

## MANAGEMENT DISCUSSION AND ANALYSIS

### 管理層討論及分析

- Group Turnover down 29.0% to HK\$1,034.8 million
- Loss Attributable to Equity Holders of the Company of HK\$402.9 million
- Group Inventory down 33.4% to HK\$373.0 million
- 集團營業額下降29.0%至HK\$1,034.8百萬
- 本公司權益持有人應佔虧損為HK\$402.9百萬
- 集團存貨減少33.4%至HK\$373.0百萬

For the year under review, Group turnover decreased by 29.0% to HK\$1,034.8 million (FY2018/19: HK\$1,457.8 million) and a loss attributable to Group equity holders of HK\$402.9 million was recorded as the worsened socio-political climate in Hong Kong since June 2019, the ongoing US-China trade war and the COVID-19 pandemic outbreak since late January 2020 exerted severe pressure on the turnover and operating performance of the Group.

於回顧年度，本集團的營業額下降 29.0% 至 HK\$1,034.8 百萬(2018/19 財政年度：HK\$1,457.8 百萬)，集團權益持有人應佔虧損為 HK\$402.9 百萬。自 2019 年 6 月以來香港社會政治氣氛不穩、中美貿易戰持續及自 2020 年 1 月末起新型冠狀病毒疫情爆發嚴重影響集團的營業額及營運表現。

The Group would have reported a loss of HK\$145.8 million in FY2019/20, after excluding the following non-cash items totalling HK\$257.1 million:

於剔除下列總額為 HK\$257.1 百萬的非現金項目之後，集團於 2019/20 財政年度之虧損為 HK\$145.8 百萬：

- the accounting impact from HKFRS 16 Leases of HK\$12.3 million
- an impairment of HK\$76.9 million relating to right-of-use assets mainly arising from retail stores with declined store profitability
- an impairment of HK\$66.3 million due to revaluation of investment properties
- a stock provision expense of HK\$95.4 million mainly relating to slow-moving watch movements given the uncertain watch retail environment
- an impairment of intangible assets of HK\$6.2 million due to reducing recoverable amount
- 香港財務報告準則第16號租賃的會計影響 HK\$12.3 百萬
- 使用權資產減值(盈利水平有所下降的零售店舖)HK\$76.9 百萬
- 重新估值投資物業而產生減值HK\$66.3 百萬
- 因手錶零售環境不明朗而導致手錶機芯慢流的存貨撥備開支HK\$95.4 百萬
- 無形資產減值HK\$6.2 百萬(由於可回收金額減少)

Compared to FY2018/19, the Group reported a loss of HK\$144.7 million after excluding a gain on Disposal of the Optical Business of HK\$111.8 million recorded in FY2018/19 following the completion on 1 June 2018, by the Group of the disposal of its entire optical retail and wholesale businesses (the “**Discontinued Operations**”) to its controlling shareholder and a loss from the Discontinued Operations of HK\$1.7 million.

與 2018/19 財政年度相比，本集團虧損為 HK\$144.7 百萬(經撇除本集團於 2018 年 6 月 1 日完成向其控股股東出售其整個眼鏡零售及批發業務(「**終止營運業務**」)錄得的收益 HK\$111.8 百萬及終止營運業務虧損 HK\$1.7 百萬)。

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Group gross profit margin was maintained at around 48.8% (FY2018/19: 50.7%) as promotional strategies were implemented to stimulate consumer demand and to reduce inventory to enhance liquidity.

In FY2019/20, the Group continued with measures to further reduce operating costs:

- selling expenses (excluding expenses related to investment in brand building) fell 20.6% mainly due to reduced rental expenses and other overheads at shops;
- Group general and administrative expenses fell by 21.6%;
- In FY2019/20, capital expenditures were significantly reduced by 62.1% to HK\$11.4 million (FY2018/19: HK\$30.1 million). Shop numbers fell by 15.5% in line with Group strategy to close non-performing shops and rationalise shop portfolio to improve shop productivity;
- The Group's inventory declined by 33.4% vs that at the end of March 2019 as a stock provision expense of HK\$95.4 million for slow-moving watch movements was recorded with a view that the consumption of watch movements will remain stagnant given the current sluggish retail climate and uncertainty around the magnitude of recovery of retail and tourism in the near future. Excluding the impact of the provision expense of watch movements, Group inventory balance at the end of March 2020 declined by 16.3% or HK\$91.4 million year-on-year as a result of strict inventory control and tightened stock procurement.

#### FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: Nil per ordinary share).

本集團的毛利率維持在約48.8% (2018/19財政年度：50.7%)的水平，是由於推行促銷策略以刺激消費者需求及減少存貨從而改善資金周轉。

於2019/20財政年度，本集團繼續實施各項措施以進一步減少營運費用：

- 銷售支出(撇除與品牌推廣投資有關的開支)下降20.6%，主要由於商舖的租金支出及其他店舖營運開支的減少；
- 集團一般及行政支出下降21.6%；
- 於2019/20財政年度，資本開支大幅減少62.1%至HK\$11.4百萬(2018/19財政年度：HK\$30.1百萬)。店舖數目下降15.5%，與本集團關閉表現欠佳的店舖及優化店舖組合以提升店舖生產力的策略相符；
- 本集團的存貨與2019年3月末比較下降33.4%，由於當前零售氣候疲弱及零售和旅遊業復蘇不明朗，手錶機芯存貨慢流，因此手錶機芯存貨撥備為HK\$95.4百萬。剔除手錶機芯撥備支出的影響，本集團於2020年3月末之存貨結餘按年計減少16.3%或HK\$91.4百萬，是由於嚴格存貨控制並收緊採購。

#### 末期股息

董事會不建議宣派截至2020年3月31日止年度的末期股息(2019年：每股普通股零)。

#### CITY CHAIN GROUP

The City Chain Group operates around 185 stores in Hong Kong, Macau, Mainland China (the “**Greater China**”), Singapore, Thailand and Malaysia together with on-line stores for “City Chain” and “Solvil et Titus”.

The City Chain Group reported a 33.7% decline in turnover to HK\$773.3 million (FY2018/19: HK\$1,166.5 million) and a loss before interest and tax (LBIT) of HK\$206.1 million (FY2018/19: HK\$98.0 million) with an impairment loss of HK\$76.9 million being right-of-use assets of the Group’s retail stores arising from the adoption of the new HKFRS 16 Lease.

As part of the CITY CHAIN Group’s key strategy to shift to an omni-channel model, we have continued to invest in our e-commerce business. Due to COVID-19, we accelerated our pace of investment, adopting the necessary infrastructure and expertise, increasing allocation of marketing expenditure on our online operations such as social networking platforms to maintain quality interactions with consumers to boost online sales and to enhance the online brand presence of CITY CHAIN.

#### Greater China

Turnover for CITY CHAIN operations in Greater China fell by 42.3% to HK\$477.1 million (FY2018/19: HK\$826.3 million) amid a difficult retail environment in Hong Kong/Macau which resulted in a wider LBIT of HK\$209.2 million (FY2018/19: LBIT HK\$98.9 million). In line with our shop consolidation strategy, 27 shops were closed. An impairment loss of HK\$71.9 million being the right-of-use assets of the Group’s retail stores in Greater China and a deficit in valuation of investment properties of HK\$29.5 million contributed to this wider LBIT.

Following streamlining operations, the operating expenses in Greater China fell by 21.7% in FY2019/20. This falling costs trend is expected to continue in FY2020/21.

Our online business in Hong Kong performed up to expectations whilst cost efficiencies at our Mainland China watch e-commerce business improved.

#### 「時間廊」集團

「時間廊」集團於香港、澳門、中國內地（「大中華」）、新加坡、泰國及馬來西亞營運約185間店舖，並經營「時間廊」及「鐵達時」電商平台。

「時間廊」集團的營業額下降33.7%至HK\$773.3百萬（2018/19財政年度：HK\$1,166.5百萬）及除利息及稅項前虧損HK\$206.1百萬（2018/19財政年度：HK\$98.0百萬），其中包括因採納新香港財務報告準則第16號租賃而產生本集團的零售店舖使用權資產的減值虧損HK\$76.9百萬。

作為「時間廊」集團轉型至全域營銷模式的主要策略的一部份，集團持續投資電子商貿業務。由於新型冠狀病毒疫情，集團加快此投資步伐，建立各項基建配置及掌握線上市場數據，增加投放於線上營運（例如社交網絡平台）以保持與消費者的積極互動，從而促進線上銷售並加強「時間廊」品牌於線上的滲透力。

#### 大中華

大中華「時間廊」業務的營業額在香港／澳門艱難的零售環境中下跌42.3%至HK\$477.1百萬（2018/19財政年度：HK\$826.3百萬），除利息及稅項前虧損增至HK\$209.2百萬（2018/19財政年度：利息及稅項前虧損HK\$98.9百萬）。為配合集團店舖整合策略，已關閉27間店舖。其中集團於大中華的零售店舖使用權資產減值虧損HK\$71.9百萬以及投資物業估值虧損HK\$29.5百萬導致除利息及稅項前虧損增加。

隨著落實各項成本控制措施，大中華營運開支於2019/20財政年度下降21.7%，而此成本下滑將持續至2020/21財政年度。

集團香港線上業務表現符合預期，而中國內地手錶電子商貿業務的成本效益則有所提昇。

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#### Southeast Asia

Before the outbreak of COVID-19 in Q4 FY2019/20, our Southeast Asian operations in Singapore, Malaysia and Thailand were generally impacted by weak sentiment during the year due to declining country exports. Therefore, with less jobs and lower variable income, consumers were more conservative with spending. Since March 2020, the situation seriously worsened when economic activities were severely disrupted by lockdowns and movement controls imposed by individual governments as our physical stores were temporarily closed.

