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 2024

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 2024 as follows:

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2024

	Note	**2024**	2023
		HK$'000	*HK$'000*
Revenues	*3*	**767,561**	805,454
Cost of sales		**(381,888)**	(440,309)
Gross profit		**385,673**	365,145
Other gains	*4*	**514,791**	93,315
Other income		**28,865**	34,156
Selling expenses		**(247,952)**	(239,138)
General and administrative expenses		**(155,030)**	(168,084)
Other operating expenses		**(14,648)**	(4,550)
Finance costs		**(29,993)**	(21,273)
Profit before tax		**481,706**	59,571
Income tax expense	*5*	**(8,381)**	(8,466)
Profit for the year		**473,325**	51,105

* *For identification purpose only*

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

	Note	2024 HK$'000	2023 HK$'000
Profit for the year attributable to:			
Equity holders of the Company		**473,151**	50,795
Non-controlling interests		**174**	310
		473,325	51,105
Earnings per share			
Basic and diluted (HK cents)	*6*	**45.21**	4.85
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences of translation of foreign operations		**(15,776)**	(7,261)
Exchange differences reclassified to profit or loss upon disposal of foreign operations		**21,897**	–
Items that will not be reclassified to profit or loss:			
Change in fair value of equity investment at fair value through other comprehensive income		**2,646**	1,471
Re-measurement on defined benefit plan		**130**	–
Other comprehensive income/(loss) for the year, net of tax		**8,897**	(5,790)
Total comprehensive income for the year		**482,222**	45,315
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**482,528**	45,906
Non-controlling interests		**(306)**	(591)
		482,222	45,315

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2024

	Note	2024 *HK$'000*	2023 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**183,127**	183,683
Investment properties		**297,800**	297,900
Right-of-use assets		**91,312**	85,668
Intangible assets		**47,567**	48,518
Equity investment at fair value through other comprehensive income		**5,710**	3,064
Consideration receivable		**298,975**	–
Trade receivable, deposits and prepayments	*8*	**34,873**	17,220
Deferred tax assets		**6,482**	7,091
Total non-current assets		**965,846**	643,144
Current assets			
Inventories		**226,251**	222,127
Consideration receivable		**42,711**	–
Trade and other receivables	*8*	**126,106**	112,426
Cash and cash equivalents		**67,711**	85,426
Total current assets		**462,779**	419,979
Total assets		**1,428,625**	1,063,123
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**104,647**	104,647
Reserves		**801,933**	319,405
Shareholders' funds		**906,580**	424,052
Non-controlling interests		**5,705**	6,011
Total equity		**912,285**	430,063

CONSOLIDATED BALANCE SHEET (Continued)

	Note	2024 HK$'000	2023 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**26,287**	26,278
Lease liabilities		**50,551**	41,087
Retirement benefit obligations		**1,803**	1,150
Total non-current liabilities		**78,641**	68,515
Current liabilities			
Trade and other payables	*9*	**118,513**	146,265
Income tax payable		**22,559**	23,751
Bank borrowings		**233,984**	342,848
Lease liabilities		**62,643**	51,681
Total current liabilities		**437,699**	564,545
Total liabilities		**516,340**	633,060
Total equity and liabilities		**1,428,625**	1,063,123

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Companies Ordinance.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 (a) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

As at 31 March 2024, included in current liabilities of the Group are bank borrowings of approximately HK$233.984 million which contain a repayment on demand clause, HK$92.485 million out of HK$233.984 million are bank borrowings that are contractually repayable within the next twelve months, together with the related bank borrowings interests of HK$17.448 million. However, as of that date, the available cash and cash equivalents of the Group was only maintained at HK$67.711 million. These conditions may create doubt about the Group’s ability to continue as a going concern.

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.

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 of bank borrowing of approximately HK$233.984 million 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$109.933 million.

In addition, in order to strengthen the Group’s liquidity in the foreseeable future, the directors of the Company have taken measures such as closing down under-performing retail stores and implementing various cost control measures to reduce the costs of operations. The Group continues with the implementation of the aforementioned measures in order to achieve further improvement of the Group’s liquidity in short term and long-term periods.

