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CEC-COILS®
CEC INTERNATIONAL HOLDINGS LIMITED
CEC 國際控股有限公司*
(Incorporated in Bermuda with limited liability)
 (Stock Code: 759)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 APRIL 2024

The board of directors (the “Board”) of CEC International Holdings Limited (the “Company”) would like to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 30 April 2024 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2024

	<i>Note</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue	2	1,469,606	1,692,403
Cost of sales	5	(890,218)	(1,048,706)
Gross profit		579,388	643,697
Other income	3	–	19,331
Other losses, net	4	(2,315)	(790)
Selling and distribution expenses	5	(466,956)	(453,373)
General and administrative expenses	5	(129,934)	(140,591)
Operating (loss)/profit		(19,817)	68,274
Finance income		4,553	2,993
Finance costs		(14,988)	(13,354)
Finance costs, net	6	(10,435)	(10,361)
(Loss)/profit before income tax		(30,252)	57,913
Income tax credit/(expense)	7	440	(8,348)
(Loss)/profit attributable to equity holders of the Company		(29,812)	49,565
(Loss)/earnings per share, basic and diluted, attributable to equity holders of the Company	8	(HK4.47cents)	HK7.44 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2024

	2024	2023
	HK\$'000	HK\$'000
(Loss)/profit for the year	(29,812)	49,565
Other comprehensive loss		
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Change in fair value of equity investments at fair value through other comprehensive income	(44)	(58)
<i>Items that have been or may be reclassified subsequently to profit or loss</i>		
Currency translation differences	<u>(6,034)</u>	<u>(8,955)</u>
Total comprehensive (loss)/income for the year attributable to equity holders of the Company	<u><u>(35,890)</u></u>	<u><u>40,552</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 APRIL 2024

	<i>Note</i>	2024 HK\$'000	2023 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		301,686	315,582
Right-of-use assets		231,912	234,991
Investment properties		17,115	19,910
Financial assets at fair value through other comprehensive income		62	106
Deposits paid for acquisition of property, plant and equipment		–	1,039
Rental deposits		32,309	34,389
Deferred tax assets		6,792	5,727
		589,876	611,744
Current assets			
Inventories		151,303	144,282
Accounts receivable	10	11,176	14,447
Deposits, prepayments and other receivables		41,088	39,138
Tax recoverable		–	18
Pledged bank balances		21,440	21,440
Cash and cash equivalents		71,422	86,022
		296,429	305,347
Total assets		886,305	917,091
EQUITY			
Share capital		66,619	66,619
Reserves		424,372	466,924
Total equity		490,991	533,543

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 APRIL 2024

	<i>Note</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		89,562	92,930
Deferred tax liabilities		7,902	7,484
Accruals and other payables		9,151	9,801
Borrowings		1,558	2,554
		108,173	112,769
Current liabilities			
Lease liabilities		136,708	135,190
Borrowings		24,655	963
Accounts payable	<i>11</i>	77,936	70,752
Accruals and other payables		47,842	56,390
Taxation payable		–	7,484
		287,141	270,779
Total liabilities		395,314	383,548
Total equity and liabilities		886,305	917,091

Notes:

1. Basis of preparation and accounting policies

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) and disclosure requirements of Hong Kong Companies Ordinance Cap.622 and under historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through other comprehensive income which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(a) New and amended standards adopted by the Group

The following new and amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 May 2023:

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
Amendments to HKAS 8 (Amendments)	Definition of Accounting Estimates
Amendments to HKAS 12 (Amendments)	Deferred Income Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts
HKFRS 17 (Amendments)	Amendments to HKFRS 17
HKFRS 17 (Amendments)	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

The new and amended standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the financial statement in the current or future periods.

