CEC-COILS®

CEC INTERNATIONAL HOLDINGS LIMITED

CEC 國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 759)

2019/2020 ANNUAL RESULTS ANNOUNCEMENT

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 2020 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 APRIL 2020

	Note	**2020** ***HK$'000***	2019 *HK$'000*
Revenue	*2*	**1,958,651**	1,839,923
Cost of sales	*4*	**(1,326,633)**	(1,220,206)
Gross profit		**632,018**	619,717
Other income		**2,200**	–
Other losses, net	*3*	**(4,532)**	(3,528)
Selling and distribution expenses	*4*	**(478,626)**	(493,958)
General and administrative expenses	*4*	**(102,164)**	(111,886)
Operating profit		**48,896**	10,345
Finance income		**396**	36
Finance costs		**(30,464)**	(19,726)
Finance costs, net	*5*	**(30,068)**	(19,690)
Profit/(loss) before income tax		**18,828**	(9,345)
Income tax expense	*6*	**(6,479)**	(176)
Profit/(loss) attributable to equity holders of the Company		**12,349**	(9,521)
Earnings/(loss) per share, basic and diluted, attributable to equity holders of the Company	*7*	**HK1.85 cents**	(HK1.43 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 APRIL 2020

	2020	2019
	HK$'000	*HK$'000*
Profit/(loss) for the year	**12,349**	(9,521)
Other comprehensive loss		
Item that will not be reclassified subsequently to profit or loss		
Change in fair value of equity investments at fair value through other comprehensive income	**(20)**	(63)
Items that have been or may be reclassified subsequently to profit or loss		
Currency translation differences	**(19,356)**	(20,137)
Total comprehensive loss for the year attributable to equity holders of the Company	**(7,027)**	(29,721)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 APRIL 2020

	Note	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Land use rights		–	16,779
Property, plant and equipment		**369,744**	409,039
Right-of-use assets		**235,968**	–
Investment properties		**22,977**	28,735
Financial assets at fair value through other comprehensive income		**279**	299
Rental deposits		**36,678**	48,223
Deferred tax assets		**13,642**	17,639
		679,288	520,714
Current assets			
Inventories		**294,121**	367,133
Accounts and bills receivable	*9*	**20,429**	21,169
Deposits, prepayments and other receivables		**47,484**	42,244
Tax recoverable		**72**	–
Pledged bank balances		**31,353**	19,629
Cash and cash equivalents		**62,259**	49,501
		455,718	499,676
Non-current asset held-for-sale		–	778
		455,718	500,454
Total assets		**1,135,006**	1,021,168
EQUITY			
Share capital		**66,619**	66,619
Reserves		**345,666**	359,044
Total equity		**412,285**	425,663
LIABILITIES			
Non-current liabilities			
Lease liabilities		**94,469**	–
Deferred tax liabilities		**5,481**	4,661
Provision for reinstatement cost		**3,565**	1,666
		103,515	6,327
Current liabilities			
Lease liabilities		**139,354**	–
Borrowings		**287,134**	388,452
Accounts payable	*10*	**136,014**	130,360
Accruals and other payables		**56,704**	70,317
Taxation payable		–	49
		619,206	589,178
Total liabilities		**722,721**	595,505
Total equity and liabilities		**1,135,006**	1,021,168

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 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) Going Concern Basis

The Group's operations are financed by both bank borrowings and internal resources. As at 30 April 2020, the Group's current liabilities exceeded its current assets by HK$163,488,000 (2019: HK$88,724,000). This net current liabilities position was mainly attributable to (i) the adoption of HKFRS 16 "Leases" resulting in the recognition of lease liabilities of HK$139,354,000 in current liabilities and HK$94,469,000 in non-current liabilities, respectively, while the associated right-of-use assets amounting to HK$220,498,000 were recognised in non-current assets; and (ii) as at 30 April 2020, the Group's total borrowings amounted to HK$287,134,000 (2019: HK$388,452,000) and are repayable within twelve months from 30 April 2020. The total borrowings in current liabilities included bank borrowings of HK$23,500,000, whilst contractually due for repayment after one year from the balance sheet date, contain a repayable on demand clause and therefore have been classified as current liabilities in accordance with HK Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayable on Demand Clause".

The Group's cash and cash equivalents amounted to HK$62,259,000 (2019: HK$49,501,000) as at 30 April 2020.

