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# STELUX Holdings International Limited

寶光實業(國際)有限公司\*

incorporated in Bermuda with limited liability

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

Stock Code: 84

## ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

The Board of directors (the “Board”) of Stelux Holdings International Limited (the “Company”) announce the interim results and financial information of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2022 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

		Unaudited	
		Six months ended	
		30 September	
		2022	2021
	Note	HK\$'000	HK\$'000
Revenues	2	408,349	306,229
Cost of sales		<u>(226,900)</u>	<u>(164,755)</u>
Gross profit		181,449	141,474
Other gains/(losses)	3	73,599	(1,004)
Other income	4	20,276	23,061
Selling expenses		(116,026)	(105,509)
General and administrative expenses		(85,401)	(81,940)
Other operating expenses		(5,678)	(14,783)
Finance costs		<u>(8,670)</u>	<u>(9,737)</u>
Profit/(loss) before tax	5	59,549	(48,438)
Income tax expense	6	<u>(6,163)</u>	<u>(851)</u>
Profit/(loss) for the period		<u><u>53,386</u></u>	<u><u>(49,289)</u></u>

\* For identification purpose only

**CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)**

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2022</b>	<b>2021</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Attributable to:			
Equity holders of the Company		<b>53,209</b>	(49,337)
Non-controlling interests		<u>177</u>	<u>48</u>
Profit/(loss) for the period		<u><b>53,386</b></u>	<u>(49,289)</u>
		<b>HK cents</b>	<b>HK cents</b>
Earnings/(loss) per share	<i>8</i>		
– Basic and diluted		<u><b>5.08</b></u>	<u>(4.71)</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit/(loss) for the period	<u>53,386</u>	<u>(49,289)</u>
Other comprehensive loss:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences of translation of foreign operations	<u>(20,533)</u>	<u>(3,626)</u>
	<u>(20,533)</u>	<u>(3,626)</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>(66)</u>	<u>(20)</u>
	<u>(66)</u>	<u>(20)</u>
Other comprehensive loss for the period	<u>(20,599)</u>	<u>(3,646)</u>
Total comprehensive income/(loss) for the period	<u><b>32,787</b></u>	<u><b>(52,935)</b></u>
Attributable to:		
Equity holders of the Company	<b>33,648</b>	(52,475)
Non-controlling interests	<u>(861)</u>	<u>(460)</u>
Total comprehensive income/(loss) for the period	<u><b>32,787</b></u>	<u><b>(52,935)</b></u>

**CONDENSED CONSOLIDATED BALANCE SHEET  
AS AT 30 SEPTEMBER 2022**

		<b>Unaudited 30 September 2022 HK\$'000</b>	31 March 2022 HK\$'000
	<i>Note</i>		
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment		<b>186,729</b>	196,748
Investment properties		<b>283,100</b>	283,100
Right-of-use assets		<b>69,877</b>	77,593
Intangible assets		<b>49,688</b>	51,342
Equity investment at fair value through other comprehensive income		<b>1,527</b>	1,593
Deposits and prepayments	9	<b>16,599</b>	14,757
Deferred tax assets		<b>4,494</b>	7,046
		<hr/>	<hr/>
Total non-current assets		<b>612,014</b>	632,179
Current assets			
Inventories		<b>236,797</b>	260,679
Trade and other receivables	9	<b>129,561</b>	135,740
Cash and cash equivalents		<b>121,207</b>	112,121
		<hr/>	<hr/>
		<b>487,565</b>	508,540
Assets classified as held for sale	10	<b>–</b>	41,311
		<hr/>	<hr/>
Total current assets		<b>487,565</b>	549,851
		<hr/>	<hr/>
Total assets		<b>1,099,579</b>	1,182,030
<b>EQUITY</b>			
Capital and reserves attributable to the equity holders of the Company			
Share capital		<b>104,647</b>	104,647
Reserves		<b>307,147</b>	273,499
		<hr/>	<hr/>
Shareholders' funds		<b>411,794</b>	378,146
Non-controlling interests		<b>5,741</b>	6,602
		<hr/>	<hr/>
Total equity		<b>417,535</b>	384,748
		<hr/>	<hr/>

