.9 million in 1H 2023. The Group would have reported a consolidated net loss of HK\$31.9 million in 1H 2022 after excluding the gain recognized upon the completion of disposal of a property in Hong Kong (the “Disposal Gain”) of HK\$78.7 million and government subsidies (the “Government Subsidies”) income of HK\$6.4 million. The profit attributable to equity holders in 1H 2022 was HK\$53.2 million.

Group gross profit margin improved by 4.1 percentage point to 48.5% compared with 44.4% in 1H 2022 due to enhancement of product portfolio.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2023 (2022: Nil per ordinary share).

CITY CHAIN GROUP

- Turnover stood at HK\$257.6 million, slightly decreased by 1.1% y-o-y (1H 2022: HK\$260.5 million)
- Loss before interest and tax (“LBIT”) was HK\$10.5 million that was reduced by 48.3% y-o-y (1H 2022: LBIT of HK\$20.3 million)

The City Chain Group operates around 112 stores in Hong Kong, Macau, Mainland China (collectively, the “Greater China”), Singapore, Thailand and Malaysia together with online stores of “City Chain” and “Solvil et Titus”.

Greater China

Turnover for City Chain operations in Greater China was HK\$147.7 million (1H 2022: HK\$132.6 million), representing a y-o-y growth of 11.4% with retail sales in Hong Kong and Macau improved by 18.6% and same store sales growth of 27% achieved following resumption of cross-border travel and domestic demand. The retail sales in Mainland China recorded a decrease of 34.7% while the average number of shops decreased by 41.1%. With improved operating efficiencies, LBIT in Greater China has been reduced by 57.9% to HK\$9.9 million (1H 2022: HK\$23.5 million).

If the following factors were excluded, LBIT in Greater China would be HK\$11.8 million in 1H 2023, a reduction of loss by 64.4% (1H 2022: HK\$33.1 million):

- Under HKFRS 16 Leases, the right-of-use assets related to certain retail stores were fully impaired in previous financial years. During the Period, impairment loss made in prior years of HK\$2.5 million was reversed due to the improvement of shop performance (1H 2022: HK\$6.7 million);
- An impairment loss of HK\$0.6 million being the right-of-use assets of the retail stores was recorded (1H 2022: HK\$1.2 million);
- There was no government subsidy income booked in Greater China during the Period (1H 2022: HK\$4.1 million).

Our e-commerce business in Greater China achieved profitable results in 1H 2023. The Group continued to invest and expand our e-commerce business in Greater China to prioritize our online brand exposure and customer engagement.

Southeast Asia

Turnover for City Chain operations in Southeast Asia was HK\$109.8 million, declined by 14.2% y-o-y given prevailing inflation and slowdown in private consumption. A relatively high comparable base of turnover was recorded in 1H 2022 when movement control and travel restriction were relaxed which boosted retail rebound. LBIT of HK\$0.6 million was incurred in 1H 2023 (1H 2022: earnings before interest and tax (“EBIT”) of HK\$3.2 million).

With continual investments in our e-commerce platforms to deploy welcoming products for consumers, our e-commerce business in Southeast Asia regions continued to develop satisfactorily during 1H 2023 with sales growth by approximately 50% y-o-y.

SUPPLY CHAIN MANAGEMENT AND WHOLESALE TRADING

Turnover of the Group's watch supply chain and wholesale trading units decreased by 25.2% to HK\$110.7 million (1H 2022: HK\$147.9 million) and recorded a profit of HK\$13.5 million (1H 2022: HK\$25.3 million). Our wholesale trading unit continues to launch various marketing campaigns with quality service support to boost sell-through to retailers.

GROUP OUTLOOK

In view of uncertainties in the global economy impacted by interest rate hikes, inflation and the wars in Ukraine and the Middle East, the Group maintains a prudent view on the short run outlook of retail sector and therefore focus on uplifting shop productivity and strengthening corporate financial performance through strict financial discipline as well as improving gross profit margin, in order to achieve sustainable business development in the long run.

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 72.3% (31 March 2023: 60.7%) with shareholders' funds standing at HK\$383.4 million (31 March 2023: HK\$424.1 million) and net debts of HK\$277.3 million (31 March 2023: HK\$257.4 million). The net debts are based on the bank borrowings of HK\$340.1 million (31 March 2023: HK\$342.8 million) less bank balance and cash of HK\$62.8 million of the Group (31 March 2023: HK\$85.4 million). The bank borrowings comprised of HK\$184.9 million repayable within one year and HK\$155.2 million with scheduled repayment after one year but repayable on demand and were classified as current liabilities. As at 30 September 2023, the Group's total equity funds amounted to HK\$389.0 million. The unutilized banking facilities as at 30 September 2023 was HK\$47.1 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 assets of the Group are in Hong Kong dollars, the natural hedge mechanism is applied.

As at 30 September 2023, the current assets and current liabilities were approximately HK\$429.1 million (31 March 2023: HK\$420.0 million) and HK\$633.2 million (31 March 2023: HK\$565.7 million), respectively. The current ratio was approximately 0.68 (0.74 as at 31 March 2023).

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

The Group does not engage in speculative derivative trading.

As at 30 September 2023, a subsidiary of the Company had contingent liabilities in respect of bank guarantees given to landlords in lieu of rental deposits for certain retail shops and suppliers amounting to approximately HK\$9.168 million (31 March 2023: HK\$7.202 million).