The directors of the Company have taken into account the cash requirements of the Group for the next twelve months commencing from the end of the reporting period. With unutilised banking facilities of approximately HK$60.0 million as at 31 March 2024, other potential sources of funding, and continued adoption of the above measures, the directors have therefore concluded that the Group will have sufficient working capital to fully meet its financial obligations when they fall due. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. ADOPTION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of revised HKFRSs

The Group has applied the following relevant 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 2023 for the preparation of the consolidated financial statements:

Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules – Amendments to HKAS 12
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the amendments to HKFRSs in the current year has 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.

Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The Group has adopted Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies" for the first time in the current year. HKAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

2. ADOPTION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of revised HKFRSs (Continued)

Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies" (Continued)

HKFRS Practice Statement 2 "Making Materiality Judgements" (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance.

Impact on application of Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Group has adopted Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" for the first time in the current year. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases.

Prior to the adoption of Amendments to HKAS 12, the Group applied the initial recognition exemption under paragraphs 15 and 24 of HKAS 12 for leasing transactions that give rise to equal and offsetting temporary differences, and therefore no deferred tax has been recognised for temporary differences relating to right-of-use assets and lease liabilities at initial recognition, and also over the lease terms under paragraph 22(c) of HKAS 12.

The Group has applied the transitional provisions under paragraphs 98K and 98L of Amendments to HKAS 12 to leasing transactions that occur on or after the beginning of the earliest comparative period presented and also, at the beginning of the earliest comparative period presented by:

(i) Recognising a deferred tax asset to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, and a deferred tax liability for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities; and

(ii) Recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Based on the management's assessment, there was immaterial impact on the consolidated balance sheet as at 1 April 2022, 31 March 2023 and 31 March 2024. There was also immaterial impact on the opening retained profits as at 1 April 2022 as a results of the change.

2. ADOPTION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of revised HKFRSs (Continued)

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory and voluntary MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "**Abolition**"). The Abolition will officially take effect on 1 May 2025 (the "**Transition Date**"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19. Since the amount of the cumulative catch-up profit or loss adjustment for the year ended 31 March 2023 was immaterial, the Group did not restate the comparative figures for the financial statements.

Accordingly, the Group has recognised the cumulative catch-up adjustment in the profit or loss for the year ended 31 March 2024, with corresponding adjustment to the LSP obligation.

2. ADOPTION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(b) Revised HKFRS in issue but not yet effective

The Group has not early applied the following relevant amendments to standards and interpretation that have been issued but are not yet.

		Effective for accounting periods of the Group beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 April 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 April 2024
Amendments to HKFRS 16	Lease Liability in a Sales and Leaseback	1 April 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (“HK Int 5 (Revised)”)	1 April 2024
Amendments to HKAS 21	Lack of Exchangeability	1 April 2025

The directors of the Company anticipate that the application of all other amendments to HKFRSs will not have material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

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

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

Unallocated income represents dividend income from unlisted equity investment, gain on disposal of assets held for sale 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 investment, deferred tax assets and cash and cash equivalents. Unallocated liabilities represent lease liabilities, other payables and accruals at corporate level, bank borrowings, deferred tax liabilities and income tax payable.

3. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 March 2024

	Watch retail			
	Hong Kong, Macau and Mainland China *HK$'000*	Rest of Asia *HK$'000*	Watch wholesale trading *HK$'000*	Total *HK$'000*
Revenues from contracts with customers within the scope of HKFRS 15				
– Gross segment	321,506	221,506	403,231	946,243
– Inter-segment	–	–	(178,682)	(178,682)
Sales to external customers	321,506	221,506	224,549	767,561
Timing of revenue recognition				
– At a point in time	321,506	221,506	224,549	767,561
Segment results	8,035	(10,610)	27,230	24,655
Unallocated income				528,308
Net corporate expenses				(41,264)
Finance costs				(29,993)
Profit before tax				481,706
Income tax expense				(8,381)
Profit for the year				473,325

3. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 March 2024 (Continued)

	Watch retail				
	Hong Kong, Macau and Mainland China *HK$'000*	Rest of Asia *HK$'000*	Watch wholesale trading *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Additional of non-current assets:					
– property, plant and equipment	(16,399)	(9,618)	(3,124)	(1,283)	(30,424)
– right-of-use assets	(60,232)	(26,628)	(2,026)	–	(88,886)
Depreciation:					
– property, plant and equipment	(5,445)	(5,206)	(738)	(10,648)	(22,037)
– right-of-use assets	(32,488)	(25,253)	(4,346)	–	(62,087)
Impairment of:					
– property, plant and equipment	(3,674)	(1,369)	–	(1,689)	(6,732)
– intangible assets	–	–	–	(1,083)	(1,083)
– right-of-use assets	(13,167)	(4,889)	–	–	(18,056)
– trade receivable	(265)	–	(945)	–	(1,210)
– consideration receivable	–	–	–	(5,203)	(5,203)
Fair value change of investment properties	(400)	–	–	300	(100)
Reversal of provision/(provision) for inventories	13,985	(139)	7,075	–	20,921
Segment assets	402,059	138,716	227,099	660,751	1,428,625
Segment liabilities	(104,248)	(55,106)	(60,433)	(296,553)	(516,340)

3. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 March 2023

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

3. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 March 2023 (Continued)

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

3. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

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

	Revenue		Segment results	
	2024	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong, Macau and Mainland China	**423,092**	383,180	**21,992**	435
Rest of Asia	**343,670**	421,076	**1,877**	34,306
Europe	**799**	1,198	**786**	(1,933)
	767,561	805,454	**24,655**	32,808

An analysis of the Group's non-current assets (other than equity investment at fair value through other comprehensive income, deferred tax assets, consideration receivable, trade receivable and refundable deposits) by geographical area is as follows:

	2024	2023
	HK$'000	*HK$'000*
Hong Kong, Macau and Mainland China	**504,304**	500,966
Rest of Asia	**78,566**	78,032
Europe	**37,283**	37,117
	620,153	616,115

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 (2023: Nil).

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

	2024	2023
	HK$'000	*HK$'000*
Sales of watches	**1,345**	1,280

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 2024, 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.

4. OTHER GAINS

	2024	2023
	HK$'000	*HK$'000*
Exchange losses	**(12,128)**	(454)
Fair value changes of investment properties	**(100)**	14,800
Gain on disposal of property, plant and equipment	**122**	67
Gain on disposal of a subsidiary	**509,487**	–
Gain on disposal of assets held for sale	**–**	78,689
Gain on termination of leases	**70**	213
Re-measurement of deferred consideration payable in respect of acquisition of a subsidiary in prior years	**17,340**	–
	514,791	93,315

5. INCOME TAX EXPENSE

	2024	2023
	HK$'000	*HK$'000*
Current tax		
– Hong Kong profits tax	**3,923**	3,649
– Overseas profits tax	**2,317**	5,314
– Under provisions in prior years	**1,731**	98
	7,971	9,061
Deferred tax	**410**	(595)
	8,381	8,466

The provision for Hong Kong Profits Tax for 2024 is calculated at 16.5% (2023: 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.

6. EARNINGS PER SHARE

Basic

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

	2024	2023
Profit attributable to equity holders of the Company *(HK$'000)*	**473,151**	50,795
Weighted average number of ordinary shares in issue *(thousands)*	**1,046,474**	1,046,474
Basic earnings per share attributable to the equity holders of the Company *(HK cents)*	**45.21**	4.85

Diluted

Diluted earnings per share for the years ended 31 March 2024 and 31 March 2023 are the same as the basic earnings per share amounts as there were no potentially dilutive ordinary shares in issues during two years.

7. DIVIDEND

The directors did not recommend the payment of any dividends for the year ended 31 March 2024 (2023: nil).