(b) Amended standards and interpretation (together refer as “Amendments”) not yet adopted by the Group

The following Amendments have been issued but not yet effective during the year and have not been early adopted by the Group in preparing these financial statements for the year ended 30 April 2024:

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current ⁽¹⁾
HKAS 1 (Amendments)	Non-current Liabilities with Covenants ⁽¹⁾
HKFRS 16 (Amendments)	Lease Liabilities in a Sale and Leaseback ⁽¹⁾
HK-Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause ⁽¹⁾
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements ⁽¹⁾
HKAS 21 (Amendments)	Lack of Exchangeability ⁽²⁾
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽³⁾

⁽¹⁾ Effective for the Group for annual period beginning on 1 May 2024

⁽²⁾ Effective for the Group for annual period beginning on 1 May 2025

⁽³⁾ Effective date to be determined

The Group will apply the above Amendments when they become effective. The Group anticipates that the application of the above have no material impact on the results and the financial position of the Group.

2. Segment information

The Executive Directors of the Group (“Management”) review the Group’s internal reports periodically in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and assessed the business principally based on natures of products sold.

During the year, the Group has three reporting segments, namely (i) retail business; (ii) electronic components manufacturing; and (iii) investment property holdings. Segment information provided to Management for decision-making is measured in a manner consistent with that in the financial statements.

The segment information provided to the Management for the reportable segments for the years ended 30 April 2024 and 2023 is as follows:

	Retail business		Electronic component manufacturing		Investment property holdings		Eliminations		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue										
External sales	1,422,887	1,628,415	45,685	62,926	1,034	1,062	-	-	1,469,606	1,692,403
Intersegment sales	-	-	-	-	1,585	1,585	(1,585)	(1,585)	-	-
	<u>1,422,887</u>	<u>1,628,415</u>	<u>45,685</u>	<u>62,926</u>	<u>2,619</u>	<u>2,647</u>	<u>(1,585)</u>	<u>(1,585)</u>	<u>1,469,606</u>	<u>1,692,403</u>
Segment results										
Operating profit/(loss)	<u>15,981</u>	<u>100,703</u>	<u>(17,461)</u>	<u>(15,443)</u>	<u>(3,093)</u>	<u>(1,586)</u>			<u>(4,573)</u>	<u>83,674</u>
Corporate expenses									<u>(15,244)</u>	<u>(15,400)</u>
Finance costs, net									<u>(10,435)</u>	<u>(10,361)</u>
(Loss)/profit before income tax									<u>(30,252)</u>	<u>57,913</u>
Income tax credit/(expense)									<u>440</u>	<u>(8,348)</u>
(Loss)/profit for the year									<u>(29,812)</u>	<u>49,565</u>
Depreciation and amortization	(191,098)	(185,816)	(2,592)	(2,784)	-	-			(193,690)	(188,600)
(Provision for)/reversal of impairment of property, plant and equipment	(413)	39	-	(1,280)	-	-			(413)	(1,241)
(Provision for)/reversal of impairment for right-of-use assets	(2,509)	358	-	-	-	-			(2,509)	358
Total distribution cost and administrative expenses	(558,076)	(558,176)	(22,099)	(18,915)	(1,471)	(1,473)			(581,646)	(578,564)
Capital expenditures	<u>12,172</u>	<u>15,964</u>	<u>40</u>	<u>613</u>	<u>-</u>	<u>-</u>			<u>12,212</u>	<u>16,577</u>

	Retail business		Electronic component manufacturing		Investment property holdings		Eliminations		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	747,774	772,273	115,220	120,593	18,748	20,918	(2,470)	(2,581)	879,272	911,203
Unallocated assets										
– Deferred tax assets									6,792	5,727
– Corporate assets									241	143
– Tax recoverable									–	18
Total assets									<u>886,305</u>	<u>917,091</u>
Segment liabilities	353,043	355,642	7,629	7,587	1,323	2,273	(2,470)	(2,581)	359,525	362,921
Unallocated liabilities										
– Borrowings									26,213	3,517
– Deferred tax liabilities									7,902	7,484
– Taxation payable									–	7,484
– Corporate liabilities									1,674	2,142
Total liabilities									<u>395,314</u>	<u>383,548</u>

Geographical information

	Revenue		Non-current assets	
	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The PRC (including Hong Kong Special Administrative Region)	1,452,766	1,669,335	589,876	611,249
Other countries/regions	16,840	23,068	–	495
	<u>1,469,606</u>	<u>1,692,403</u>	<u>589,876</u>	<u>611,744</u>

Revenue by geographical location is determined on the basis of the destination of shipment or place of sales to the customers.