Amidst the challenging business environment, the Group continues to make payment to suppliers of merchandise and renovation of stores according to predetermined payment terms, and continues to make scheduled repayment of bank borrowings and interest.

Management closely monitors the Group's financial performance and liquidity position to assess the Group's ability to continue as a going concern. In view of these circumstances, the management has been continuously implementing measures to improve profitability, control operating costs and contain capital expenditures in order to improve the Group's operating performance and alleviate its liquidity risk. These measures include (i) continuously revisiting its marketing strategies and pricing policies, (ii) continuing its measures to control capital and operating expenditures, (iii) negotiating with the landlords for rental reduction upon renewal of relevant tenancy agreements, and (iv) monitoring the development of COVID-19 pandemic, evaluating its impact on the Group's operation and taking proactive measures where appropriate, including but not limited to heightening of hygiene and epidemic prevention measures in the stores and application of support schemes provided by the HKSAR government. The management believes that these measures will further improve the Group's operating profitability and the resulting cash flows. With respect to the Group's bank financing, the Group maintains continuous communications with its banks and has successfully renewed the bank facilities with one of its principal banks in February 2020. As at 30 April 2020, the Group had unutilised bank facilities of HK$235,666,000 of which unutilised trade financing facilities amounted to HK$217,866,000 and unutilised overdraft facilities amounted to HK$17,800,000, which are available to be drawn by the Group during the next twelve months. Based on the latest communications with the banks, the directors of the Company are not aware of any intention of the principal banks to withdraw their bank facilities or require early repayment of the borrowings, and the directors believe that the existing bank facilities will be renewed when their current terms expire given the good track records and relationships the Group has with the banks.

The Company's directors have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from 30 April 2020. Based on these cash flow projections, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 30 April 2020. Management's projections make key assumptions with regard to the anticipated cash flows from the Group's operations, capital expenditures and the continuous availability of bank facilities. The Group's ability to achieve the projected cash flows depends on management's ability to successfully implement the aforementioned measures on profitability and liquidity and the continuous availability of bank facilities from its banks. The directors, after making due enquiries and considering the basis of management's projections described above and after taking into account the reasonably possible changes in the operational performance and the successful renewal and continuous availability of the bank facilities, believe that there will be sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 30 April 2020. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

(b) New and amended standards and interpretation adopted by the Group

The following new and amended standards and interpretation have been adopted by the Group for the first time for the financial year beginning on or after 1 May 2019:

HKAS 19 (Amendment)	Plan amendment, curtailment or settlement
HKAS 28 (Amendment)	Long-term interests in associates and joint ventures
HKFRS 9 (Amendment)	Prepayment features with negative compensation
HKFRS 16	Leases
HKFRSs (Amendments)	Annual improvements 2015-2017 cycle
HK(IFRIC)-Int 23	Uncertainty over income tax treatments

The Group changed its accounting policies for leases with effect from 1 May 2019 following the adoption of HKFRS 16 "Leases" ("HKFRS 16") as disclosed in Note 1(d) below. All other amendments to standards and interpretation listed above do not have a significant effect on the Group's accounting policies.

(c) New and amended standards not yet adopted

The following new and amended standards have been issued but are not mandatory for the year ended 30 April 2020:

HKAS 1 and HKAS 8 (Amendments)	Definition of material (1)
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge accounting (1)
HKFRS 3 (Amendment)	Definition of a business (1)
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting (1)
HKFRS 17	Insurance contracts (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 2020
(2) Effective for the Group for annual period beginning on 1 May 2021
(3) Effective date to be determined

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

(d) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 on the Group's financial statements.

The Group has adopted HKFRS 16 from 1 May 2019, but has not restated comparatives for the year ended 30 April 2019, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 May 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 May 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 May 2019 was 4.8%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 May 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease".

(ii) *Measurement of lease liabilities*

	HK$'000
Operating lease commitments disclosed as at 30 April 2019	337,069
Less: Leases committed but not yet commenced as at 1 May 2019	(24,524)
Operating lease commitments of leases commenced as at 1 May 2019	312,545
Discounted using the lessee's incremental borrowing rate at the date of initial application	288,160
Less: Short-term leases recognised on a straight-line basis as expense	(4,093)
Lease liabilities recognised as at 1 May 2019	284,067
Of which are:	
Current lease liabilities	159,608
Non-current lease liabilities	124,459
	284,067

(iii) *Measurement of right-of-use assets*

The associated right-of-use assets were measured as if the new rules had been applied since the commencement date of the leases, but discounted using the lessee's incremental borrowing rate at the date of initial application. In addition, land use rights previously presented as a separate item on the consolidated statement of financial position were grouped as part of right-of-use assets with effect from 1 May 2019.