8. TRADE AND OTHER RECEIVABLES

	2024	2023
	HK$'000	*HK$'000*
Trade receivables, gross	**93,480**	71,942
Less: impairment loss	**(1,225)**	(21)
	92,255	71,921
Other receivables	**12,813**	7,499
Deposits	**48,016**	41,626
Prepayments	**7,895**	8,600
	160,979	129,646
Less: non-current portion	**(34,873)**	(17,220)
Current portion	**126,106**	112,426

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

	2024	2023
	HK$'000	*HK$'000*
0-60 days	**47,804**	31,916
Over 60 days	**45,676**	40,026
	93,480	71,942

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$34.968 million as at 31 March 2024 (2023: HK$32.902 million).

Other than the balances due from the import and export agents, the Group allows an average credit period of 60 days (2023: 60 days) from the invoice date to its trade receivables.

9. TRADE AND OTHER PAYABLES

	2024	2023
	HK$'000	*HK$'000*
Trade payables	**55,787**	64,763
Contract liabilities	**892**	1,345
Other payables	**15,082**	24,826
Accruals	**46,752**	55,331
	118,513	146,265

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:

	2024	2023
	HK$'000	*HK$'000*
0-60 days	**13,740**	29,090
Over 60 days	**42,047**	35,673
	55,787	64,763

10. DISPOSAL OF A SUBSIDIARY

On 12 December 2023, a wholly owned subsidiary of the Company (the "**Seller**") entered into a Share Sale agreement with an independent third party (the "**Purchaser**") for a disposal of entire issued share capital of a wholly owned subsidiary of the Seller at an aggregate consideration of approximately HK$535.103 million. The transaction was completed on 29 February 2024.

The net assets disposed of and the resulting gain on disposal of HK$509.487 million is summarized as follows:

	HK$'000
Trade and other receivables	124
Cash and cash equivalents	622
Trade and other payables	(153)
Net assets disposed of	**593**
Gain on disposal	
Total consideration	535,103
Less: professional fees	(3,126)
	531,977
Net assets disposed	(593)
Release of cumulative exchange reserve upon disposal	(21,897)
	509,487
Satisfied by:	
– Cash	175,074
– Consideration receivable	356,903
	531,977

An analysis of net inflows of cash and bank balances of the disposal is as follows:

	HK$'000
Cash consideration	175,074
Cash and bank balances of the disposed subsidiary	(622)
Net proceeds from disposal of a subsidiary	**174,452**

MANAGEMENT DISCUSSION AND ANALYSIS

- Group Turnover decreased by 4.7% to HK$767.6 million

- Profit Attributable to Equity Holders of the Company of HK$473.2 million

- Net asset value at HK$912.3 million (31 March 2023: HK$430.1 million)

- Group gearing ratio at 18.3% (31 March 2023: 60.7%)

During the year ended 31 March 2024 ("**FY2023/24**"), Group turnover decreased by 4.7% to HK$767.6 million compared with HK$805.5 million in the year ended 31 March 2023 ("**FY2022/23**").

A profit attributable to Group equity holders of HK$473.2 million was recorded in FY2023/24 (FY2022/23: Profit of HK$50.8 million) after taking into account of the following special items:

– The gain ("**Disposal gain 2024**") on disposal of a subsidiary ("**Disposal of a subsidiary**") and the disposal of a stock of watches ("**Disposal of Watches**") of HK$544.2 million in FY2023/24;

– The gain on disposal of a property in Hong Kong ("**Disposal gain 2023**") of HK$78.7 million in FY2022/23;

– The accounting impact from HKFRS 16 Leases (non-cash) of HK$2.9 million (income) (FY2022/23: HK$12.4 million (income));

– The impairment loss relating to right-of-use assets mainly arising from retail stores with declined store profitability (non-cash) of HK$18.1 million (FY2022/23: HK$5.6 million);

– A revaluation difference of properties (non-cash) of HK$0.1 million (expense) (FY2022/23: HK$14.8 million (income)) due to revaluation of investment properties;

– The impairment loss of intangible assets (non-cash) of HK$1.1 million (FY22/23: HK$3.9 million) due to reducing recoverable amount;

– Government pandemic subsidies of HK$6.9 million received in FY2022/23 while nil in FY2023/24.

