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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 APRIL 2023

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 2023 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 APRIL 2023

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	2	1,692,403	2,008,967
Cost of sales	5	(1,048,706)	(1,325,999)
Gross profit		643,697	682,968
Other income	3	19,331	186
Other (losses)/gains, net	4	(790)	2,204
Selling and distribution expenses	5	(453,373)	(479,626)
General and administrative expenses	5	(140,591)	(140,199)
Operating profit		68,274	65,533
Finance income		2,993	1,695
Finance costs		(13,354)	(13,543)
Finance costs, net	6	(10,361)	(11,848)
Profit before income tax		57,913	53,685
Income tax expense	7	(8,348)	(13,801)
Profit attributable to equity holders of the Company		49,565	39,884
Earnings per share, basic and diluted, attributable to equity holders of the Company	8	HK7.44 cents	HK5.99 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2023

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	49,565	39,884
Other comprehensive income		
<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	(58)	(85)
<i>Items that have been or may be reclassified subsequently to profit or loss</i>		
Currency translation differences	<u>(8,955)</u>	<u>(2,518)</u>
Total comprehensive income for the year attributable to equity holders of the Company	<u><u>40,552</u></u>	<u><u>37,281</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 APRIL 2023

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		315,582	332,461
Right-of-use assets		234,991	220,170
Investment properties		19,910	21,408
Financial assets at fair value through other comprehensive income		106	164
Deposit paid for acquisition of property, plant and equipment		1,039	–
Rental deposits		34,389	31,719
Deferred tax assets		5,727	5,015
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
		611,744	610,937
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories		144,282	126,064
Accounts receivable	<i>10</i>	14,447	24,800
Deposits, prepayments and other receivables		39,138	57,526
Tax recoverable		18	18
Pledged bank balances		21,440	21,440
Cash and cash equivalents		86,022	78,731
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
		305,347	308,579
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		917,091	919,516
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EQUITY			
Share capital		66,619	66,619
Reserves		466,924	433,034
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Total equity		533,543	499,653
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 APRIL 2023

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		92,930	85,559
Deferred tax liabilities		7,484	7,360
Accruals and other payables		9,801	9,780
Borrowings		2,554	3,483
		112,769	106,182
Current liabilities			
Lease liabilities		135,190	123,540
Borrowings		963	14,903
Accounts payable	<i>11</i>	70,752	95,695
Accruals and other payables		56,390	59,030
Taxation payable		7,484	20,513
		270,779	313,681
Total liabilities		383,548	419,863
Total equity and liabilities		917,091	919,516

Notes:

1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and disclosure requirements of Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared 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) Amended standards and accounting guideline adopted by the Group

The following amended standards and accounting guideline have been adopted by the Group for the first time for the financial year beginning on or after 1 May 2022:

Amendments to Annual improvements Project	Annual improvements to HKFRSs 2018 – 2020
Amendments to HKFRS 3	Reference to the conceptual framework
Amendments to HKAS 16	Property, plant and equipment – proceeds before intended use
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract
Revised Accounting Guideline 5	Merger accounting for common control combinations

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

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

The following Amendments have been issued but not yet effective during the year and have not been early adopted by the Group in preparing these financial statements for the year ended 30 April 2023:

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of accounting policies ⁽¹⁾
HKAS 8 (Amendments)	Definition of accounting estimates ⁽¹⁾
HKAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction ⁽¹⁾
HKFRS 17	Insurance contracts ⁽¹⁾
HKFRS 17 (Amendments)	Amendments to HKFRS 17 ⁽¹⁾
HKFRS 17 (Amendments)	Initial application of HKFRS 17 and HKFRS 9 – Comparative information ⁽¹⁾
HKAS 1 (Amendments)	Classification of liabilities as current or non-current ⁽²⁾
HKAS 1 (Amendments)	Non-current liabilities with covenants ⁽²⁾
HKFRS 16 (Amendments)	Lease liabilities in a sale and leaseback ⁽²⁾
HK-Interpretation 5 (Revised)	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause ⁽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 2023

⁽²⁾ Effective for the Group for annual period beginning on 1 May 2024

⁽³⁾ Effective date to be determined

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

2. Segment information

The Executive Directors of the Group (“Management”) 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 2023 and 2022 is as follows:

	Retail business		Electronic component manufacturing		Investment property holdings		Eliminations		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue										
External sales	1,628,415	1,922,315	62,926	85,735	1,062	917	-	-	1,692,403	2,008,967
Intersegment sales	-	-	-	-	1,585	1,585	(1,585)	(1,585)	-	-
	<u>1,628,415</u>	<u>1,922,315</u>	<u>62,926</u>	<u>85,735</u>	<u>2,647</u>	<u>2,502</u>	<u>(1,585)</u>	<u>(1,585)</u>	<u>1,692,403</u>	<u>2,008,967</u>
Segment results										
Operating profit/(loss)	<u>100,703</u>	<u>98,202</u>	<u>(15,443)</u>	<u>(13,780)</u>	<u>(1,586)</u>	<u>(1,698)</u>			<u>83,674</u>	<u>82,724</u>
Corporate expenses									(15,400)	(17,191)
Finance costs, net									(10,361)	(11,848)
Profit before income tax									57,913	53,685
Income tax expense									(8,348)	(13,801)
Profit for the year									<u>49,565</u>	<u>39,884</u>
Depreciation and amortization	(185,816)	(185,440)	(2,784)	(2,747)	-	-			(188,600)	(188,187)
Reversal of/(provision for) impairment of property, plant and equipment	39	138	(1,280)	-	-	-			(1,241)	138
Reversal of/(provision for) impairment for right-of-use assets	358	(152)	-	-	-	-			358	(152)
Total distribution cost and administrative expenses	(558,176)	(581,768)	(18,915)	(19,331)	(1,473)	(1,535)			(578,564)	(602,634)
Capital expenditures	<u>15,964</u>	<u>18,054</u>	<u>613</u>	<u>777</u>	<u>-</u>	<u>-</u>			<u>16,577</u>	<u>18,831</u>

	Retail business		Electronic component manufacturing		Investment property holdings		Eliminations		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	772,273	748,985	120,593	146,234	20,918	21,946	(2,581)	(2,776)	911,203	914,389
Unallocated assets										
– Deferred tax assets									5,727	5,015
– Corporate assets									143	94
– Tax recoverable									18	18
Total assets									<u>917,091</u>	<u>919,516</u>
Segment liabilities	355,642	357,317	7,587	11,567	2,273	2,776	(2,581)	(2,776)	362,921	368,884
Borrowings									3,517	18,386
Unallocated liabilities										
– Deferred tax liabilities									7,484	7,360
– Taxation payable									7,484	20,513
– Corporate liabilities									2,142	4,720
Total liabilities									<u>383,548</u>	<u>419,863</u>

Geographical information

	Revenue		Non-current assets	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The PRC (including Hong Kong Special Administrative Region)	1,669,335	1,976,714	611,249	610,180
Other countries/regions	<u>23,068</u>	<u>32,253</u>	<u>495</u>	<u>757</u>
	<u>1,692,403</u>	<u>2,008,967</u>	<u>611,744</u>	<u>610,937</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 2023, no revenue was derived from transactions with a single external customer representing 10% or more of the Group's total revenue (2022: same).

3. Other income

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Government subsidies (<i>Note</i>)	<u>19,331</u>	<u>186</u>

Note: In FY2023, these represented government subsidies in relation to the COVID-19 pandemic which included subsidies of HK\$18,832,000 under the Employment Support Scheme (the "ESS Scheme") granted under the Anti-Epidemic Fund of the Government of the Hong Kong Special Administrative Region. No subsidy under the ESS Scheme was received in FY2022.

4. Other (losses)/gains, net

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Net fair value loss on investment properties	(1,057)	(962)
Net gain on disposal of property, plant and equipment	50	23
Gain on lease modification	<u>217</u>	<u>3,143</u>
	<u>(790)</u>	<u>2,204</u>

5. Expenses by nature

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Auditors' remuneration		
– audit services	3,174	3,156
– non-audit services	127	127
Cost of inventories recognised as expenses included in cost of sales	1,025,763	1,299,361
Depreciation of property, plant and equipment	28,375	30,137
Direct operating expenses arising from investment properties that generate rental income	118	118
Employee benefit expenses (including directors' emoluments)	268,224	290,987
Net exchange gains		
– recognised in cost of sales	(43,150)	(44,883)
– recognised in general and administrative expenses	(4,580)	(1,818)
Depreciation of right-of-use assets	160,225	158,050
Expenses relating to short-term leases and variable lease payments	11,135	9,371
(Reversal of)/provision for impairment of right-of-use assets	(358)	152
Provision for impairment loss on financial assets	307	64
Provision for impairment of inventories	2,308	105
Provision for/(reversal of) impairment of properties, plant and equipment	1,241	(138)
Utility expenses	67,750	65,381
Freight and transportation	53,293	59,894
Other expenses	68,718	75,760
	<u>1,642,670</u>	<u>1,945,824</u>
Total cost of sales, selling and distribution expenses and general and administrative expenses	<u>1,642,670</u>	<u>1,945,824</u>

