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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)

**2020/2021 ANNUAL RESULTS ANNOUNCEMENT**

The board of directors (the “Board”) of CEC International Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 30 April 2021 as follows:

**CONSOLIDATED INCOME STATEMENT**

*FOR THE YEAR ENDED 30 APRIL 2021*

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Revenue	2	<b>2,103,529</b>	1,958,651
Cost of sales	5	<b>(1,470,017)</b>	(1,326,633)
Gross profit		<b>633,512</b>	632,018
Other income	3	<b>41,547</b>	2,200
Other losses, net	4	<b>(2,373)</b>	(4,532)
Selling and distribution expenses	5	<b>(462,612)</b>	(478,626)
General and administrative expenses	5	<b>(145,746)</b>	(102,164)
Operating profit		<b>64,328</b>	48,896
Finance income		<b>2,674</b>	396
Finance costs		<b>(17,316)</b>	(30,464)
Finance costs, net	6	<b>(14,642)</b>	(30,068)
Profit before income tax		<b>49,686</b>	18,828
Income tax expense	7	<b>(17,362)</b>	(6,479)
Profit attributable to equity holders of the Company		<b>32,324</b>	12,349
Earnings per share, basic and diluted, attributable to equity holders of the Company	8	<b>HK4.85 cents</b>	HK1.85 cents

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*FOR THE YEAR ENDED 30 APRIL 2021*

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the year</b>	<b>32,324</b>	12,349
<b>Other comprehensive income/(loss)</b>		
<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	(30)	(20)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	27,120	(19,356)
<b>Total comprehensive income/(loss) for the year attributable to equity holders of the Company</b>	<b>59,414</b>	(7,027)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 APRIL 2021

	<i>Note</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		344,753	369,744
Right-of-use assets		206,362	235,968
Investment properties		22,493	22,977
Financial assets at fair value through other comprehensive income		249	279
Rental deposits		33,305	36,678
Deferred tax assets		5,765	13,642
		612,927	679,288
<b>Current assets</b>			
Inventories		194,162	294,121
Accounts and bills receivable	<i>10</i>	21,494	20,429
Deposits, prepayments and other receivables		53,058	47,484
Tax recoverable		25	72
Pledged bank balances		31,390	31,353
Cash and cash equivalents		70,362	62,259
		370,491	455,718
<b>Total assets</b>		983,418	1,135,006
<b>EQUITY</b>			
Share capital		66,619	66,619
Reserves		401,749	345,666
<b>Total equity</b>		468,368	412,285
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		76,574	94,469
Deferred tax liabilities		7,051	5,481
Provision for reinstatement cost		7,526	3,565
		91,151	103,515
<b>Current liabilities</b>			
Lease liabilities		126,075	139,354
Borrowings		129,760	287,134
Accounts payable	<i>11</i>	106,701	136,014
Accruals and other payables		53,568	56,704
Taxation payable		7,795	–
		423,899	619,206
<b>Total liabilities</b>		515,050	722,721
<b>Total equity and liabilities</b>		983,418	1,135,006

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

As at 30 April 2021, the Group’s current liabilities exceeded its current assets by HK\$53,408,000 (2020: HK\$163,488,000). This net current liabilities position was mainly attributable to the recognition of lease liabilities of HK\$126,075,000 (2020: HK\$139,354,000) in current liabilities and HK\$76,574,000 (2020: HK\$94,469,000) in non-current liabilities, respectively, while the associated right-of-use assets amounting to HK\$206,362,000 (2020: HK\$220,498,000) were recognised in non-current assets in accordance with HKFRS 16 “Leases”.

As at 30 April 2021, the Group’s total borrowings, mainly comprising import and trust receipt loans, amounted to HK\$129,760,000 (2020: HK\$287,134,000) and are repayable within twelve months from 30 April 2021, while the Group’s cash and cash equivalents amounted to HK\$70,362,000 (2020: HK\$62,259,000) only.