Non-current assets by geographical location are determined based on the location of the relevant assets.

The Group has a large number of customers. For the year ended 30 April 2024, no revenue was derived from transactions with a single external customer representing 10% or more of the Group's total revenue (2023: same).

3. Other income

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Government subsidies (<i>Note</i>)	–	19,331
	<u> </u>	<u> </u>

Note: In FY2023, these represented government subsidies in relation to the COVID-19 pandemic which included subsidies of HK\$18,832,000 under the Employment Support Scheme (the “ESS Scheme”) granted under the Anti-Epidemic Fund of the Government of the Hong Kong Special Administrative Region. No subsidy under the ESS Scheme was received in FY2024.

4. Other losses, net

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Net fair value loss on investment properties	(2,538)	(1,057)
Net gain on disposal of property, plant and equipment	–	50
Gain on lease modification	<u>223</u>	<u>217</u>
	<u>(2,315)</u>	<u>(790)</u>

5. Expenses by nature

Expenses included in cost of sales, selling and distribution expenses, and general and administrative expenses are analysed as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Auditors' remuneration		
– audit services	2,200	3,174
– non-audit services	166	127
Cost of inventories recognised as expenses included in cost of sales	879,777	1,025,763
Depreciation of property, plant and equipment	24,905	28,375
Direct operating expenses arising from investment properties that generate rental income	118	118
Employee benefit expenses (including directors' emoluments)	257,347	268,224
Net exchange gains		
– recognised in cost of sales	(39,857)	(43,150)
– recognised in general and administrative expenses	(3,404)	(4,580)
Depreciation of right-of-use assets	168,785	160,225
Expenses relating to short-term leases and variable lease payments	10,958	11,135
Provision for/(reversal of) impairment of right-of-use assets	2,509	(358)
(Reversal of)/provision for impairment loss on financial assets	(663)	307
Provision for impairment of inventories	85	2,308
Provision for impairment of properties, plant and equipment	413	1,241
Utility expenses	71,253	67,750
Freight and transportation	50,771	53,293
Other expenses	61,745	68,718
	<u>1,487,108</u>	<u>1,642,670</u>
Total cost of sales, selling and distribution expenses and general and administrative expenses		

6. Finance costs, net

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interest expense on bank borrowings	773	709
Interest expense on lease liabilities	14,215	12,645
Interest income from bank deposits	(1,485)	(705)
Others	(3,068)	(2,288)
	<u>10,435</u>	<u>10,361</u>

7. Income tax (credit)/expense

The amount of income tax (credit)/expense charged to the consolidated income statement represents:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong profits tax		
– current tax	–	8,945
– under/(over) provision in prior years	19	(134)
Overseas income tax including Mainland China		
– current tax	188	125
Deferred income tax	(647)	(588)
	<u> </u>	<u> </u>
Income tax (credit)/expense	<u>(440)</u>	<u>8,348</u>

The Company is incorporated in Bermuda and is exempted from income tax in Bermuda until 2035. For the year ended 30 April 2024, no provision for Hong Kong profits tax was made as the Group had an adjusted loss in Hong Kong. For the year ended 30 April 2023, Hong Kong profits tax has been provided at the rate of 8.25% on the first HK\$2 million of estimated assessable profits and 16.5% on the estimated assessable profit above HK\$2 million. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax at the rate of 25% (2023: 25%) on their taxable income determined according to Mainland China tax laws. Other overseas income tax has been calculated on the estimated assessable profits for the year at the rates prevailing in the respective jurisdictions.

8. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the consolidated loss attributable to equity holder of approximately HK\$29,812,000 (2023: profit attributable to equity holder of approximately HK\$49,565,000) and the weighted average number of 666,190,798 (2023: 666,190,798) shares in issue during the year.

For the years ended 30 April 2024 and 2023, diluted (loss)/earnings per share equals basic (loss)/earnings per share as there was no dilutive potential share.