If the above special items were excluded, the Group would have reported a loss of HK$54.6 million in FY2023/24 (FY2022/23: HK$52.5 million).

In FY2023/24, sales of HK$40.3 million was recognised upon the Disposal of Watches. If excluding the sales of Disposal of Watches, Group Turnover would be HK$727.3 million, a decrease of 9.7% compared with FY2022/23.

The Group gross profit margin was 50.2% in FY2023/24 (FY2022/23: 45.3%), increase by 4.9%. The increase in gross profit margin was mainly brought by enhancement of product portfolio.

In FY 2023/24, the Group continued to implement inventory measures. The Group inventory balance at 31 March 2024 was HK$226.3 million, a slight increase of 1.9% compared with the balance at 31 March 2023 of HK$222.1 million. Continuous inventory control and prudent stock procurement are in place to strengthen balance sheet management.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2024 (2023: Nil per ordinary share).

CITY CHAIN GROUP

- City Chain Group turnover increased by 2.6% year-on-year

- City Chain Group loss before interest and tax ("**LBIT**") reduced to HK$2.6 million (FY 2022/23: HK$8.2 million)

The CITY CHAIN Group operates around 109 stores in Hong Kong, Macau, Mainland China ("**Greater China**"), Singapore, Thailand and Malaysia together with online stores under our own brands of "CITY CHAIN" and "SOLVIL et TITUS".

The CITY CHAIN Group reported a 2.6% increase in turnover to HK$543.0 million (FY2022/23: HK$529.2 million). If excluding the sales of HK$40.3 million recognised upon the Disposal of Watches, the turnover in FY2023/24 would be HK$502.7 million, a decrease of 5.0% compared with FY2022/23.

Greater China

Turnover for City Chain operations in Greater China was HK$321.5 million (FY 2022/23: HK$274.1 million), representing a y-o-y growth of 17.3%. The rise was mainly contributed by the sales of HK$40.3 million recognised upon the Disposal of Watches, combined with the growth of retail shops in Hong Kong and Macau of 8.4% y-o-y. Same store sales growth of 5.6% was recorded in Hong Kong in FY2023/24. However, retail shops sales in Mainland China reported a y-o-y decrease of 28.1% due to softened consumer spending power under the uncertain economic environment. An EBIT of HK$8.0 million (FY 2022/23: loss of HK$14.7 million) was recorded after taking into account of the following factors:

– the gain resulted from the Disposal of Watches of HK$34.7 million in FY2023/24;

– an impairment loss of HK$0.4 million in FY2023/24 due to valuation of investment properties at year end (FY2022/23: gain of HK$10.6 million); and

– the accounting impact from HKFRS 16 Leases of HK$2.2 million (income) (FY2022/23: HK$9.4 million (income)).

If the above factors were excluded in both years, the LBIT of FY2023/24 would be HK$28.5 million (FY2022/23: HK$34.7 million). The improvement of operating results was mainly contributed by enhanced product mix which drove margin increment as well as cautious cost control through streamlining process flows in order to boost operational efficiency.

Meanwhile, our Greater China online business of our own brands "CITY CHAIN" and "SOLVIL et TITUS" delivered a profitable result in FY2023/24. The Group continued to invest and expand our e-commerce business to prioritize our online brand exposure and customer engagement.

Southeast Asia

Turnover for City Chain operations in Southeast Asia was HK$221.5 million, declined by 13.2% y-o-y given prevailing inflation and slowdown in private consumption. In addition, a relatively high comparable base of turnover was recorded in the first half year of FY 2022/23 when movement control and travel restriction boosted retail rebound. LBIT of HK$10.6 million was recorded in FY2023/24 (FY2022/23: An EBIT of HK$6.5 million).