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

Since 30 September 2023, there have been no important events affecting the Group.

The interim results for the six months ended 30 September 2023 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.

DETAILS OF THE CHARGES ON GROUP ASSETS

As at 30 September 2023, certain property, plant and equipment and investment properties amounting to HK\$438.8 million (31 March 2023: HK\$443.6 million) were pledged to secure banking facilities granted to the Group.

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 regions or countries where the Group operates. As at 30 September 2023, the Group had approximately 851 employees (30 September 2022: 846 employees).

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

Mr. Joseph C. C. Wong and Mr. Wallace Kwan Chi Kin are 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 2024 ("Executive Bonus Scheme"). Provision for the executive bonus under the Executive Bonus Scheme for the six months ended 30 September 2023 amounted to HK\$1,620,000 (2022: HK\$1,120,000).

As at 30 September 2023, 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 <i>(Note 1)</i>	–	549,341,014	52.49

Note:

- As at 30 September 2023, Yee Hing Company Limited 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 – Preference shares

	Number of shares				Total	Approximate percentage of the total preference shares in issue as at 30 September 2023
	Personal interest	Family interest	Corporate interest	Other interest		
(i) City Chain (Thailand) Company Limited – Preference shares ⁽¹⁾						
Mr. Joseph C. C. Wong	200	-	208,800	-	209,000	99.52
(ii) Stelux Watch (Thailand) Company Limited – Preference shares ⁽²⁾						
Mr. Joseph C. C. Wong	600	-	-	-	600	16.67
(iii) Stelux (Thailand) Limited – Preference shares ⁽³⁾						
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 (if any) 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 (if any) 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 (if any) 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 and debentures 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 or not such interest or right has been granted or exercised.

INTERESTS OF SHAREHOLDERS DISCLOSEABLE PURSUANT TO THE SFO

As at 30 September 2023, the following person 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
	Personal interest	Family interest	Corporate/ trust interest	Other interest		
Mr. Joseph C. C. Wong	548,474,814	11,000	855,200 <i>(Note 1)</i>	-	549,341,014	52.49

Note:

- (1) As at 30 September 2023, Yee Hing Company Limited 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 2023.

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 period.

CORPORATE GOVERNANCE

During the six months ended 30 September 2023 and up to the date of this interim report, the Company has complied with the code provisions under the Corporate Governance Code (the "Code Provisions") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), except for the following deviations:

Code Provision C.2.1

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

Code Provision B.2.2

Under Code Provision B.2.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Not all directors of the Company retire strictly under Code Provision B.2.2 but in accordance with the Company's Bye-Laws. Bye-Law 110(A) stipulates that one-third of the directors of the Company who have been longest serving in office since their last election, except the Chairman or CEO, shall retire from office by rotation at each annual general meeting.

Code Provision E.1.2

This Code Provision deals with the terms of reference of a remuneration committee. The Company has adopted the terms of reference under Code Provision E.1.2 except that the terms of reference do not include reviewing and determining the remuneration packages of senior management. The Company believes that the remuneration packages of senior management should be the responsibility of the executive directors as they are in a better position to appraise the performance of senior management.

Audit Committee

On 21 November 2023, 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 2023 and discussed financial reporting matters including review of the Group's results for the six months ended 30 September 2023 before they were presented to the board of directors for approval.

Remuneration Committee

On 27 June 2023, the Remuneration Committee determined the basic salaries for its executive directors for the financial year ending 31 March 2024.

Nomination Committee and Corporate Governance Committee

There are no updates on the Nomination Committee and the 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 2023.

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

Hong Kong, 23 November 2023

Directors of the Company as at the date hereof:

Executive directors:

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

Non-Executive director:

Suriyan Kanjanapas (also known as Suriyan Joshua Kanjanapas)

Independent Non-Executive directors:

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

CORPORATE INFORMATION

Registered Office

Clarendon House, 2 Church Street
Hamilton HM11
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

RSM Hong Kong

Share Registrar

Conyers Corporate Services (Bermuda) Ltd.
Clarendon House, 2 Church Street
Hamilton HM11
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. Jeff Ho Chi Kin
(Chairman of Committee)
Mr. Ricky Lai Kai Ming
Mr. Suriyan Kanjanapas
(aka Suriyan Joshua Kanjanapas)
Ms. Honnus Cheung Ho Ling

Remuneration Committee

Mr. Ricky Lai Kai Ming
(Chairman of Committee)
Mr. Chumphol Kanjanapas
(aka Joseph C. C. Wong)
Mr. Jeff Ho Chi Kin
Ms. Honnus Cheung Ho Ling

Nomination Committee

Mr. Chumphol Kanjanapas
(aka Joseph C. C. Wong)
(Chairman of Committee)
Mr. Jeff Ho Chi Kin
Mr. Ricky Lai Kai Ming
Mr. Suriyan Kanjanapas
(aka Suriyan Joshua Kanjanapas)
Ms. Honnus Cheung Ho Ling

Corporate Governance Committee

Mr. Wallace Kwan Chi Kin
(Chairman of Committee)
Mr. Jeff Ho Chi Kin
Mr. Ricky Lai Kai Ming
Ms. Honnus Cheung Ho Ling

Company Secretary

Ms. Kelly Liao Ching Mei

Email Contacts

Investor Relations: ir@stelux.com

Shareholder's Enquiries: ir@stelux.com