(iv) *Adjustments recognised in the consolidated statement of financial position on 1 May 2019*

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 May 2019:

Consolidated statement of financial position (extract)	**30 April 2019 (as originally presented)** HK$'000	**Effect of the adoption of HKFRS 16** HK$'000	**1 May 2019 (as restated)** HK$'000
Non-current assets			
Right-of-use assets	–	286,871	286,871
Land use rights	16,779	(16,779)	–
Property, plant and equipment	409,039	(1,073)	407,966
Deferred tax assets	17,639	1,447	19,086
Current assets			
Deposits, prepayments and other receivables	42,244	(3,070)	39,174
Equity			
Reserves	359,044	(6,351)	352,693
Non-current liabilities			
Lease liabilities	–	124,459	124,459
Current liabilities			
Lease liabilities	–	159,608	159,608
Accruals and other payables	70,317	(10,320)	59,997

(v) *Lessor accounting*

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

2. Segment information

The Executive Directors of the Group ("Management") reviews 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 assess 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 ("Coils Business"); 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 2020 and 2019 is as follows:

	Retail business		Electronic component manufacturing		Investment property holdings		Eliminations		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
External sales	**1,886,705**	1,730,024	**70,727**	108,972	**1,219**	927	**–**	–	**1,958,651**	1,839,923
Intersegment sales	**–**	–	**–**	–	**1,585**	1,585	**(1,585)**	(1,585)	**–**	–
	1,886,705	1,730,024	**70,727**	108,972	**2,804**	2,512	**(1,585)**	(1,585)	**1,958,651**	1,839,923
Segment results										
Operating profit/(loss)	**70,273**	11,874	**(7,327)**	13,158	**(5,292)**	(5,386)			**57,654**	19,646
Corporate expenses									**(8,758)**	(9,301)
Finance costs, net									**(30,068)**	(19,690)
Profit/(loss) before income tax									**18,828**	(9,345)
Income tax expense									**(6,479)**	(176)
Profit/(loss) for the year									**12,349**	(9,521)
Depreciation and amortisation	**(209,527)**	(25,470)	**(4,632)**	(5,453)	**–**	–			**(214,159)**	(30,923)
Reversal of/(provision for) impairment of property, plant and equipment	**284**	1,223	**(6,833)**	–	**–**	–			**(6,549)**	1,223
Reversal of impairment for right-of-use assets	**2,211**	–	**–**	–	**–**	–			**2,211**	–
Reversal of provision for onerous contracts	**–**	1,463	**–**	–	**–**	–			**–**	1,463
Total distribution cost and administrative expenses	**(557,632)**	(581,326)	**(13,047)**	(14,065)	**(1,353)**	(1,152)			**(572,032)**	(596,543)
Capital expenditures	**7,477**	7,459	**330**	292	**–**	–			**7,807**	7,751

	Retail business		Electronic components manufacturing		Investment property holdings		Eliminations		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**905,673**	755,676	**195,719**	223,017	**23,734**	29,922	**(3,943)**	(5,239)	**1,121,183**	1,003,376
Unallocated assets										
– Deferred tax assets									**13,642**	17,639
– Corporate assets									**181**	153
Total assets									**1,135,006**	1,021,168
Segment liabilities	**416,855**	182,710	**12,150**	18,505	**4,063**	5,380	**(3,943)**	(5,239)	**429,125**	201,356
Borrowings									**287,134**	388,452
Unallocated liabilities										
– Deferred tax liabilities									**5,481**	4,661
– Taxation payable									**–**	49
– Corporate liabilities									**981**	987
Total liabilities									**722,721**	595,505

Geographical information

	Revenue		Non-current assets	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (including Hong Kong Special Administrative Region)	**1,932,062**	1,801,016	**679,247**	520,648
Other countries/regions	**26,589**	38,907	**41**	66
	1,958,651	1,839,923	**679,288**	520,714

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 2020, no revenue was derived from transactions with a single external customer representing 10% or more of the Group's total revenue (2019: same).