The Group’s operations are financed by both bank borrowings and internal resources. Management closely monitors the Group’s financial performance and liquidity position to assess the Group’s ability to continue as a going concern. With respect to the Group’s bank financing, the Group maintains continuous communications with its banks and has successfully renewed the bank facilities with its principal banks during the year. As at 30 April 2021, the Group had aggregated bank facilities totalling HK\$503,300,000 (2020: HK\$522,800,000) of which unutilised bank facilities amounted to HK\$373,540,000 comprising unutilised trade financing facilities of HK\$355,740,000 and unutilised term loan and overdraft facilities of 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 relationship 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 minimum period of twelve months from 30 April 2021. Management’s projections have incorporated key assumptions with regard to the continuous availability of bank facilities as well as operating cashflows generated from its operations. The Group’s ability to achieve the projected cash flows depends on 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 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 2021. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

**(b) Amended Standards and Revised Conceptual Framework Adopted by the Group**

The following amended standards and revised conceptual framework and a new interpretation were required to be adopted by the Group effective from 1 May 2020:

HKAS 1 and HKAS 8 (Amendments)	Definition of material
HKFRS 3 (Amendment)	Definition of a business
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Hedge accounting
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting

The adoption of the above new and amended standards did not have any material impact 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 2021:

HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest rate benchmark reform – phase 2 <sup>(1)</sup>
HKFRS 16 (Amendment) Annual Improvements project	COVID-19-related rent concessions <sup>(1)</sup> Annual improvements to HKFRS standards 2018–2020 <sup>(2)</sup>
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope amendments <sup>(2)</sup>
HKAS 1 (Amendment)	Classification of liabilities as current or non-current <sup>(3)</sup>
HKFRS 17 HK-Interpretation 5 (2020)	Insurance contracts <sup>(3)</sup> Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause <sup>(3)</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture <sup>(4)</sup>

<sup>(1)</sup> Effective for the Group for annual period beginning on 1 May 2021

<sup>(2)</sup> Effective for the Group for annual period beginning on 1 May 2022

<sup>(3)</sup> Effective for the Group for annual period beginning on 1 May 2023

<sup>(4)</sup> 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.

## 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; 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 2021 and 2020 is as follows:

	Retail business		Electronic component manufacturing		Investment property holdings		Eliminations		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue										
External sales	2,025,544	1,886,705	77,131	70,727	854	1,219	-	-	2,103,529	1,958,651
Intersegment sales	-	-	-	-	1,585	1,585	(1,585)	(1,585)	-	-
	<u>2,025,544</u>	<u>1,886,705</u>	<u>77,131</u>	<u>70,727</u>	<u>2,439</u>	<u>2,804</u>	<u>(1,585)</u>	<u>(1,585)</u>	<u>2,103,529</u>	<u>1,958,651</u>
Segment results										
Operating profit/(loss)	<u>153,891</u>	<u>70,273</u>	<u>(76,496)</u>	<u>(7,327)</u>	<u>(2,149)</u>	<u>(5,292)</u>			<u>75,246</u>	<u>57,654</u>
Corporate expenses									<u>(10,918)</u>	<u>(8,758)</u>
Finance costs, net									<u>(14,642)</u>	<u>(30,068)</u>
Profit before income tax									<u>49,686</u>	<u>18,828</u>
Income tax expense									<u>(17,362)</u>	<u>(6,479)</u>
Profit for the year									<u>32,324</u>	<u>12,349</u>
Depreciation and amortization	<u>(182,355)</u>	<u>(209,527)</u>	<u>(3,406)</u>	<u>(4,632)</u>	-	-			<u>(185,761)</u>	<u>(214,159)</u>
Reversal of/(provision for) impairment of property, plant and equipment	<u>9</u>	<u>284</u>	<u>(15,837)</u>	<u>(6,833)</u>	-	-			<u>(15,828)</u>	<u>(6,549)</u>
Reversal of impairment for right-of-use assets	<u>245</u>	<u>2,211</u>	-	-	-	-			<u>245</u>	<u>2,211</u>
Total distribution cost and administrative expenses	<u>(555,056)</u>	<u>(557,632)</u>	<u>(40,925)</u>	<u>(13,047)</u>	<u>(1,459)</u>	<u>(1,353)</u>			<u>(597,440)</u>	<u>(572,032)</u>
Capital expenditures	<u>13,487</u>	<u>7,477</u>	<u>288</u>	<u>330</u>	-	-			<u>13,775</u>	<u>7,807</u>