9. Dividend

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Final, proposed – Nil (2023: HK1.00 cent) per share	–	6,662
	<u> </u>	<u> </u>

The board of directors does not recommend the payment of any dividend in respect of the year ended 30 April 2024.

10. Accounts Receivable

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Accounts receivable	13,633	19,864
Less: loss allowance	<u>(2,457)</u>	<u>(5,417)</u>
Accounts receivable, net	<u><u>11,176</u></u>	<u><u>14,447</u></u>

The ageing analysis of accounts receivable, based on invoice date, is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0-30 days	7,075	7,648
31-60 days	2,198	3,733
61-90 days	1,047	1,588
91-120 days	468	628
Over 120 days	<u>2,845</u>	<u>6,267</u>
	13,633	19,864
Less: loss allowance	<u>(2,457)</u>	<u>(5,417)</u>
	<u><u>11,176</u></u>	<u><u>14,447</u></u>

As at 30 April 2024 and 2023, the carrying amount of accounts receivable approximated its fair value.

The Group primarily offers an average credit period ranging from 30 to 120 days to its non- retail business customers (2023: 30 to 120 days).

11. Accounts payable

The ageing analysis of accounts payable, based on invoice date, is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0-30 days	68,983	60,069
31-60 days	7,727	9,857
61-90 days	1,197	556
91-120 days	–	21
Over 120 days	<u>29</u>	<u>249</u>
	77,936	70,752
	<u><u>77,936</u></u>	<u><u>70,752</u></u>

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 20 September 2024 to Thursday, 26 September 2024 (both dates inclusive), during which period no transfer of shares of the Company will be effected. Shareholders whose names appear on the register of members of the Company on Thursday, 26 September 2024 are entitled to attend and vote at the annual general meeting of the Company to be held on Thursday, 26 September 2024 (the “2024 Annual General Meeting”). In order to qualify to attend and vote at the 2024 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Thursday, 19 September 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

Looking back to the financial year 2023/24, the Hong Kong retail sector contended with a range of atypical and complex challenges. The atmosphere of consumption in the local retail market was persistently influenced by a variety of external uncertainties. These included geopolitical tensions, the increase in interest rate following the US’ rate hike cycle and the downward adjustments in financial and property markets. Besides, as the COVID-19 pandemic receded and daily life in Hong Kong resumed to normal, waves of craze for outbound travel emerged after full resumption of normal operations at boundary control points. The number of people travelling outside Hong Kong even reached its peaks in every weekend and public holiday, resulting that the number of residents who stayed to consume in Hong Kong had decreased. Additionally, the number of pedestrian on streets in evening and their spending levels had not yet returned to the level before pandemic, suggesting that Hong Kong citizens may have adapted to the lifestyle changes brought about by the pandemic.

Affected by the above factors, the Group recorded a consolidated revenue of HK\$1,469,606,000 for the financial year 2023/24 (2023: HK\$1,692,403,000), which decreased by 13.2% when compared to that of the previous financial year. The consolidated gross profit decreased for HK\$64,309,000 by approximately 10% to HK\$579,388,000 (2023: HK\$643,697,000), in line with the decrease in revenue. As the COVID-19 pandemic came to its end, the Group had not received Employment Support Scheme-related subsidies from the Hong Kong Government in the year (2023: HK\$18,832,000). Besides, the Group ceased the operation of Singapore subsidiary in the year for long-term cost saving, resulting an one-off non-recurring expenses of approximately HK\$2,875,000. Moreover, a fair value loss of approximately HK\$2,538,000 was recorded for its investment properties since downturn adjustment emerged in property market in the year. Combining the effect of the aforesaid factors, the Group recorded a loss attributable to equity holders of approximately HK\$29,812,000 for the year (2023: profit of HK\$49,565,000).