6. Finance costs, net

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest expense on bank borrowings	709	2,941
Interest expense on lease liabilities	12,645	10,602
Interest income from bank deposits	(705)	(99)
Others	(2,288)	(1,596)
	<u>10,361</u>	<u>11,848</u>

7. Income tax expense

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong profits tax		
– current tax	8,945	12,800
– over-provision in prior years	(134)	(111)
Overseas income tax including Mainland China		
– current tax	125	53
Deferred income tax	(588)	1,059
	<u>8,348</u>	<u>13,801</u>
Total income tax expense	<u>8,348</u>	<u>13,801</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% (2022: 8.25%) on the first HK\$2 million of estimated assessable profits and 16.5% (2022: 16.5%) on the estimated assessable profit above HK\$2 million. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax at the rate of 25% (2022: 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\$49,565,000 (2022: HK\$39,884,000) and the weighted average number of 666,190,798 (2022: 666,190,798) shares in issue during the year.

For the years ended 30 April 2023 and 2022, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

9. Dividend

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Proposed final dividend of HK1.00 cent (2022: HK1.00 cent) per share	<u>6,662</u>	<u>6,662</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 receivable

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Accounts receivable	19,864	29,910
Less: loss allowance	<u>(5,417)</u>	<u>(5,110)</u>
Accounts receivable, net	<u><u>14,447</u></u>	<u><u>24,800</u></u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0-30 days	7,648	14,397
31-60 days	3,733	5,038
61-90 days	1,588	1,637
91-120 days	628	1,890
Over 120 days	<u>6,267</u>	<u>6,948</u>
	19,864	29,910
Less: loss allowance	<u>(5,417)</u>	<u>(5,110)</u>
	<u><u>14,447</u></u>	<u><u>24,800</u></u>

As at 30 April 2023 and 2022, the carrying amount of accounts receivable approximated its fair value.

The Group primarily offers an average credit period ranging from 30 to 120 days to its non- retail business customers (2022: 30 to 120 days).

11. Accounts payable

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0-30 days	60,069	72,697
31-60 days	9,857	21,756
61-90 days	556	1,064
91-120 days	21	42
Over 120 days	<u>249</u>	<u>136</u>
	70,752	95,695
	<u><u>70,752</u></u>	<u><u>95,695</u></u>

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 25 September 2023 to Friday, 29 September 2023 (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 Friday, 29 September 2023 are entitled to attend and vote at the annual general meeting of the Company to be held on Friday, 29 September 2023 (the “2023 Annual General Meeting”). In order to qualify to attend and vote at the 2023 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 Friday, 22 September 2023.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the 2023 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 Wednesday, 11 October 2023 to Friday, 13 October 2023 (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 Tuesday, 10 October 2023. The payment of final dividend will be made on or about Monday, 6 November 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group recorded a consolidated revenue of HK\$1,692,403,000 for the financial year 2022/23 (2022: HK\$2,008,967,000), which decreased by 15.8% when compared with that of previous year. Both of the Group’s two major businesses recorded decreases in revenue. The retail business segment recorded segment revenue of HK\$1,628,415,000 (2022: HK\$1,922,315,000) for the year, accounting for approximately 96.2 % (2022: 95.7%) of total revenue. The segment revenue of the electronic components manufacturing business segment amounted to HK\$62,926,000 (2022: HK\$85,735,000), accounting for approximately 3.7 % (2022: 4.3%) of total revenue.

Even with certain decrease recorded in revenue for the year, the management made persistent improvements and adjustments on its business processes, and in the meantime actively controlled the cost and expenses on its best effort to maintain the profitability of the Group. The Group's profit attributable to shareholders for the year was HK\$49,565,000 (2022: HK\$39,884,000), representing an increase of approximately 24.3 % over the previous year. Taking no account of the "Employment Support Scheme" subsidies in amount of HK\$18,832,000 from the Hong Kong Government in the period, the profit attributable to shareholders was HK\$30,733,000, representing a decrease of 22.9 % as compared to the same period in the previous year.