	Retail business		Electronic component manufacturing		Investment property holdings		Eliminations		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	800,049	905,673	157,853	195,647	22,973	23,734	(3,462)	(3,943)	977,413	1,121,111
Unallocated assets										
– Deferred tax assets									5,765	13,642
– Corporate assets									215	181
– Tax recoverable									25	72
Total assets									<u>983,418</u>	<u>1,135,006</u>
Segment liabilities	357,354	416,855	11,896	12,150	3,268	4,063	(3,462)	(3,943)	369,056	429,125
Borrowings									129,760	287,134
Unallocated liabilities										
– Deferred tax liabilities									7,051	5,481
– Taxation payable									7,795	-
– Corporate liabilities									1,388	981
Total liabilities									<u>515,050</u>	<u>722,721</u>

## Geographical information

	Revenue		Non-current assets	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The PRC (including Hong Kong Special Administrative Region)	2,074,551	1,932,062	612,597	679,247
Other countries/regions	<u>28,978</u>	<u>26,589</u>	<u>330</u>	<u>41</u>
	<u>2,103,529</u>	<u>1,958,651</u>	<u>612,927</u>	<u>679,288</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 2021, no revenue was derived from transactions with a single external customer representing 10% or more of the Group's total revenue (2020: same).

### 3. Other Income

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Government subsidies ( <i>Note</i> )	<u>41,547</u>	<u>2,200</u>

Note: These primarily represented government subsidies in relation to the COVID-19 pandemic which included subsidies of HK\$39,773,000 under the Employment Support Scheme (2020: Nil) and other subsidies of HK\$1,490,000 (2020: HK\$2,200,000) granted under the Anti-Epidemic Fund of the Government of the Hong Kong Special Administrative Region.

### 4. Other Losses, Net

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net fair value loss on investment properties	(1,426)	(5,005)
Net (loss)/gain on disposal of property, plant and equipment	(2,879)	2,200
Net gain on disposal of non-current asset held-for-sale	–	4,822
Gain on lease modification	1,932	–
Others	–	(6,549)
	<u>(2,373)</u>	<u>(4,532)</u>

## 5. Expenses by Nature

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditors' remuneration		
– audit services	3,041	2,950
– non-audit services	125	129
Cost of inventories recognised as expenses included in cost of sales	1,404,432	1,302,771
Depreciation of property, plant and equipment	25,887	29,145
Direct operating expenses arising from investment properties that generate rental income	118	153
Employee benefit expenses (including directors' emoluments)	272,748	259,520
Net exchange (gains)/losses		
– recognised in cost of sales	(32,721)	(29,247)
– recognised in general and administrative expenses	10,505	(16,510)
Depreciation of right-of-use assets	159,874	185,014
Expenses relating to short-term leases and variable lease payments	6,134	4,438
Reversal of impairment of right-of-use assets	(245)	(2,211)
Provision for/(net reversal of) impairment loss on financial assets	311	(533)
Provision for/(reversal of) impairment of inventories	26,334	(2,472)
Provision for impairment of properties, plant and equipment	15,828	–
Utility expenses	54,564	61,011
Freight and transportation	58,472	51,689
Other expenses	72,968	61,576
	<u>2,078,375</u>	<u>1,907,423</u>
Total cost of sales, selling and distribution expenses and general and administrative expenses		

## 6. Finance Costs, Net

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest expense on bank borrowings	5,921	16,987
Interest expense on lease liabilities	11,395	13,477
Interest income from bank deposits	(260)	(396)
Net exchange gains	(2,414)	–
	<u>14,642</u>	<u>30,068</u>

## 7. Income Tax Expense

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong profits tax		
– current tax	7,795	–
– over provision in prior years	–	(2)
Overseas income tax including Mainland China		
– current tax	117	217
– under provision in prior years	3	–
Deferred income tax	<u>9,447</u>	<u>6,264</u>
Total income tax expense	<u><u>17,362</u></u>	<u><u>6,479</u></u>

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 8.25% on the first HK\$2 million of estimated assessable profits and 16.5% on the estimated assessable profit above HK\$2 million (2020: 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% (2020: 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. Earnings Per Share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holder of approximately HK\$32,324,000 (2020: HK\$12,349,000) and the weighted average number of 666,190,798 (2020: 666,190,798) shares in issue during the year.