Retail Business

The Group's retail business recorded a segment revenue of HK\$1,422,887,000 (2023: HK\$1,628,415,000) during the period under review, representing a decline of approximately 12.6% as compared to that of the previous year. Segment gross profit was HK\$573,835,000 (2023: HK\$639,772,000), decreased by 10.3% as compared to that of the previous year and accounting for approximately 97% (2023: 96%) of total revenue. The management had already made early prediction that the revenue of its retail business would gradually shift back to pre-pandemic level along with the recovery pace of Hong Kong people's daily life, and therefore had proactively adjusted its importing product mix and inventory weighting by decreasing the total procurement volume, greatly reducing the shares of rice, cooking oil, eggs and frozen foods, and increasing the shares of snack and leisure food to align with the shifting consumption patterns in "post-pandemic era". However, the pace and extent of adjustment in the local consumer goods market were beyond the management's expectations, mainly because of the facts that (I) citizens continued to shop during the same time periods as they did during the pandemic, the patronage rate at shops during evening hours failed to rebound to pre-pandemic levels, resulting in persistently low sales revenue after 8:00 pm; and (II) following the full resumption of normal travel, the number of Hong Kong local residents traveling outside surged to record highs, resulted in a marked decrease in the number of local residents who stayed and consumed in Hong Kong, with figures notably lower than those seen before the pandemic. Consequently, holiday sales revenues of the retail segment fell considerably short of pre-pandemic levels.

759 STORE insisted on adopting a procurement model that products were "directly imported from their places of origin", in which over 90% of products were imported through its procurement team on its own, from 60 countries and regions (2023: 60) in the globe. Our procurement team kept searching for high-quality products around the world for customers to select, where the places of origins for our products, in descending order in term of their share in our product mix, mainly were Japan and South Korea, Southeast Asia, Europe, Taiwan China, Mainland China, America and other regions. In the year, the product mix of 759 STORE developed in good balance, and the number of product items regularly carried was about 6,000 (2023: 6,000), including mainly snacks, drinks, leisure foods, personal care products and sanitary paper products. The percentage of sales attributable to rice, non-staple food and frozen food after the pandemic has gradually decreased to the pre-pandemic level. The segment gross profit margin of the retail business for the year was 40.3% (2023: 39.3%), increasing for 1 percentage point as compared with that for the last year, mainly because the share of products with relatively high profit margin, such as leisure foods, drinks and alcohols had further increased during the year. As at 30 April 2024, the total value of inventories carried by retail business increased to HK\$133,190,000 (30 April 2023: HK\$127,399,000), or an increase of 4.5%, as compared to that of the same period last year.

759 STORE did not expand its shop network in the period under review. The management made decisions on whether to renew shop tenancy contract, with reference to the actual operation figures of each shop and rental level of the market. As at 30 April 2024, total number of shops of 759 STORE was 165 (2023: 166), with net decrease of 1 shop, in which 12 shops were newly opened and 13 shops were closed. As at the same date, the total gross floor area of shops in operation was 334,000 square feet (30 April 2023: 332,000 square feet), with an average of 2,024 square feet per shop (30 April 2023: 2,000 square feet), much the same as that of the previous year. Since the decrease in segment revenue of retail business was recorded, the ratio of labour cost in respect of revenue increased to 10.6% (2023: 9.3%) accordingly. The average number of frontline staff per shop maintained at a similar level of approximately 4.1 persons (2023: 4.0 persons). For remuneration, labour cost of the Group's frontline staff included basic salary, commission and other benefits. Calculation of commission was related to shop sales performance.

The Group's retail business actively controlled its operating costs during the year to cope with the unfavourable market environment, however, operating costs such as electricity charges, shop management fees as well as transportation and fuel costs continue to show upward trend. In the year, the selling and distribution expenses of the retail business amounted to HK\$465,834,000 (2023: HK\$452,044,000), representing an increase of 3.1%. The management has concluded that the shop rental levels have stopped rising and there are possibilities for downward adjustments. However, the rents of most of the Group's shops were subject to tenancy during the period under review. When the leases of certain stores expire, the management will discuss with the landlords the possibility of rent adjustments based on the prevailing market environment to improve the cost structure of the retail business. The general administrative expenses of the retail business for the year amounted to HK\$92,242,000 (2023: HK\$106,132,000), representing a decrease of 13.1% as compared to that of the previous financial year, reflecting the proactive cost saving actions taken by the Group during the period under review. In the year, the Group did not receive subsidy under the Employment Support Scheme (the "ESS Scheme") from the Hong Kong Government in respect of COVID-19 (2023: HK\$18,832,000). Combining the factors mentioned above, segment operating profit for the retail business in the year was HK\$15,981,000 (2023: HK\$100,703,000), representing a decrease of 84% as compared to that of last year.