**CONDENSED CONSOLIDATED BALANCE SHEET (Continued)**

		<b>Unaudited</b>	
		<b>30 September</b>	31 March
		<b>2022</b>	2022
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>LIABILITIES</b>			
Non-current liabilities			
Deferred tax liabilities		<b>25,364</b>	26,690
Lease liabilities		<b>32,303</b>	35,690
		<hr/>	<hr/>
Total non-current liabilities		<b>57,667</b>	62,380
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	<i>11</i>	<b>190,458</b>	180,634
Income tax payable		<b>28,350</b>	25,054
Bank borrowings		<b>360,217</b>	473,876
Lease liabilities		<b>45,352</b>	55,338
		<hr/>	<hr/>
Total current liabilities		<b>624,377</b>	734,902
		<hr/>	<hr/>
Total liabilities		<b>682,044</b>	797,282
		<hr/>	<hr/>
Total equity and liabilities		<b>1,099,579</b>	1,182,030
		<hr/> <hr/>	<hr/> <hr/>

## 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 2022 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 2022.

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 2022. 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 2022 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.

2. REVENUE AND SEGMENT INFORMATION (Continued)

For the six months ended 30 September 2022

	Watch retail			Total <i>HK\$'000</i>
	Hong Kong, Macau and Mainland China <i>HK\$'000</i>	Rest of Asia <i>HK\$'000</i>	Watch wholesale trading <i>HK\$'000</i>	
Revenues from contracts with customers within the scope of HKFRS 15				
– Gross segment	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				<u>(8,670)</u>
Profit before tax				59,549
Income tax expense				<u>(6,163)</u>
Profit for the period				<u>53,386</u>

As at 30 September 2022

	Watch retail			Total <i>HK\$'000</i>
	Hong Kong, Macau and Mainland China <i>HK\$'000</i>	Rest of Asia <i>HK\$'000</i>	Watch wholesale trading <i>HK\$'000</i>	
Segment assets	343,427	133,031	248,177	724,635
Unallocated assets				<u>374,944</u>
Total assets				<u>1,099,579</u>
Segment liabilities	(74,399)	(53,197)	(108,715)	(236,311)
Unallocated liabilities				<u>(445,733)</u>
Total liabilities				<u>(682,044)</u>

## 2. REVENUE AND SEGMENT INFORMATION (Continued)

For the six months ended 30 September 2021

	Watch retail			Total <i>HK\$'000</i>
	Hong Kong, Macau and Mainland China <i>HK\$'000</i>	Rest of Asia <i>HK\$'000</i>	Watch wholesale trading <i>HK\$'000</i>	
Revenues from contracts with customers within the scope of HKFRS 15				
– Gross segment	122,229	71,229	180,090	373,548
– Inter-segment	–	–	(67,319)	(67,319)
Sales to external customers	<u>122,229</u>	<u>71,229</u>	<u>112,771</u>	<u>306,229</u>
Timing of revenue recognition				
– At a point in time	<u>122,229</u>	<u>71,229</u>	<u>112,771</u>	<u>306,229</u>
Segment results	<u>(27,984)</u>	<u>(11,302)</u>	<u>19,079</u>	(20,207)
Net corporate expenses				(18,494)
Finance costs				<u>(9,737)</u>
Loss before tax				(48,438)
Income tax expense				<u>(851)</u>
Loss for the period				<u>(49,289)</u>
As at 31 March 2022				
	Watch retail			Total
	Hong Kong, Macau and Mainland China <i>HK\$'000</i>	Rest of Asia <i>HK\$'000</i>	Watch wholesale trading <i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	375,063	138,205	254,438	767,706
Unallocated assets				<u>414,324</u>
Total assets				<u>1,182,030</u>
Segment liabilities	(88,008)	(53,216)	(83,857)	(225,081)
Unallocated liabilities				<u>(572,201)</u>
Total liabilities				<u>(797,282)</u>

### 3. OTHER GAINS/(LOSSES)

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Gain/(loss) on disposal of property, plant and equipment, net	39	(123)
Gain on disposal of assets classified as held for sale	78,689	–
Exchange loss, net	(5,174)	(881)
Gain on termination of leases	45	–
	<u>73,599</u>	<u>(1,004)</u>

### 4. OTHER INCOME

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Building management fee income	1,290	1,230
Rental income	2,392	2,348
Rent concession	1,129	5,258
Interest income	140	104
Government subsidies	6,379	4,621
Shared service income	7,200	7,200
Sundries	1,746	2,300
	<u>20,276</u>	<u>23,061</u>