For the years ended 30 April 2021 and 30 April 2020, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

## 9. Dividend

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Proposed final dividend of HK0.90 cent (2020: HK0.50 cent) per share	<u><u>5,996</u></u>	<u><u>3,331</u></u>

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.

## 10. Accounts and Bills Receivable

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accounts receivable	23,757	23,884
Less: provision for impairment of receivables	<u>(5,046)</u>	<u>(4,735)</u>
Accounts receivable, net	18,711	19,149
Bills receivable	<u>2,783</u>	<u>1,280</u>
Accounts and bills receivable, net	<u><u>21,494</u></u>	<u><u>20,429</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0-30 days	10,692	11,924
31-60 days	4,629	3,408
61-90 days	2,121	891
91-120 days	963	1,570
Over 120 days	<u>5,352</u>	<u>6,091</u>
	23,757	23,884
Less: loss allowance	<u>(5,046)</u>	<u>(4,735)</u>
	<u><u>18,711</u></u>	<u><u>19,149</u></u>

As at 30 April 2021 and 30 April 2020, 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 (2020: 30 to 120 days).

## 11. Accounts Payable

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0-30 days	74,878	99,163
31-60 days	29,290	27,993
61-90 days	2,306	8,550
91-120 days	53	–
Over 120 days	174	308
	<u>106,701</u>	<u>136,014</u>

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 23 September 2021 to Wednesday, 29 September 2021 (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 Wednesday, 29 September 2021 are entitled to attend and vote at the annual general meeting of the Company to be held on Wednesday, 29 September 2021 (the “2021 Annual General Meeting”). In order to qualify to attend and vote at the 2021 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, 21 September 2021.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the 2021 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, 8 October 2021 to Tuesday, 12 October 2021 (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, 7 October 2021. The payment of final dividend will be made on or about Tuesday, 2 November 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The year 2020/21 continued to be a year full of challenges. The way of everyday life for Hong Kong people continued to be plagued by COVID-19 pandemic. In light of the common view that the development of the pandemic and its effect on local and global economies remained hard to be estimated, the management in the year took an approach of being on the safe side to run its business. The Group recorded a consolidated revenue of HK\$2,103,529,000 for the year (2020: HK\$1,958,651,000), representing an increase of approximately 7.4% as compared with that of last year. Consolidated gross profit was HK\$633,512,000 (2020: HK\$632,018,000), while consolidated gross profit margin dropped about 2.2 percentage points to 30.1% (2020: 32.3%). In the year under review, the Group made prudent adjustments on the business, including the retail business in Hong Kong and electronic component manufacturing business. In response to the changes in electronic component market in the first half of the year, the Group reviewed the prospect of the coils business and made a significant modification on it decisively, to close the electrical power transformer manufacturing business that an one-off asset impairment provision of approximately HK\$40,393,000 in total was recorded (including fixed asset and inventory related to the business). On the other hand, the retail business received subsidies of around HK\$41,263,000 in total from Employment Support Scheme and Retail Sector Subsidy Scheme launched by the Hong Kong Government. The Group's profit attributable to shareholders was HK\$32,324,000 (2020: HK\$12,349,000) during the year, representing a 1.6-time increase over last year.

### Retail Business

During the year, the retail business recorded a revenue of HK\$2,025,544,000 (2020: HK\$1,886,705,000), representing a rise of 7.4% as compared with that of last year. The growth of retail revenue was mainly benefited from the increase in the demand created by citizens on food grocery and household products in the pandemic. However, as the pandemic gradually came under control in Hong Kong in January 2021, the demand on the related products tended to reserve its strength accordingly. In contrast, the demand on snack and leisure food products showed its trend to rebound in the fourth quarter of the year. By making good use of its flexibility and autonomy in supply chain, 759 STORE adjusted the weighting of its product mix to meet the need of ever-changing market that made 759 STORE recorded growth in the year. The segment gross profit margin maintained as 32.8% (2020: 32.8%), much the same as that of last year, by main reason that the Group firmly stuck to the principle of “Quick Turnover with Lower Margin” and “serving Hong Kong community”, doing its best to maintain its pricing stable with the same discount policy it long adopted. The segment gross profit of the retail business for the year increased along with revenue by approximately 7.6% to HK\$664,874,000 (2020: HK\$618,031,000).