Retail Business

The Group's retail business recorded a segment revenue of HK\$1,628,415,000 (2022: HK\$1,922,315,000) during the period under review, representing a decline of approximately 15.3 % as compared to that for the previous year. Segment gross profit for the year was HK\$639,772,000 (2022: HK\$676,619,000), decreased by 5.4% as compared with that of the previous year. The COVID-19 pandemic ravaged the world since January 2020, in which the management always kept close attention on its development, expecting that the pandemic would eventually recede and daily lives of people would return to what they had been before the pandemic. Hong Kong Government, in the end of April 2022 started to relax social distancing measures, and in the beginning of February 2023 implemented full resumption of normal travel, where Hong Kong re-established connections with Mainland China and the rest of the world. After the resumption of normal travel, daily lives in Hong Kong had gradually returned to normal. There has been a significant increase in social gatherings and dining out, and as anticipated by the management, leading to a relatively noticeable decline in the sales of food groceries including rice and grains, eggs, non-staple food and frozen food in the period under review. Looking back at the worst moments in the pandemic, though demand for food groceries soared that even waves of panic-buying occurred, the Group still firmly stuck to its prime principle, seeing serving Hong Kong local community as its first priority, never taking any action of jacking up nor greatly raising up its prices. In the period under review, while the sales of staple food products with lower gross profit margin had significantly adjusted back to pre-pandemic level, the sales volume of products with relatively higher gross profit margin, in terms of category, like leisure foods, soft drinks, alcohols and etc., remained very stable that the segment gross profit margin of the retail business for the year improved to 39.3% (2022: 35.2%), increasing for 4.1 percentage points as compared with last year, sufficient to offset most of the impact for the 15.3% decrease in the retail business' segment revenue in the year.

759 STORE was all along consistent with its procurement model that products were "directly imported from their places of origin", in which over 90% of products were imported through its procurement team on its own, from 60 countries and regions (2022: 60) in the globe. Our procurement team kept searching for high-quality products around the world for customers to select, where the places of origins for our products, in

descending order in term of their share in our product mix, were Japan and South Korea, Southeast Asia, Europe, Taiwan China, Mainland China, America and other regions. In the year, the product mix of 759 STORE developed in good balance, including mainly snack, soft drink, rice, food grocery, frozen food and sanitary paper product. In the period under review, the number of product items regularly carried was about 6,000 (2022: 6,000), with a wide range of imports including snacks and leisure foods, beverages, rice, noodles, dairy products, frozen food, edible oils, alcoholic beverages, sanitary paper products, cleaning detergents and etc. Though the demand on staple food products had further decreased, the Group in the period suitably adjust the procurement weighting among various product categories so that the turnover rate for products overall remained healthy. As at 30 April 2023, the total value of inventories carried by retail business increased to HK\$127,399,000 (30 April 2022: HK\$102,212,000), or an increase of 24.6 %, as compared with that of last year. The total value of inventories for the year relatively increased, most mainly because of the 5th wave of COVID-19 pandemic outbreak that occurred not far before the end date of last financial year, where the panic-buying was so beyond imagination that inventories took time to recover, resulting in the significantly lower inventory levels at that time compared to previous years.

759 STORE did not expand its shop network in the period under review, while the management made decisions on whether to renew shop tenancy contract, with reference to the actual operation figures of each shop and rental level of the market. As at 30 April 2023, total number of shops of 759 STORE was 166 (2022: 172), with net decrease of 6 shops, in which 6 shops were newly opened and 12 shops were closed. As at the same date, the total gross floor area of shops in operation was 332,000 square feet (30 April 2022: 342,000 square feet), with an average of 2,000 square feet per shop (30 April 2022: 1,988 square feet), much the same as that of the previous year. Since the decrease in segment revenue of retail business was recorded, the ratio of labour cost in respect of revenue increased to 9.3% (2022: 8.5%) accordingly. The average number of frontline staff per shop maintained at a similar level of approximately 4.0 persons (2022: 4.0 persons). For remuneration, labour cost of the Group's frontline staff included basic salary, commission and other benefits. Calculation of commission was related to shop sales performance.