Electronic Components Manufacturing Business

Looking back on the year, global economy kept deteriorating that all major economies in the world were bothered by inflation and high interest rates, where demand for industrial products continued to decrease. According to the external merchandise trade aggregate figures released monthly by the Census and Statistics Department of Hong Kong Government, the total value of goods exported from Hong Kong continued to exhibit a long-term downward trend during the period under review. Global demand for industrial products fell to an unprecedented low, which directly led to a record low in order volumes for the Group's electronic components manufacturing business. Segment revenue of HK\$45,685,000 (2023: HK\$62,926,000) was recorded in electronic

components manufacturing business, decreased by 27.4% on yearly basis. To cope with the uncertainties in electronic components manufacturing business, the Group proceeded a cost-saving project, ceasing the operation of a wholly-owned subsidiary in Singapore in the period under review. The subsidiary was mainly responsible for the sales and marketing of coils, and its functions were immediately taken over by the Zhongshan main plant. This adjustment project required an one-off non-recurring reorganization expense of approximately HK\$2,875,000, which extended the operating loss of the manufacturing business segment for the year to HK\$17,461,000 (2023: HK\$15,443,000), an increase of 13.1% when compared to that of the same period last year. Nonetheless, after restructuring, the operating expenses of the manufacturing business will be reduced in the long run.

Investment Properties

Rental income of the Group for the year amounted to HK\$1,034,000 (2023: HK\$1,062,000). In the year, a fair value loss of approximately HK\$2,538,000 (2023: HK\$1,057,000) was recorded for investment properties in the consolidated income statement, as a result of the downward adjustment of the Chinese mainland and Hong Kong property market.

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 30 April 2024, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK\$92,862,000 (2023: HK\$107,462,000). As at the same date, the Group had aggregate banking facilities of approximately HK\$382,875,000 (2023: HK\$383,817,000) which included term loans, import and trust receipt loans, etc. Unused facilities as at the same date amounted to approximately HK\$356,662,000 (2023: HK\$380,300,000).

The Group's bank loans as at 30 April 2024 amounted to HK\$26,213,000 (2023: HK\$3,517,000), representing an increase of approximately HK\$22,696,000 as compared to that of the previous financial year. Considering that the business environment was uncertain, the management continued to adopt a prudent financial management strategy and strived to maintain a sound financial position. As at 30 April 2024, the Group's debt to equity ratio* was 0.05 (2023: 0.01). Moreover, as at the same date, the Group did not have any contingent liabilities (2023: Nil).

(The ratio of total borrowings over total equity)*

At 30 April 2024, the abovementioned utilized banking facilities were secured by charges on the Group's certain buildings, investment properties, inventories and bank deposits. In addition, the Group is required to comply with certain restrictive financial covenants imposed by the major financing banks. As at 30 April 2024, the Group could comply with such financial covenants

Assets

As at 30 April 2024, the Group's inventories amounted to HK\$151,303,000 (2023: HK\$144,282,000), representing an increase of 4.9% as compared to the last financial year end. Meanwhile, the total prepayments, deposits and other receivables (including rental deposits for retail stores) as at the same date were HK\$73,397,000 (2023: HK\$74,566,000), a decrease of 1.6% as compared with last financial year end.

Interest Expenses

The finance cost for the Group in the year was HK\$14,988,000 (2023: HK\$13,354,000), with an increase of 12.2% as compared to that of the previous financial year. After deducting the interest of lease obligation, the actual bank loan interest was HK\$773,000 (2023: HK\$709,000), representing an increase of 9% as compared to that of the previous financial year, mainly attributable to the higher utilization of banking facilities in the period.