### 5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Depreciation of		
– Property, plant and equipment	9,185	13,774
– Right-of-use assets	28,622	35,575
Impairment loss of		
– Property, plant and equipment	253	633
– Right-of-use assets	1,215	10,235
Lease rentals in respect of land and buildings		
– Short-term and variable lease payments	16,536	7,376
– Rent concession	(1,129)	(5,258)
(Write back of provision)/provision for inventories	(11,603)	1,371
Inventories written off	13,170	97
Donations	20	88
Employee benefit expenses	95,111	88,805
	<u>95,111</u>	<u>88,805</u>

## 6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	3,173	1,297
– Overseas profits tax	4,585	1,522
– Over provisions in respect of prior years	(40)	(2,067)
	<u>7,718</u>	<u>752</u>
Deferred income tax	<u>(1,555)</u>	<u>99</u>
	<u><u>6,163</u></u>	<u><u>851</u></u>

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 2022 (2021: 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 2022 at the rates of taxation prevailing in the jurisdictions in which the Group operates.

## 7. DIVIDEND

At a board meeting held on 24 November 2022, the directors did not propose the payment of an interim dividend for the six months ended 30 September 2022 (2021: nil).

## 8. EARNINGS/(LOSS) PER SHARE

### Basic

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

	Six months ended 30 September	
	2022	2021
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<u>1,046,474</u>	<u>1,046,474</u>
Profit/(loss) attributable to equity holders of the Company ( <i>HK\$'000</i> )	<u>53,209</u>	<u>(49,337)</u>
Basic earnings/(loss) per share ( <i>HK cents</i> )	<u>5.08</u>	<u>(4.71)</u>

### Diluted

Diluted earnings/(loss) per share for the six months ended 30 September 2022 and 30 September 2021 are the same as the basic earnings/(loss) per share amounts as there were no potentially dilutive ordinary share in issues during two periods.

## 9. TRADE AND OTHER RECEIVABLES

	<b>30 September 2022 HK\$'000</b>	31 March 2022 HK\$'000
Trade receivables, gross	85,976	83,678
Less: impairment loss	<u>(20)</u>	<u>(23)</u>
Trade receivables, net ( <i>note</i> )	<b>85,956</b>	83,655
Other receivables	5,561	7,298
Deposits	44,930	54,321
Prepayments	<u>9,713</u>	<u>5,223</u>
	<b>146,160</b>	150,497
Less: non-current portion	<u>(16,599)</u>	<u>(14,757)</u>
Current portion	<b><u>129,561</u></b>	<b><u>135,740</u></b>
Trade receivables analysed by invoice date:		
0-60 days	47,633	39,081
Over 60 days	<u>38,343</u>	<u>44,597</u>
	<b><u>85,976</u></b>	<b><u>83,678</u></b>

*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\$31.127 million as at 30 September 2022 (31 March 2022: HK\$33.253 million).

## 10. ASSETS CLASSIFIED AS HELD FOR SALE

	<b>30 September 2022 HK\$'000</b>	31 March 2022 HK\$'000
Land and buildings transfer from property, plant and equipment	<u>–</u>	<u>41,311</u>

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

The disposal was completed in August 2022 and an unaudited gain on disposal of HK\$78.7 million was recognised for the six months ended 30 September 2022.

## 11. TRADE AND OTHER PAYABLES

	<b>30 September 2022 HK\$'000</b>	31 March 2022 HK\$'000
Trade payables	95,109	71,388
Contract liabilities	3,687	1,280
Other payables	38,107	60,431
Accruals	<u>53,555</u>	<u>47,535</u>
	<u><b>190,458</b></u>	<u>180,634</u>
Trade payables analysed by invoice date:		
0-60 days	62,547	34,348
Over 60 days	<u>32,562</u>	<u>37,040</u>
	<u><b>95,109</b></u>	<u>71,388</u>

## 12. CONTINGENT LIABILITIES

As at 30 September 2022, a subsidiary of the Company had contingent liabilities in respect of bank guarantees given to landlords in lieu of rental deposits for certain retail shops and suppliers amounting to approximately HK\$5.967 million (31 March 2022: HK\$5.296 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

- Group Turnover increased by 33.3% to HK\$408.3 million
- Profit Attributable to Equity Holders of the Company of HK\$53.2 million

During six months ended 30 September 2022 (“1H 2022” or “Period”), Group turnover increased by 33.3% to HK\$408.3 million (six months ended 30 September 2021 (“1H 2021”): HK\$306.2 million).