In the year, the selling and distribution expenses of the retail business decreased by 5.5% to HK\$452,044,000 (2022: HK\$478,245,000). The Group in the period under review actively controlled its operating cost. Furthermore, the net decrease in total number of shops also led to reduction of some of the operating expenses. The general administrative expenses increased by 2.5% to HK\$106,132,000 (2022: HK\$103,523,000), which was mainly attributable to the increase in electricity charges and new warehousing charges. In the year, the Group received a subsidy of approximately HK\$18,832,000 under the Employment Support Scheme (the "ESS Scheme") from the Hong Kong Government in respect of COVID-19. Segment operating profit for the retail business in the year was HK\$100,703,000 (2022: HK\$98,202,000), representing an increase of 2.5% as compared with that of last year.

Electronic Components Manufacturing Business

Looking back to the year, global economy kept deteriorating that all major economies in the world were bothered by high inflation and high interest rates, where demand for industrial products greatly decreased. According to the export trade figures released monthly by the Census and Statistics Department of Hong Kong Government, up to May 2023, Hong Kong's value of merchandise exported has recorded a year-on-year decline for 13 consecutive months. In other words, the exports value of Hong Kong was decreased in all the months of the year under review for the Group. The unprecedentedly severe decrease in the demand of global industrial products directly led to a drop in the orders of the Group's coils manufacturing business to its low point, in which segment revenue of HK\$62,926,000 (2022: HK\$85,735,000) was recorded in electronic components manufacturing business, on yearly basis decreased by 26.6%, further reduced its share to 3.7% (2022: 4.3%) in consolidated revenue of the Group. During the period under review, though the management had done all its best to save costs, along with the significant decrease in segment revenue, the operating loss of manufacturing business segment for the year had expanded to HK\$15,443,000 (2022: HK\$13,780,000), increased by 12.1% when compared with that for the previous year.

Investment Properties

Rental income of the Group for the year amounted to HK\$1,062,000 (2022: HK\$ 917,000). In the year, the investment properties recorded a fair value loss of approximately HK\$1,057,000 (2022: HK\$962,000) in the consolidated income statement.

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 30 April 2023, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK\$107,462,000 (2022: HK\$100,171,000). As at 30 April 2023, the Group had aggregate banking facilities of approximately HK\$383,817,000 (2022: HK\$393,747,000) which included overdrafts, term loans, import and trust receipt loans, etc. Unused facilities as at the same date amounted to approximately HK\$380,300,000 (2022: HK\$375,361,000).

The Group's bank loans as at 30 April 2023 amounted to HK\$3,517,000 (2022: HK\$18,386,000), representing a decrease of 80.9% as compared with that of last year. Considering that the business environment was uncertain, the Group adopted a prudent financial management strategy and has been progressively reducing its debt. As at 30 April 2023, the Group's debt to equity ratio* was 0.01 (2022: 0.04). Moreover, as at the same date, the Group did not have any contingent liabilities (2022: Nil).

(* The ratio of total borrowings over total equity)

At 30 April 2023, the abovementioned utilized banking facilities were secured by charges on the Group's certain buildings, investment properties and bank deposits. In addition, the Group is required to comply with certain restrictive financial covenants imposed by the major financing banks. As at 30 April 2023, the Group could comply with such financial covenants.

Assets

As at 30 April 2023, the Group's inventories amounted to HK\$144,282,000 (2022: HK\$126,064,000), representing an increase of 14.5% 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 were HK\$74,566,000 (2022: HK\$89,245,000), decreased by 16.4% as compared with the last financial year end.

Interest Expenses

The finance cost for the Group in the year was HK\$13,354,000 (2022: HK\$13,543,000), with a decrease of 1.4% as compared with that of last year. After deducting the interest of lease obligation, the actual bank loan interest was HK\$709,000 (2022: HK\$2,941,000), representing a significant decrease of approximately 75.9%, mainly attributable to the lowered utilization of banking facilities and overdrafts in the period.

Financial Resources and Capital Structure

Net cash inflow of the Group was HK\$7,795,000 (2022: HK\$8,219,000) for the year. Net cash inflow from operating activities remained high at HK\$211,497,000 (2022: HK\$307,108,000), representing a decrease of 31.1% as compared with that of the previous year. Net cash outflow for investing activities in the period was HK\$16,527,000 (2022: HK\$18,689,000), which was mainly attributed to the capital expenditure for renovation of new shops and purchase of logistic facilities. Cash outflow for financing activities was HK\$187,175,000 (2022: HK\$280,200,000), reflecting that the Group had further reduced the bank borrowings and improved the gearing ratio in the year.