3. Other losses, net

	2020	2019
	HK$'000	*HK$'000*
Net fair value loss on investment properties	**(5,005)**	(5,010)
Net gain on disposals of property, plant and equipment	**2,200**	259
Net gain on disposal of non-current asset held-for-sale	**4,822**	–
Net (provision for)/reversal of impairment loss on properties, plant and equipment	**(6,549)**	1,223
	(4,532)	(3,528)

4. Expenses by nature

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

	2020	2019
	HK$'000	*HK$'000*
Auditors' remuneration		
– audit services	**2,950**	2,830
– non-audit services	**129**	129
Amortisation of land use rights	**–**	509
Cost of inventories recognised as expenses included in cost of sales	**1,302,771**	1,188,746
Depreciation of property, plant and equipment	**29,145**	30,414
Direct operating expenses arising from investment properties that generate rental income	**153**	151
Employee benefit expenses (including directors' emoluments)	**259,520**	271,081
Net exchange gains		
– recognised in cost of sales	**(29,247)**	(29,357)
– recognised in general and administrative expenses	**(16,510)**	(15,737)
Depreciation of right-of-use assets	**185,014**	–
Expenses relating to short-term leases and variable lease payments	**4,438**	–
Operating lease rentals		
– basic rent	**–**	209,690
– turnover rent	**–**	329
Reversal of impairment of right-of-use assets	**(2,211)**	–
Reversal of provision for onerous contracts	**–**	(1,463)
Net reversal of impairment loss on financial assets	**(533)**	(975)
Reversal of impairment of inventories	**(2,472)**	(4,765)
Utility expenses	**61,011**	66,653
Freight and transportation	**51,689**	47,568
Other expenses	**61,576**	60,247
Total cost of sales, selling and distribution expenses and general and administrative expenses	**1,907,423**	1,826,050

5. Finance costs, net

	2020	2019
	HK$'000	*HK$'000*
Interest expense on bank borrowings	**16,987**	19,726
Interest expense on lease liabilities	**13,477**	–
Interest income from bank deposits	**(396)**	(36)
	30,068	19,690

6. Income tax expense

The amount of income tax expense charged to the consolidated income statement represents:

	2020	2019
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current tax	**–**	15
– (Over)/under-provision in prior years	**(2)**	7
Overseas income tax including Mainland China		
– current tax	**217**	142
Deferred income tax	**6,264**	12
Total income tax expense	**6,479**	176

The Company is incorporated in Bermuda and is exempted from income tax in Bermuda until 2035. Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the year. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax at the rate of 25% (2019: 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.

7. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the consolidated profit attributable to equity holder of approximately HK$12,349,000 (2019: loss of attributable to equity holder of approximately HK$9,521,000) and the weighted average number of 666,190,798 (2019: 666,190,798) shares in issue during the year.

For the years ended 30 April 2020 and 30 April 2019, diluted earnings/(loss) per share equals basic earnings/(loss) per share as there was no dilutive potential share.

8. Dividend

	2020	2019
	HK$'000	*HK$'000*
Proposed final dividend of HK0.50 cent (2019: Nil) per share	**3,331**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

9. Accounts and bills receivable

	2020	2019
	HK$'000	*HK$'000*
Accounts receivable	**23,884**	26,437
Less: provision for impairment of receivables	**(4,735)**	(5,268)
Accounts receivable, net	**19,149**	21,169
Bills receivable	**1,280**	–
Accounts and bills receivable, net	**20,429**	21,169

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

	2020	2019
	HK$'000	*HK$'000*
0-30 days	**11,924**	10,368
31-60 days	**3,408**	5,853
61-90 days	**891**	1,631
91-120 days	**1,570**	2,370
Over 120 days	**6,091**	6,215
	23,884	26,437
Less: loss allowance	**(4,735)**	(5,268)
	19,149	21,169

As at 30 April 2020 and 30 April 2019, the carrying amount of accounts and bills 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 (2019: 30 to 120 days).