With continual investments in our e-commerce platforms to deploy welcoming products for consumers and corresponding marketing efforts, our e-commerce business in Southeast Asia regions continued to develop satisfactorily with sales growth by 25% y-o-y in FY2023/24 and the momentum continued in April to May 2024.

SUPPLY CHAIN MANAGEMENT AND WHOLESALE TRADING

Turnover for this division comprising our supply chain and wholesale trading subsidiaries decreased by 18.7% to HK$224.5 million (FY2022/23: HK$276.3 million) and an EBIT of HK$27.2 million was posted (FY2022/23: HK$41.0 million).

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

GROUP OUTLOOK

FY2023/24 is supposed to be a year of recovery, but the pace of recovery has been blunted by the global economic slowdown, the uncertain situation in the world, with some important elections coming up and multiple major conflicts. It may not be realistic to expect the retailer performance would return to pre-pandemic level in such post- covid environment. In addition, the new waves of visitors and residents are cautious spenders on the lookout for value, and they are seeking more interesting and diverse experiences rather than time pieces, which would exacerbate the plights of the increasingly challenging watch industry environment.

Against such uncertain environment in all operating regions, the Group maintains a restrained and prudent approach in management to ensure sustainability. The Group also remains cautious in taking various measures in optimising internal costs, manpower and efficiency in order to enhance productivity and corporate financial performance, while endeavoring to achieve long term stable development for our e-commerce business in various regions. The Group will continue to invest in this growing segment in order to realise the seamless connection between our physical stores operations and our ecommerce presence to unlock the potential of omnichannel.

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 18.3% (31 March 2023: 60.7%) with shareholders' funds standing at HK$906.6 million (31 March 2023: HK$424.1 million) and net debts of HK$166.3 million (31 March 2023: HK$257.4 million). The net debts are based on the bank borrowings of HK$234.0 million (31 March 2023: HK$342.8 million) and less bank balance and cash of HK$67.7 million (31 March 2023: HK$85.4 million). The bank borrowings comprised of HK$92.5 million repayable within one year and HK$141.5 million with scheduled repayment after one year but repayable on demand and were classified as current liabilities. The unutilized banking facilities as at 31 March 2024 was HK$79.3 million.

On 12 December 2023, a wholly owned subsidiary of the Company entered into a Share Sale agreement with an independent third party for a disposal of entire issued share capital of another wholly owned subsidiary of the Company at an aggregate consideration of approximately HK$535.1 million. The transaction was completed on 29 February 2024. According to the terms stated on the Share Sale agreement, HK$175.0 million was received in FY2023/24. The proceeds received were retained as general working capital of the Group and used to repay portion of bank loan in order to reduce interest expenses.

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

As at 31 March 2024, the current assets and current liabilities were approximately HK$462.8 million (31 March 2023: HK$420.0 million) and HK$437.7 million (31 March 2023: HK$564.5 million), respectively. The current ratio was approximately 1.06 (0.74 as at 31 March 2023).

As at 31 March 2024, the Group's total equity funds amounted to HK$912.3 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 2024, a subsidiary of the Company had contingent liabilities in respect of bank guarantees given to landlords in lieu of rental deposits for certain retails shops and suppliers amounting to approximately HK$7.738 million (31 March 2023: HK$7.202 million).

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

As at 31 March 2024, certain property, plant and equipment and investment properties amounting to HK$433.8 million (31 March 2023: HK$443.6 million) were pledged to secure banking facilities granted to the Group.

The investment properties were revalued by independent valuers as at 31 March 2024. A revaluation loss of HK$0.1 million was recorded in the year ended 31 March 2024 accordingly.

The annual results for FY2023/24 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 2024, the Group had around 825 employees (31 March 2023: 842). 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 20 August 2024 (Tuesday) (or any adjournment thereof), the Register of Members of the Company will be closed from 15 August 2024 (Thursday) to 20 August 2024 (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 14 August 2024 (Wednesday).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SCOPE OF RSM HONG KONG

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, the consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2024 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 2024 and up to the date of this announcement, the Company has complied with the code provisions under the Corporate Governance Code (the "Code Provisions") as set out in Appendix C1 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, CEO or the Vice Chairman, shall retire from office by rotation at each annual general meeting.