759 STORE continued to adopt a model for its procurement that products were mainly “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 60 countries and regions (2020: 57). Our procurement team kept on searching for high-quality products around the world for customers’ selection. Most of the products came from Japan and South Korea. Directly imported goods from Japan and South Korea accounted for approximately 46% share of the overall procurement, with the others mainly coming from Thailand, Europe, Taiwan, Mainland China, America and other regions. In the year, the product mix of 759 STORE developed with good balance, in which snack, drink, rice, food grocery, frozen food and sanitary paper product also had much the same growth. In the period under review, the number of product items regularly carried was about 5,700 (2020: 5,760), which is similar to that of last year. Manufacturers of food and non-food products around the globe were in various extent impacted by the pandemic at their respective parts of the world in different periods. As a result, the number of new released products taken in for the year was less than that for last year and our products were mainly those best-selling. Since our procurement in the year was much accurate than those in previous years, inventory turnover improved significantly that as at 30 April 2021, the total inventories carried by retail business of the Group was HK\$174,898,000 (2020: HK\$244,118,000), decreasing by 28% as compared with that of last year.

759 STORE kept reviewing its shop network in the year, actively searching for promising regions and shop sites to extend its business, in the meantime closing up the shops not performing well with reference to the actual figures in their shop operations. As at 30 April 2021, total number of shops for 759 STORE was 174 (2020: 177), with net decrease of 3 shops, in which 10 shops were newly opened and 13 shops were closed. As at the same date, the total gross floor area of shops in operation was 354,000 square feet (30 April 2020: 359,000 square feet) on average of 2,034 square feet per shop (30 April 2020: 2,028 square feet), much the same as that of the previous year. As frontline staff efficiency improved, the ratio of labour cost in respect of revenue decreased to 8.0% (2020: 8.3%). The average number of frontline staff per shop remained at a similar level of 4.0 persons (2020: 3.7 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.

In the year, the selling and distribution expenses of the retail business decreased by 3.4% to HK\$461,350,000 (2020: HK\$477,499,000), while the segment's general administrative expenses increased by 16.9% to HK\$93,706,000 (2020: HK\$80,133,000), which was mainly attributable to the increase in labour cost. Retail business in the year had no revenue from the sale of real estate property (2020: HK\$7,720,000). In the year, the Group received a subsidy of HK\$39,773,000 from the Employment Support Scheme provided by the Hong Kong government, other retail sector subsidies of HK\$1,490,000 and a subsidy of around HK\$284,000 acquired locally by Singapore subsidiary of the Group. Joining up all factors, segment operating profit for the retail business in the year recorded an encouraging growth of HK\$153,891,000 (2020: HK\$70,273,000), as compared with that of last year.

### **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 once or more every week was about 550,000 (2020: 540,000) and the number of membership cards that persistently being used once or more every 5 week was about 1,400,000 (2020: 1,350,000). This figure showed that 759 STORE had received long-standing and persistent support extensively from customers in all walks of life.

### **Electronic Components Manufacturing Business**

Since the demand of electrical power transformer was greatly impacted by the current practice that mobile phone was no longer sold with free charger, the Group reluctantly decided to fully close the production hall for power supply type coils in the period under review, including production lines of transformer assembly, manganese-zinc ferrite and related plastic frame. The decision resulted in a provision for impairment of fixed assets, including production equipment and certain moulds and tools for transformers and manganese-zinc ferrite, amounting to approximately HK\$13,160,000. Apart from that, a one-off provision of approximately HK\$27,233,000 was also made for the inventories of the related business, including raw materials and some finished goods. The treatment for aforesaid electrical power transformer related provisions gave no effect on cash flow. Besides, the Group performed impairment assessment on the remaining property, plant and equipment of the electronic component manufacturing business and recognised an impairment of HK\$2,677,000. After allocating the provisions, the book values of equipment and inventory in the manufacturing business segment as at 30 April 2021 decreased to HK\$1,420,000 and HK\$19,264,000 respectively. The Group in future would be much concentrated on developing traditional coils manufacturing business.