10. Accounts payable

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

	2020	2019
	HK$'000	*HK$'000*
0-30 days	**99,163**	73,918
31-60 days	**27,993**	45,903
61-90 days	**8,550**	6,600
91-120 days	**–**	2,694
Over 120 days	**308**	1,245
	136,014	130,360

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 23 September 2020 to Tuesday, 29 September 2020 (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 Tuesday, 29 September 2020 are entitled to attend and vote at the annual general meeting of the Company to be held on Tuesday, 29 September 2020 (the "2020 Annual General Meeting"). In order to qualify to attend and vote at the 2020 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 Tuesday, 22 September 2020.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the 2020 Annual General Meeting. For the purpose of determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 9 October 2020 to Tuesday, 13 October 2020 (both dates inclusive), during which period no transfer of shares of the Company will be effected. In order to be entitled to the proposed final dividend, 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, Hong Kong for registration by no later than 4:30 p.m. on Thursday, 8 October 2020. The payment of final dividend will be made on or about Thursday, 29 October 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a consolidated revenue of HK$1,958,651,000 for the year 2019/20 (2019: HK$1,839,923,000), representing an increase of 6.5% as compared with that of last year. Consolidated gross profit was HK$632,018,000 (2019: HK$619,717,000), representing an increase of 2.0% as compared with that of last year, while consolidated gross profit margin dropped about 1.4 percentage points to 32.3% (2019: 33.7%). Adhering to the cost control and work flow improvement plan that set up last year, the Group in the year imposed most prudent policies to strictly control the operating costs of retail business and electronic component manufacturing business, keeping them at low level with regard to those in recent years. Consolidated selling and distribution costs and general administrative expenses for the year were HK$478,626,000 and HK$102,164,000 (2019: HK$493,958,000 and HK$111,886,000) respectively, representing decreases of 3.1% and 8.7% respectively. Through effective cost saving, and strategically adjusting the combination of imported merchandise that gave rise to revenue growth, the Group recorded a profit attributable to shareholders of HK$12,349,000 (2019: loss of HK$9,521,000) during the year.

BUSINESS REVIEW

Retail Business

Hong Kong local market faced an unprecedented crisis in the year 2019/20. In the first half of the year, Hong Kong economy was influenced by a series of disturbance in society. On top of that, COVID-19 epidemic that developed lightning fast into global pandemic since February 2020 gave overturning changes to local market, even to global retail market and supply chains. To deal with the epidemic that came all of a sudden and so wreaked havoc, the life style and buying habit of citizens changed tremendously. In the period under review, the Group stayed proactively in response to the changes in real world, firmly sticking to the founder's will at the very beginning when he established 759 STORE, with determination persistently offering high quality products at low prices to local neighbours through "Quick Turnover with Lower Margin" policy. During the year, the retail business recorded a revenue of HK$1,886,705,000 (2019: HK$1,730,024,000), representing a rise of 9.1% as compared with that of last year. The growth of sales revenue in retail business was mainly attributed to the great increase in citizens' demand on food grocery during the epidemic. Right from the early stage when COVID-19 epidemic emerged, the Group had already done its best to increase the procurement amount of food grocery. Regardless of the shortage in global food supply and the increase in freight charge, the management insisted to maintain the product retail prices as stable as possible during the epidemic, in the meantime ruling out any idea to change the discount policy that long imposed, maintaining "everyday 23% off" discount policy during the epidemic. Meanwhile, the revenue growth was mainly in rice, noodle, frozen food and sanitary paper product which have lower gross profit margins, leading the segment gross profit margin of the retail business to drop 1.4 percentage points to 32.8% (2019: 34.2%) as segment gross profit increased along with revenue by 4.4% to HK$618,031,000 (2019: HK$591,719,000).

759 STORE adopted a model for its procurement 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 directly from their places of origin including 57 countries and regions (2019: 61). Our procurement team kept on searching for high-quality products around the world for customers' selection. Most of the products came from Japan and Korea. Directly imported goods from Japan and South Korea accounted for approximately 46% share of the overall procurement, with the others coming from Thailand, Europe, Taiwan, Mainland China, America and other regions. In the year, 759 STORE drove its direction of development on product portfolio further towards the categories of food products and necessities of daily life, in which the share of rice, food grocery, frozen food and sanitary paper product in sales revenue had increased, while the share of snack, being the greatest for long time, decreased to about 29% (2019: 32%) In the period under review, the number of product items regularly carried was about 5,760 (2019: 6,100), less than that in last year since 759 STORE had adopted a much fast-moving product mix, allocating procurement resource to the products of much stable sales according to sales data accumulated for years, eliminating certain product items that were slow-moving, so as to shorten turnover day of inventory and improve cash flow. As at 30 April 2020, the total inventories carried by the retail business of the Group was HK$244,118,000 (2019: HK$311,559,000), decreasing by 21.6% as compared with that of last year.