The Group reported a profit attributable to equity holders of HK\$53.2 million in 1H 2022 which included the unaudited gain on disposal of a property in Hong Kong (“Disposal gain”) of HK\$78.7 million. If the Disposal gain was excluded, the Group would have reported a loss of HK\$25.5 million in 1H 2022, representing an improvement of 48% compared with a loss in 1H 2021 of HK\$49.3 million. This was mainly contributed to the recovery of sales in Hong Kong and Southeast Asia region together with uplift in operational efficiency. The momentum of sale increment continued in October 2022 with a y-o-y growth (on an exchange neutral basis) of approximately 23%.

Various government subsidies of approximately HK\$6.4 million (1H 2021: HK\$4.6 million) were received in our operating regions during the Period.

In 1H 2022, the Group continued to implement inventory control measures and Group inventory at 30 September 2022 was HK\$236.8 million, a decline of 9.2% or HK\$23.9 million compared with the balance at 31 March 2022 of HK\$260.7 million. Stock turnover days improved from 258 days at 31 March 2022 to 201 days at 30 September 2022. Continual inventory control and prudent stock procurement are in place to strengthen balance sheet management.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2022 (2021: Nil per ordinary share).

## CITY CHAIN GROUP

- City Chain Group turnover increased by 34.6% year-on-year
- City Chain Group loss before interest and tax (“LBIT”) of HK\$20.3 million (1H 2021: HK\$39.3 million)

The City Chain Group operates around 115 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\$132.6 million (1H 2021: HK\$122.2 million), representing a y-o-y growth of 8.5%. A loss before interest and tax (“LBIT”) of HK\$23.5 million (1H 2021: HK\$28.0 million), which took into account of the following factors:

- As the right-of-use assets under HKFRS 16 leases related to certain retail stores were fully impaired in previous financial years, no depreciation expense of these right-of-use assets was recorded in both 1H 2022 and 1H 2021. The depreciation expense in 1H 2022 would be HK\$6.7 million (1H 2021: HK\$19.7 million) if these right-of-use assets were not impaired previously;
- An impairment loss of HK\$1.2 million being the right-of-use assets of the retail stores was recorded (1H 2021: HK\$10.2 million);
- Government subsidy income of HK\$4.1 million was received in Greater China during the Period (1H 2021: nil).

If the above factors were not taken into account, LBIT would be HK\$33.1 million in 1H 2022, which was decreased by 11.7% from HK\$37.5 million in 1H 2021.

During 1H 2022, retail sales in Hong Kong recorded a growth of 25% y-o-y during the Period and operating loss has been further reduced. However, due to movement control in different intervals during 1H 2022, retail sales in Macau and Mainland China was impacted which hampered the operating performance of Greater China.

Our e-commerce business in Hong Kong continued to achieve profitable results in 1H 2022. The Group also continued to invest and expand our Mainland China e-commerce business to enhance our market threshold.

## Southeast Asia

With reopening of economies and gradual recovery in consumer sentiment, our Southeast Asian operations recorded turnover growth of 79.6% to HK\$127.9 million (1H 2021: HK\$71.2 million) and posted earnings before interest and tax (“EBIT”) of HK\$3.2 million (1H 2021: LBIT of HK\$11.3 million). Singapore and Malaysian operations posted an EBIT of HK\$7.1 million (1H 2021: LBIT of HK\$5.4 million), while Thailand operations recorded a reduced loss of HK\$3.9 million (1H 2021: LBIT of HK\$5.9 million). Our teams continues to fine tune store portfolio and carry out various cost containment measures in order to drive better profitability.

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 2022 with sales growth by approximately 42% y-o-y.

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

Turnover of the Group's watch supply chain and wholesale trading units increased by 31.1% to HK\$147.9 million (1H 2021: HK\$112.8 million) and a profit on an exchange neutral basis of HK\$31.6 million (1H 2021: HK\$19.2 million) was reported.