Financial Resources and Capital Structure

Net cash outflow of the Group was HK\$14,295,000 (2023: cash inflow of HK\$7,795,000) for the year. Net cash inflow from operating activities was HK\$160,930,000 (2023: HK\$211,497,000), representing a decrease of 23.9% as compared to that of the previous year. Cash flow from operating activities stayed at satisfactory level, decreasing accordingly with the consolidated income for the year. Net cash outflow for investing activities in the period was HK\$12,212,000 (2023: HK\$16,527,000), which was mainly attributed to the capital expenditure for renovation of new shops and purchase of logistic facilities. Cash outflow for financing activities was HK\$163,013,000 (2023: HK\$187,175,000).

Cash Flow Summary

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	160,930	211,497
Net cash outflow from investing activities	(12,212)	(16,527)
Net cash outflow from financing activities [#]	(163,013)	(187,175)
	<u>(14,295)</u>	<u>7,795</u>
(Decrease)/increase in cash and cash equivalents	<u>(14,295)</u>	<u>7,795</u>

[#] This net amount included lease payment of HK\$179,927,000 (2023: HK\$165,572,000).

As at 30 April 2024, the net current assets were HK\$9,288,000 (2023: HK\$34,568,000) and the current ratio was 1.03 (2023: 1.13), reflecting that the management strived to adopt proactive policies to continue to maintain and improve the cash flow and liquidity of the Group despite the adverse impacts on the Group's liquidity arising from the deteriorating market environment.

Charges on Assets

As at 30 April 2024, certain assets of the Group with an aggregate carrying value of approximately HK\$271,565,000 (2023: HK\$258,497,000) were pledged to secure banking facilities of the Group.

Exchange Risks

The Group's business is mainly conducted in Hong Kong, Mainland China and South-east Asia. The major revenue currencies are denominated in Hong Kong dollar, Renminbi and United States dollars; whilst the major currencies for costs are denominated in Japanese Yen, United States dollars, Euro, Hong Kong dollar and Renminbi. The Group will do its best to closely monitor fluctuations in the foreign exchange market, actively adjusting the combination of the places of origins for our import products to offset the impact that currency fluctuation brought. At the moment, procurement cost of the Group will be affected when exchange rate of Japanese Yen and Euro rebound sharply. In the light of this, the Group will pay close attention to the fluctuation trends of Japanese Yen and Euro.

Employees

As at 30 April 2024, the Group employed approximately 1,350 staff (2023: 1,400) in total. The remuneration of employees was set with reference to market standard, individual performance, academic qualification and work experience, and reviewed regularly. Other agreed employee benefits included pension scheme, medical insurance, on-job training, education subsidy and other social insurances and paid leaves as required under the laws and regulation at the place of employment.

FUTURE PLAN AND OUTLOOK

Hong Kong retail market is currently facing a series of unprecedented challenges. The value of retail sales released monthly by the Hong Kong government indicate that local retail establishments of different goods and services are experiencing challenges to varying degrees. Even retailers of daily consumer goods, typically resilient in counter-cyclical economic environments, have reported considerable declines. At this stage, it is difficult for the Group to predict when the retail market will bottom out and rebound. It is anticipated that the current challenging conditions may persist for an extended period. In response to these market uncertainties, the management is exercising utmost prudence in operating the retail business. The Group will freeze all large-scale investment plans and curtail all non-essential expenditures to maximize the effect of cost-saving. On top of that, the management is meticulously examining the performance data for each 759 STORE shop. Decisions regarding tenancy renewals will be based on actual shop performance. Concurrently, discussions are underway with landlords to explore potential rental adjustments that could create win-win opportunities for both parties. On the other hand, the prevalence of vacant shop spaces across various districts in Hong Kong presents both a challenge and an opportunity. The management is actively identifying potential sites for new stores, with criteria focusing on rental costs, foot traffic, and appropriate shop size that meet the requirements of 759 STORE, aiming to capitalize on growth opportunities amidst these adverse conditions.