With a net decrease of 2 stores, the total number of shops of 759 STORE was 177 as at 30 April 2020 (2019: 179), among which 12 shops were newly opened and 14 shops were closed. As at the same date, the total shop floor area in operation was 359,000 square feet (30 April 2019: 384,000 square feet), with an average floor area per store of 2,028 square feet (30 April 2019: 2,145 square feet), representing an average decrease of 5.5% over last year, mainly due to the giving up of certain oversized stores by the Group. The turnover per square foot has increased to HK$5,255 (2019: HK$4,505). Since most of the shops recorded sales growth in same shops for the year, improvement in frontline staff efficiency caused the share of labour cost as a percentage of revenue to decrease to 8.3% (2019: 8.9%). The average number of frontline staff per shop remained at a similar level of 3.7 persons (2019: 3.6 persons). For remuneration, labour cost of the Group's frontline staff included basic salary, commission and other benefits. The commission of the shop was calculated depending on the sales performance of that shop, which was divided among the staff based on the number of staff members on duty.

The Group imposed strict control on the cost that the segmental selling and distribution expenses and general administration expenses decreased about 3.0% and 10.0% respectively, to HK$477,499,000 and HK$80,133,000 (2019: HK$492,252,000 and HK$89,074,000) respectively, significantly improving the profitability of the retail business. On the other hand, 2 self-use properties for retail business were sold at the timing that the management deemed appropriate in the period under review, recording a realized gain of about HK$7,720,000 for property sales. In sum of the various factors, segment operating profit of retail business in the year recorded a growth as compared with that in last year to HK$70,273,000 (2019: HK$11,874,000).

Support from the Customers

In the year, mild growth was recorded in the patronage frequency of members. The number of membership cards that persistently being used every week for 1 time or more was about 540,000 (2019: 460,000) and the number of membership cards that persistently being used every 5 week for 1 time or more was about 1,350,000 (2019: 1,230,000). This figure showed that 759 STORE had received long-term persistent support extensively from customers in all walks of life.

Electronic Components Manufacturing Business

During the year, the segment revenue of electronic components manufacturing business of the Group dropped to HK$70,727,000 (2019: HK$108,972,000), representing a decrease of 35.1% as compared with that of last year and accounting only for 3.6% of the Group's consolidated revenue. The manufacturing business was seriously pounded by the impacts of double whammy, the China-US trade war and COVID-19 epidemic. In February 2020, all factories of the Group located in Mainland China had completely suspended their operation. In the face of such situation, the Group did its best to save costs in the period under review, to minimize the loss as much as possible. The segment operating loss for the manufacturing business was HK$7,327,000 (2019: segment operating profit of HK$13,158,000) for the year, which included a provision for impairment of fixed assets of HK$6,833,000. Meanwhile, from the middle of March in 2020, the epidemic came under control that some signs of recovery were gradually found in the orders of our major customers. However, as new cold war between US and China gradually got in shape, we believed that the manufacturing business in future would still be quite challenging. The management would keep doing its best to control the costs so that the manufacturing business could return to its breakeven point level as soon as possible.

Investment Properties

Rental income of the Group for the year amounted to HK$1,219,000 (2019: HK$927,000). During the year, the investment properties recorded the fair value loss of approximately HK$5,005,000 (2019: HK$5,010,000) in the consolidated income statement.

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 30 April 2020, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$93,612,000 (2019: HK$69,130,000). As at 30 April 2020, the Group had aggregate banking facilities of HK$522,800,000 (2019: HK$517,700,000) which included overdrafts, loans, trade financing, etc. Unused facilities as at the same date amounted to approximately HK$235,666,000 (2019: HK$129,248,000).

The Group's bank loans as at 30 April 2020 amounted to HK$287,134,000 (2019: HK$388,452,000), representing a decrease of 26.1% as compared with that of last year. As the Group has been progressively reducing its debt, the Group has reduced its gearing ratio* to 0.32 (2019: 0.43) as at 30 April 2020, representing a decrease of 0.11 as compared with the previous financial year end. As at the same date, the Group did not have any contingent liabilities (2019: Nil).