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

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

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

## **GROUP OUTLOOK**

Despite there is a sign of gradual recovery of retail performance in Hong Kong and Southeast Asia in recent months, the Group maintains the prudent view on the short run outlook given the uncertainties in post-pandemic development and economic situation in our operating regions. The Group also remains judicious in taking various measures in containing operating costs and capital expenditures to enhance shop productivity and corporate financial performance, while endeavours to achieve sustainable business development. Given the uplift of our e-commerce development in various regions, the Group will continue to invest in this growing segment to realize the potential of integration of online and offline channels.

## **FINANCE**

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

Group gearing ratio was 58.0% (31 March 2022: 95.7%) with shareholders' funds standing at HK\$411.8 million (31 March 2022: HK\$378.1 million) and net debts of HK\$239.0 million (31 March 2022: HK\$361.8 million). The net debts are based on the bank borrowings of HK\$360.2 million (31 March 2022: HK\$473.9 million) less bank balance and cash of HK\$121.2 million of the Group (31 March 2022: HK\$112.1 million). The bank borrowings comprised of HK\$109.4 million repayable within one year and HK\$250.8 million with scheduled repayment after one year but repayable on demand and were classified as current liabilities. As at 30 September 2022, the Group's total equity funds amounted to HK\$417.5 million. The Group's cash inflow from its operations was HK\$54.3 million. The unutilized banking facilities as at 30 September 2022 was HK\$62.0 million.

On 28 January 2022, a subsidiary of the Group entered into a provisional agreement with an independent third party for the disposal ("Disposal") of a property in Hong Kong at a consideration of HK\$120 million. The Disposal was completed in August 2022 ("Completion") and an unaudited gain on disposal of HK\$78.7 million was recognised in the six months ended 30 September 2022. Majority of the sales proceeds were used to repay bank loans of the Group.

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

As at 30 September 2022, the current assets and current liabilities were approximately HK\$487.6 million (31 March 2022: HK\$549.9 million) and HK\$624.4 million (31 March 2022: HK\$734.9 million), respectively. The current ratio was approximately 0.78 (0.75 as at 31 March 2022).

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

The Group does not engage in speculative derivative trading.

As at 30 September 2022, a subsidiary of the Company had contingent liabilities in respect of bank guarantees given to landlords in lieu of rental deposits for certain retail shops and suppliers amounting to approximately HK\$5.967 million (31 March 2022: HK\$5.296 million).

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

Since 30 September 2022, there have been no important events affecting the Group.

The interim results for the six months ended 30 September 2022 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 2022, certain property, plant and equipment and investment properties amounting to HK\$433.7 million (31 March 2022: HK\$479.8 million of certain property, plant and equipment, investment properties and assets classified as held for sale) were pledged to secure banking facilities granted to the Group.

As at 30 September 2022, the Company had given guarantees to various banks to secure general banking facilities granted to certain subsidiaries amounting to HK\$999 million.

## **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 2022, the Group had approximately 846 employees (30 September 2021: 968 employees).

## **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 2022, the Company has complied with the code provisions of the Corporate Governance Code (the "Code Provisions") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Code"), except for the following deviations:

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

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

## **Code Provision A.4.2**

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

## **Code Provision B.1.3**

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

## **Audit Committee**

On 22 November 2022, 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 2022 and discussed financial reporting matters including review of the Group's results for the six months ended 30 September 2022 before they were presented to the board of directors for approval.

## **Remuneration Committee**

On 23 June 2022, the Remuneration Committee determined the annual salaries for its executive directors for the financial year ending 31 March 2023.

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

On 8 July 2022, the Nomination Committee nominated Ms. Honnus Cheung Ho Ling for election as an independent non-executive director of the Company and Mr. Jeff Ho Chi Kin for re-election as an independent non-executive director of the Company.

There are no updates on 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 2022.

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

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at [www.hkex.com.hk](http://www.hkex.com.hk) under “Latest Listed Company Information” and the Company’s website at [www.stelux.com](http://www.stelux.com). The Company’s Interim Report for 2022/2023 will be despatched to the shareholders of the Company and will also be available on the above websites in due course.

On behalf of the Board

**Joseph C. C. Wong**

*Chairman and Chief Executive Officer*

Hong Kong, 24 November 2022

Directors of the Company as at the date hereof:

*Executive directors:*

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

*Non-Executive director:*

Suriyan Kanjanapas (also known as Suriyan Joshua Kanjanapas)

*Independent Non-Executive directors:*

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