In the year, the segment revenue of electronic components manufacturing business was HK\$77,131,000 (2020: HK\$70,727,000), representing an increase of 9.1% as compared with that of last year and accounting only for 3.7% of the Group's consolidated revenue. Though there was an increase in the revenue of manufacturing business in the year as compared with that of last year, it was still far from the level of that before COVID-19 pandemic burst as power supply type coils manufacturing had been fully withdrawn. The segment operating loss for the manufacturing business was HK\$76,496,000 (2020: HK\$7,327,000) for the year, which included the aforesaid one-off provision of approximately HK\$40,393,000. Along with that, since the Renminbi exchange rate rose sharply and hit a new record high in the year, an unrealized exchange loss of HK\$10,505,000 (2020: exchange gain of HK\$8,090,000) was recorded. This unrealized exchange loss or gain will not have any effect on cash flow.

The Board believed that through the above adjustments on manufacturing business, the Group's manufacturing business would focus on maintaining the production of traditional coils and expected that the influence of manufacturing business on the overall performance of the Group would be much reduced in the future.

### **Investment Properties**

Rental income of the Group for the year amounted to HK\$854,000 (2020: HK\$1,219,000). During the year, the investment properties recorded a fair value loss of approximately HK\$1,426,000 (2020: HK\$5,005,000) in the consolidated income statement.

## **FINANCIAL REVIEW**

### **Fund Surplus and Liabilities**

As at 30 April 2021, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK\$101,752,000 (2020: HK\$93,612,000). As at 30 April 2021, the Group had aggregate banking facilities of HK\$503,300,000 (2020: HK\$522,800,000) which included overdrafts, loans, trade financing, etc. Unused facilities as at the same date amounted to approximately HK\$373,540,000 (2020: HK\$235,666,000).

The Group's bank loans as at 30 April 2021 amounted to HK\$129,760,000 (2020: HK\$287,134,000), representing a decrease of 55% as compared with that of last year. As the Group has been progressively reducing its debt, the Group has reduced its gearing ratio\* to 0.06 (2020: 0.32) as at 30 April 2021, representing a decrease of 81% as compared with the previous financial year end. Moreover, as at the same date, the Group did not have any contingent liabilities (2020: 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 2021, the utilized banking facilities amounting to HK\$129,760,000 (2020: HK\$287,134,000) were secured by charges on the Group's certain 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 2021, the Group could comply with such financial covenants.

### Assets

As at 30 April 2021, the Group's inventories amounted to HK\$194,162,000 (2020: HK\$294,121,000), representing a decrease of 34% 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\$86,363,000 (2020: HK\$84,162,000), increased by 2.6% as compared with the last financial year end.

### Interest Expenses

The finance costs for the Group in the year was HK\$17,316,000 (2020: HK\$30,464,000), with a great decrease of 43% as compared with that of last year. After deducting the interest of lease obligation, the bank loan interest was HK\$5,921,000 (2020: HK\$16,987,000), with a great decrease of 65%, mainly attributable to the lowered utilization of banking facilities and overdrafts in the period. The Group expected that the interest expense in future would keep falling with the lowered utilization of bank borrowings.

### Financial Resources and Capital Structure

Net cash inflow of the Group was HK\$7,019,000 (2020: HK\$26,590,000) for the year. Net cash inflow from operating activities was HK\$355,915,000 (2020: HK\$341,822,000), which remained at high level. Cash outflow from financing activities was HK\$336,318,000 (2020: HK\$319,874,000), reflecting that the Group in the year had greatly decreased the bank borrowings and improved the gearing ratio. Net cash outflow from investing activities in the year was HK\$12,578,000 (2020: inflow of HK\$4,642,000). The Group had not sold any real estate property in the year. Capital expenditure for the year was mainly attributed to the renovation of new shops and the purchase of logistic facilities.