(The ratio of (total borrowings less bank balances and cash) over (total borrowings less bank balances and cash plus total equity))*

At 30 April 2020, the utilized banking facilities amounting to HK$287,134,000 (2019: HK$388,452,000) were secured by charges on the Group's certain land and buildings, investment properties, bank deposits and inventories. In addition, the Group is required to comply with certain restrictive financial covenants imposed by the major financing banks. As at 30 April 2020, the Group could comply with such financial covenants.

Assets

As at 30 April 2020, the Group's total inventories amounted to HK$294,121,000 (2019: HK$367,133,000), representing a decrease of 19.9% as compared with the last financial year end. Meanwhile, the total prepayments, deposits and other receivables (including rental deposits for retail stores) as at the same date fell to HK$84,162,000 (2019: HK$90,467,000), decreased by 7.0%.

Interest Expenses

The Group's finance costs for the period was HK$30,464,000 (2019: HK$19,726,000). The increase in interest expenses was mainly attributable to the interest expenses of lease liabilities of approximately HK$13,477,000 resulting from the adoption of HKFRS 16 "Leases" since 1 May 2019. The actual bank interest expense for the period was HK$16,987,000 (2019: HK$19,726,000), representing a saving of 13.9% as compared with that of last year, mainly attributable to the lowered utilization of banking facilities and overdrafts in the period. The Group expects that the interest expense in future would continue to fall along with the way that bank borrowings are utilized.

Financial Resources and Capital Structure

The Group's net cash inflow was HK$26,590,000 (2019: HK$46,522,000) for the year. Net cash inflow from operating activities was HK$341,822,000 (2019: HK$79,619,000). The significant increase in net cash inflow from operating activities was mainly attributable to the adoption of HKFRS 16 during the year, in which an item of depreciation for right-of-use assets of approximately HK$185,014,000 was newly recognized. On the other hand, a newly recognized repayment item for lease liabilities of around HK$190,472,000 caused cash outflow from financing activities to increase greatly to HK$319,874,000 (2019: HK$32,501,000). Despite of the aforesaid factor, the Group greatly reduced the bank borrowings for roughly HK$101,318,000 in the year. The net cash inflow from investing activities in the year was HK$4,642,000 (2019: outflow of HK$596,000), which was the difference between the cash gain from property sales and the fixed asset investment for newly opened shops in the period under review.

Cash Flow Summary

	2020	2019
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**341,822**	79,619
Net cash inflow/(outflow) from investing activities	**4,642**	(596)
Net cash outflow from financing activities	**(319,874)**	(32,501)
Increase in cash and cash equivalents	**26,590**	46,522

As at 30 April 2020, the net current liabilities of the Group was HK$163,488,000 (2019: HK$88,724,000) and the current ratio was 0.74 (2019: 0.85). HKFRS 16 "Leases" has changed the accounting treatment for the Group's operating leases, including all leasing shop sites, warehouses and offices with lease period of over a year. After the adoption of HKFRS 16, long term leases in the consolidated balance sheet as at 30 April 2020 was separately recognized as right-of-use assets of HK$235,968,000, current lease liabilities of HK$139,354,000 and long-term lease liabilities of HK$94,469,000. Since current liabilities increased significantly by over HK$130 million after the adoption of the new standard, there were significant changes in net current liabilities and current ratio. The actual current ratio of the Group would be higher than that of the previous financial year end if the difference created by new accounting standard were excluded.

The Group's total current liabilities included pledge loans of approximately HK$43,000,000 (HK$19,500,000 repayable within one year; HK$23,500,000 repayable after one year). This bank loan of HK$23,500,000 due for repayment after one year which contains a repayment on demand clause was classified as current liabilities in accordance with HK Interpretation 5, "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause". The management believes that the Group's working capital on hand, together with the banking facilities provided by major financing banks, are sufficient to fund its existing operation.