Code Provision E.1.2

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

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix C3 of the Listing Rules (the "Model Code") as the code of conduct regarding director's securities transactions. The Company has also made specific enquiry of all its directors to ascertain whether they have complied with or whether there has been any non-compliance with the required standard set out in the Model Code. All directors complied with the provisions of the Model Code throughout the period under review.

Audit Committee

The Audit Committee comprises of four non-executive directors; Mr. Jeff Ho Chi Kin (independent) (Chairman of the Audit Committee), Mr. Suriyan Joshua Kanjanapas (ceased on 25 April 2024), Mr. Ricky Lai Kai Ming (independent) and Ms. Honnus Cheung Ho Ling (independent). The principal responsibilities of the Audit Committee include the review and supervision of the Group's financial reporting process, risk management and internal control systems and maintaining an appropriate relationship with the Company's external auditors. The Committee held five meetings (within FY2023/24 and up to the date of this announcement) on 27 April 2023, 20 June 2023, 21 November 2023, 25 April 2024 and 21 June 2024 to discuss matters, including, the Group's audit service plan, the review of accounting standards, principles and practices adopted by the Group and other financial reporting matters; to ensure the completeness, accuracy and fairness of the financial statements of the Company; to discuss the effectiveness of the systems of risk management and internal controls throughout the Group including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and their training programmes and budget and ESG related issues and risks on the Group's businesses (if any); to review all significant business affairs managed by the executive directors in particular on continuing connected transactions and to review the Group's results for the year ended 31 March 2024 and interim results for FY2023/24 before they were presented to the Board for approval.

Remuneration Committee

The Remuneration Committee comprises of Mr. Ricky Lai Kai Ming (Chairman of the Remuneration Committee), Mr. Jeff Ho Chi Kin, Ms. Honnus Cheung Ho Ling (all independent non-executive directors) and Mr. Joseph C.C. Wong (Group Chairman and CEO). Two meetings were held on 27 June 2023 and 25 June 2024, to conduct review of the remuneration packages of the executive directors.

Nomination Committee

The Nomination Committee comprises of Mr. Joseph C. C. Wong (Chairman of the Nomination Committee, Group Chairman and CEO), Mr. Suriyan Joshua Kanjanapas and three independent non-executive directors, namely, Ms. Honnus Cheung Ho Ling, Mr. Jeff Ho Chi Kin and Mr. Ricky Lai Kai Ming.

Code Provision B.3.1 deals with the terms of reference of a Nomination Committee. The Company has adopted the terms of reference under Code Provision B.3.1. During the financial year, and up to the date of this Announcement, the Committee met twice on 27 June 2023 and 25 June 2024. The Committee considered the independence of the retiring independent non-executive directors and confirmed having received from each of the independent non-executive directors an annual confirmation of his/her independence.

On the meeting held on 25 June 2024, Mr. Jeff Ho Chi Kin ("**Mr. Ho**") and Ms. Honnus Cheung Ho Ling ("**Ms. Cheung**") are due to retire at the forthcoming 2024 AGM, Mr. Ho and Ms. Cheung have decided not to put themselves forward for re-election. In the nomination process for the new independent non-executive directors to take the place of Mr. Ho and Ms. Cheung, the Committee proposes the most appropriate individuals 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 Ms. Kelly Liao Ching Mei (Chairman of the Corporate Governance Committee and Group CFO) and three independent non-executive directors, namely, Mr. Jeff Ho Chi Kin, Mr. Ricky Lai Kai Ming and Ms. Honnus Cheung Ho Ling. The Committee held a meeting on 25 April 2024 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 2024 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, 25 June 2024

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)*, Suriyan Kanjanapas (also known as Suriyan Joshua Kanjanapas) *(Vice Chairman)* and Kelly Liao Ching Mei *(Chief Financial Officer)*

Independent Non- Executive directors:

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