### Cash Flow Summary

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Net cash inflow from operating activities	<b>355,915</b>	341,822
Net cash (outflow)/inflow from investing activities	<b>(12,578)</b>	4,642
Net cash outflow from financing activities#	<b>(336,318)</b>	(319,874)
	<u><b>7,019</b></u>	<u>26,590</u>
Increase in cash and cash equivalents	<u><b>7,019</b></u>	<u>26,590</u>

# This net amount included lease payment of HK\$169,054,000 (2020: HK\$190,472,000).

As the Group continued to improve its cash flow during the year and significantly reduced its debt level, as at 30 April 2021, the net current liabilities of the Group decreased significantly to HK\$53,408,000 (2020: HK\$163,488,000) and the current ratio was 0.87 (2020: 0.74), reflecting that the liquidity of the Group for the year had greatly improved as compared with for last year.

Total current liabilities of the Group included pledge loans of approximately HK\$23,500,000 (HK\$14,500,000 repayable within one year; HK\$9,000,000 repayable after one year). This bank loan of HK\$9,000,000 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 believed that the Group’s working capital on hand, together with the banking facilities provided by major financing banks, was sufficient to fund its existing operation.

### **Charges on Assets**

As at 30 April 2021, certain assets of the Group with an aggregate carrying value of approximately HK\$401,583,000 (2020: HK\$547,840,000) 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 2021, the Group employed approximately 1,600 staff (2020: 1,700) in total. The remunerations 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**

After the outbreak of COVID-19 pandemic, in response of social distancing measures that from time to time went tight, the demand for food grocery and frozen food kept showing some increase accordingly. This encouraged people from all walks of life including corporate groups or small business operators to enter food retail market that various types of food stores and frozen meat shops were then opened, making the always keen market competition much keen. The management believes that Hong Kong was an open market, in which competitions were inevitable, unavoidable that we will continue to stick to the principle as “Everyone run his own business independently.” to keep providing service to vast local community. Our procurement team will adjust the weightings across different types of incoming products as market demand changes, making good use of our competitive edge from the differentiation built by self-import, in the meantime actively searching for and so as introducing much more new types of products, refreshing our product mix to provide customers much more choices.

759 STORE in next financial year, accurately in May 2021, have opened 2 new shops and other 3 new shops that are currently under renovation are going to be opened in August ~ September 2021. Our stores had always been set up in residential areas in all districts in Hong Kong. After 11 years of development, the management believes that the coverage of our store network in residential area has reached satisfactory level. On top of that, in light of the unprecedentedly keen competition in food retail market and the high shop rent in residential areas, it is expected that the chance of shop number to greatly increase in near future will not be great. Since the management notices that the rental levels in traditional popular shopping districts and commercial districts, which were most affected by the pandemic in Hong Kong, has fell significantly in recent years, shop network expansion in future might shift its emphasis to such districts. However, in light of numerous uncertainties that exist in market, the Group will take prudent approach in future development plan.

759 STORE has been running since 2010 for 11 years, becoming the core business of the Group, of which its revenue took more than 96% in consolidated revenue. After making its way through adjustments on its business and improvements in its management in recent years, the figures for overall business performance of 759 STORE has gradually turned stable. In acknowledgement of the long-standing supports granted by everyone of our customers in the neighborhood that facilitated the stable development of the retail business, the management in future will continue to commit itself and so as every member of its staff to providing heartfelt services and much more good product choices of “reasonable price, good design and good quality” to our customers under the principle of “Quick Turnover with Lower Margin”.

## **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 2021. 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 2021.

## **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 2021, 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 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 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 2021.

## **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 2020 to 30 April 2021. 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 2020/2021 annual report of the Company, which will be sent to the shareholders of the Company by the end of August 2021.

## **SCOPE OF WORK OF MESSRS. 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 2021 as set out in this announcement have been agreed by the Group’s auditor, Messrs. PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. 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 Messrs. PricewaterhouseCoopers on this announcement.

## **ANNUAL GENERAL MEETING**

The 2021 Annual General Meeting of the Company will be held on Wednesday, 29 September 2021 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](http://www.hkex.com.hk)). The 2020/21 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, 28 July 2021

*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*