Charges on Assets

As at 30 April 2020, certain assets of the Group with an aggregate carrying value of approximately HK$547,840,000 (2019: HK$615,802,000) 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 in purchase commitments and operation costs are denominated in Japanese Yen, United States dollars, Euro, Hong Kong dollar and Renminbi. The Group will endeavor to be vigilant in monitoring the fluctuation in exchange market, and will proactively adjust the combination of imported merchandise in order to offset the impact that may occur from currency fluctuation. Presently, if the exchange rates of Japanese Yen and Euro go up significantly, it will impact the Group's overall cost of imports. Because of this, the Group will pay vigilant attention to the fluctuation of Japanese Yen and Euro.

Employees

As at 30 April 2020, the Group had employed approximately 1,700 staff (2019: 1,700). The remuneration of the employees is determined by a wide range of factors including references to market benchmark, individual performance, academic qualification and work experience, subject to periodic reviews. Other agreed employee benefits includes pension scheme, medical insurance, on-job training, education subsidy and other social security and paid leaves stipulated under the relevant jurisdiction of places of operation.

FUTURE PLAN AND OUTLOOK

In the persisting deep turmoil induced by US-China trade relation and COVID-19 epidemic to global market, the management will impose most prudent business policy to operate with great caution and lead the Group through unprecedented challenges.

The direct import operating model has brought 759 STORE great autonomy in pricing and stability on food supply. Yet, fundamental changes in consumer behavior and either disruption in production or cost increase in shipments posse challenges to the Group and the management's ability to respond to this ever-changing business environment swiftly and tactfully.

Diverse and extensive procurement network has been built with the frequently high-volume self-import model over the years. Intimate partnerships with manufacturers from around the world allows 759 STORE to adjust procurement strategies in timely manner. The Group believes close long term partnership with suppliers is crucial to stable operations, and will continue to keep tight communications and make effort to strengthen the bonding among long term partnerships. 759 STORE will explore broader supply of quality food grocery products in order to extend the sales participation of daily necessities. The capability in autonomy of pricing will be made best use in the execution of "Quick Turnover with Lower Margin" policy and serving the community of Hong Kong. The Group will work in joint hands with consumers, suppliers and staff to fight COVID-19 and withstand the upward pressure on retail prices in the food category.

For retail store network, as the Group will strengthen the position of developing food grocery category, serving local neighbours as its corporate mission, 759 STORE will keep in search of potential sites among daily-necessities shopping malls or shops in residential areas. Since picking suitable shop site is highly subjected to the shop supply in that region, shop position, numbers of people passing by and the shop rent per sq. feet, the Group will examine the indexes built by the shops performance figures in various regions, actively searching for and picking suitable site for new shop. As at the release date of this report, the Group will have had 2 new shops opened, and 3 other new shops under renovation in new financial year 2020/21. The Group will evaluate the performance of existing shops in detail with various financial indexes for determining whether to renew their tenancy agreements.

Benefited by the improvements made for the business in these years, all major cost elements in retail business have significantly reduced. Even "Quick Turnover with Lower Margin" policy does not bring tremendous profit to the Group, cash flow of the business has steadily increased, in which bank borrowings have gradually decreased. The Group in foreseeable future will develop at steady pace, take measures to increase the cash flow, including firmly sticking to "Quick Turnover with Lower Margin" policy, and in respect of product presentation, improve the product mix by refining and then trimming product items that are regularly carried, so as to focus on products or categories that are relatively fast-moving. Besides, 759 STORE will work together with overseas suppliers to much frequently introduce "limited time only" products of the brands famous in those overseas countries, to provide much more fresh feelings in 759 STORE's shop front windows, so as to enhance the leisure shopping enjoyment of our customers. In summary, the management would lead the Group to well guard our primary business, in good hope of further decreasing the borrowings and so the operation risk in whole during this very unusual period.

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 2020. 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 2020.

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 14 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 2020, except for the following deviations:

1. Under code provision A.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 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 A.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 2020.

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 10 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 2019 to 30 April 2020. 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 2019/2020 annual report of the Company, which will be sent to the shareholders of the Company by the end of August 2020.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income and the related notes thereto for the year ended 30 April 2020 as set out in this 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 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 PricewaterhouseCoopers on this announcement.

ANNUAL GENERAL MEETING

The 2020 Annual General Meeting of the Company will be held on Tuesday, 29 September 2020 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 2019/20 annual report of the Company containing all information required by the Listing Rules will be despatched to shareholders of the Company and available on the same websites in due course.

By Order of the Board
Tang Fung Kwan
Chairman

Hong Kong, 29 July 2020

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

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

* *For identification purpose only*