The management acknowledges the swiftly evolving local market trends and the shifting shopping preferences of our customers. To enhance customer shopping enjoyment, it is important that we continuously refresh our product mix and expand our product sourcing reach. Our procurement team is tasked with extensively searching for new products, providing our customers with a broader and fresher array of choices in 759 STORE. In terms of places of origin, while Japan and Korea remain principal sources for our products, we are actively exploring new sourcing opportunities globally. Our aim is to engage directly with food and consumer goods manufacturers, as well as agricultural product exporters. This strategy is intended to introduce products into the Hong Kong market at the lowest possible import costs by saving the margins of agents or middlemen, aligning with 759 STORE's longstanding policy of "Quick Turnover with Lower Margin". By strengthening our global sourcing capabilities, we not only enrich our product mix but can also diversify the risks associated with the volatile foreign exchange market and other uncertainties. This strategic diversification supports the stable development of our retail business in an unpredictable market environment. The management firmly believes that by consistently offering genuinely high quality products at competitive prices, we will secure substantial support from our customers and the local neighbourhood market is still promising.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

The Company had not redeemed any of its listed shares during the year ended 30 April 2024. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares during the year ended 30 April 2024.

CORPORATE GOVERNANCE PRACTICES CODE

The board of directors (the "Board") of the Company believes that good corporate governance plays an important role in maintaining and promoting investors' confidence. The Board is responsible for ensuring that the Company maintains a high quality of corporate governance. The Company has adopted the principles and complied with the Corporate Governance Code (the "Code") as set out in Appendix C1 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended 30 April 2024, except for the following deviations:

1. Under code provision C.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Since 29 September 2009, the roles of the Chairman of the Board and the chief executive officer of the Company (the "CEO") were performed by the late Mr. Lam Wai Chun, the founding Chairman of the Company. After the pass away of the late Mr. Lam Wai Chun, Ms. Tang Fung Kwan has been appointed as the Chairman of the Board and the Managing Director of the Company with effect from 19 August 2018 and has carried out the responsibilities of the Chairman and CEO since then. This constitutes a deviation from the code provision C.2.1 of the Code which

stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Ms. Tang Fung Kwan has been the key management of the Group for over 25 years and has devoted herself and contributed greatly to the Group's development. She has been the executive director of the Company since its listing on the Stock Exchange in November 1999 and has engaged in directing the corporate strategies and operations of the Group. She possesses substantial and valuable experience in the industry and in the Group's operation. The Board believes that vesting the roles of the Chairman of the Board and the CEO in the same person will provide the Company with strong and consistent leadership and promote effective and efficient formulation and implementation of business decisions and strategies and considers that such structure is currently in the best interests of the Company and its shareholders at this stage.

AUDIT COMMITTEE

The Audit Committee of the Company, currently comprising three independent non-executive directors, has reviewed the accounting principles and practices adopted by the Group, the risk management and internal control systems of the Group and the annual results of the Company for the year ended 30 April 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Following specific enquiry by the Company, all of the directors of the Company confirmed compliance with the required standard set out in the Model Code for the period from 1 May 2023 to 30 April 2024. The Model Code also applies to the relevant employees of the Group.

Further information on the corporate governance practices of the Company will be set out in 2023/2024 annual report of the Company, which will be sent to the shareholders of the Company by the end of August 2024.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 30 April 2024 as set out in the preliminary results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary results announcement.

ANNUAL GENERAL MEETING

The 2024 Annual General Meeting of the Company will be held on Thursday, 26 September 2024 and the Notice of Annual General Meeting will be published and despatched in accordance with the Listing Rules in due course.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company (<http://www.0759.com>) and that of the Stock Exchange (www.hkex.com.hk). The 2023/24 annual report of the Company containing all information required by the Listing Rules will be despatched to the shareholders of the Company and available on the same websites in due course.

By Order of the Board
Tang Fung Kwan
Chairman

Hong Kong, 24 July 2024

As at the date of this announcement, the Board of the Company comprises three Executive Directors, namely Ms. Tang Fung Kwan, Mr. Lam Kwok Chung and Mr. Ho Man Lee; and three Independent Non-executive Directors, namely Mr. Goh Gen Cheung, Mr. Chan Chiu Ying and Ms. Tsui Mei Ling, May.

Websites: <http://www.0759.com>
<http://www.ceccoils.com>
<http://www.irasia.com/listco/hk/cecint>

* *For identification purpose only*