Cash Flow Summary

	2023	2022
	HK\$'000	HK\$'000
Net cash inflow from operating activities	211,497	307,108
Net cash outflow from investing activities	(16,527)	(18,689)
Net cash outflow from financing activities [#]	(187,175)	(280,200)
	7,795	8,219

[#] This net amount included lease payment of HK\$165,572,000 (2022: HK\$169,548,000).

As a result of the Group's continuous effort to improve its cash flow and significantly reduce its debt level in recent years, the Group successfully reversed its net current liabilities to net current assets during the year. As at 30 April 2023, the net current assets were HK\$34,568,000 (2022: net current liabilities of HK\$5,102,000) and the current ratio was 1.13 (2022: 0.98), reflecting that the liquidity of the Group had improved significantly comparing to that of the past.

Charges on Assets

As at 30 April 2023, certain assets of the Group with an aggregate carrying value of approximately HK\$258,497,000 (2022: HK\$277,665,000) were pledged to secure banking facilities of the Group.

Exchange Risks

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

Employees

As at 30 April 2023, the Group employed approximately 1,400 staff (2022: 1,500) 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

Though COVID-19 is receding, there are still full of many uncertainties in the globe and even in Hong Kong. Both international politics and regional wars bring stunning influences to the world. The rising global inflation and the extreme fluctuation in international currency exchange rates increase the difficulty for the Group to run as importer and retailer, where the management expects that retail business will face much more unknown challenges. 759 STORE will make good use of its supplier network that has been established for years, which spreads across more than 60 countries and regions around the world, to well diversify the impact brought by product supply problem in a single region.

Daily lives of Hong Kong people have rapidly returned to normal after the recession of COVID-19 pandemic, where the management expects that the retail business will maintain its steady development. Our procurement team actively reaches countries and regions all over the world, paying visits to various types of food exhibitions, in search of much more new exciting products, with best effort to bring refreshment to the customers of 759 STORE so as to much enhance their shopping enjoyment. For shop network, in light of the circumstances that local consumer market still remains subject to the overall economic environment, the management will take prudent approach on its development, temporarily not setting up large-scaled expansion plan. However, to provide much more convenient and high-quality services to Hong Kong communities, the management will stay active to look for ideal sites for potential shops in various residential areas, and areas near new public housing estates and private estates.

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 2023. 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 2023.

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 2023, except for the following deviations:

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

Since 29 September 2009, the roles of the Chairman of the Board and the chief executive officer of the Company (the "CEO") were performed by the late Mr. Lam Wai Chun, the founding Chairman of the Company. After the pass away of the late Mr. Lam Wai Chun, Ms. Tang Fung Kwan has been appointed as the Chairman of the Board and the Managing Director of the Company with effect from 19 August 2018 and has carried out the responsibilities of the Chairman and CEO since then. This constitutes a deviation from the code provision C.2.1 of the Code which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Ms. Tang Fung Kwan has been the key management of the Group for over 25 years and has devoted herself and contributed greatly to the Group's development. She has been the executive director of the Company since its listing on the Stock Exchange in November 1999

and has engaged in directing the corporate strategies and operations of the Group. She possesses substantial and valuable experience in the industry and in the Group's operation. The Board believes that vesting the roles of the Chairman of the Board and the CEO in the same person will provide the Company with strong and consistent leadership and promote effective and efficient formulation and implementation of business decisions and strategies and considers that such structure is currently in the best interests of the Company and its shareholders at this stage.

AUDIT COMMITTEE

The Audit Committee of the Company, currently comprising three independent non-executive directors, has reviewed the accounting principles and practices adopted by the Group, the risk management and internal control systems of the Group and the annual results of the Company for the year ended 30 April 2023.

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 2022 to 30 April 2023. 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 2022/2023 annual report of the Company, which will be sent to the shareholders of the Company by the end of August 2023.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 30 April 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

ANNUAL GENERAL MEETING

The 2023 Annual General Meeting of the Company will be held on Friday, 29 September 2023 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 2022/23 annual report of the Company containing all information required by the Listing Rules will be despatched to the shareholders of the Company and available on the same websites in due course.

By Order of the Board
Tang Fung Kwan
Chairman

Hong Kong, 27 July 2023

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

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

* *For identification purpose only*