Turnover at our Southeast Asian operations declined by 12.9% to HK\$296.2 million (FY2018/19: HK\$340.2 million) with the number of shops falling by 6.6% due to the closure of certain non-performing shops. Despite the challenging business environment, with continuous efforts on cost control and productivity improvement, our Southeast Asian operations reported an EBIT (excluding exchange difference) of HK\$3.1 million. (FY2018/19: HK\$3.4 million)

Due to our quicker pace of investment online, we saw an uplift in online sales together with a strengthening of our brand presence on different online market place platforms.

#### SUPPLY CHAIN MANAGEMENT AND WHOLESALE TRADING

Turnover for this division comprising our supply chain and wholesale trading subsidiaries decreased moderately by 10.2% to HK\$261.5 million (FY2018/19: HK\$291.2 million) and a LBIT of HK\$65.0 million was posted. Excluding the provision expense of HK\$95.4 million for slow-moving watch movements, this division reported a profit during FY2019/20, a decrease of 24.2% compared with FY2018/19.

As the sole distributor for the “SEIKO” and “GRAND SEIKO” brand of watches in Hong Kong, Macau, Singapore, Brunei and Malaysia, our wholesale trading unit launched various marketing campaigns, which were well received, and with prompt service support promoted sell-through to retailers.

#### 東南亞

於2019/20財政年度第4季度爆發新型冠狀病毒疫情之前，由於有關國家出口下降，集團在新加坡、馬來西亞及泰國的東南亞業務於年內總體受到市場信心疲軟的影響。因此，隨著就業職位減少及收入下降，消費者的購買意欲漸趨保守。自2020年3月以來，個別國家實行封關及流動限制令經濟活動受到嚴重干擾，經濟急劇惡化，而本集團的實體店亦暫時關閉。

東南亞業務的營業額下降12.9%至HK\$296.2百萬(2018/19財政年度：HK\$340.2百萬)，店舖數目減少6.6%，是由於關閉若干表現欠佳的店舖。儘管業務環境充滿挑戰，集團致力於成本控制及提高生產力，因此東南亞業務錄得除利息及稅項前溢利(不包括匯兌差額)HK\$3.1百萬(2018/19財政年度：HK\$3.4百萬)。

由於加快線上投資步伐，線上銷量增加及在不同在線市場平台上品牌知名度得以加強。

#### 供應鏈管理及批發貿易

供應鏈及批發貿易分部的營業額溫和下降10.2%至HK\$261.5百萬(2018/19財政年度：HK\$291.2百萬)及除利息及稅項前虧損為HK\$65.0百萬。撇除慢流手錶機芯撥備開支HK\$95.4百萬，此分部於2019/20財政年度錄得溢利，較2018/19財政年度減少24.2%。

作為鐘錶品牌「精工」及「GRAND SEIKO」於香港、澳門、新加坡、汶萊及馬來西亞的獨家經銷商，集團此分部已開展多項市場營銷活動，廣受消費者歡迎，並提供及時顧客服務以支援零售商的銷售。

**COVID-19 AND THE SHORT TERM OUTLOOK**

In the territories where we operate, all of our stores have re-opened following the relaxation of controls by most governments. However, the outbreak and rapid spread of COVID-19 have caused seismic disruptions posing a significant threat to the global economy and the duration and true extent of these disruptions are uncertain, whilst closer to home here in Hong Kong, we still continue to feel the impact of ongoing socio-political tensions. These external conditions severely impacted Group turnover in April and May 2020, and amid such a challenging external environment, it is difficult to assess the economic recovery for the remaining 1H FY2020/21. The Group will continue to adopt appropriate measures to meet the headwinds, including closely monitoring cash flow, operating costs, capital expenditure, inventory management; closing non-performing shops and applying for COVID-19 related government relief/subsidies. The financial impact of cost containment measures will continue to be reflected in FY2020/21.

**OUR COMMITMENT TO CHANGE**

We remain committed to an omni-channel business model and notwithstanding the harsh external conditions will continue not only to prioritise but also accelerate deployment of resources in this area. Therefore, in the coming months, we will invest in appropriate infrastructure to grow our online presence and also enhance synergies between our online and offline businesses.

**FINANCE**

The Group's capital management, currency and interest rate movement are constantly monitored and reviewed by the management of the Group to address and manage relevant financial risks relating to the Group's operations. The Group maintains prudent treasury management policies to address liquidity to finance both short-term and long-term working capital needs for business operations. Funds are generated from business operating activities and banking facilities in the form of term loans and short-term trading facilities. Forecast and actual cash flow analyses are continuously monitored. Maturity of assets and liabilities and requirement of financial resources for business operations are prudently managed.

**新型冠狀病毒疫情及短期前景**

於集團營運所在地，全部店舖在大部份政府放寬管制後現已重新營運。然而，新型冠狀病毒疫情爆發及快速傳播已對民生造成嚴重損害，對全球經濟構成重大威脅，而相關影響的持續時間及程度尚不明確，同時就香港而言，仍持續受到社會政治分歧的影響。該等外在條件嚴重影響本集團於2020年4月及5月的營業額，且面對充滿挑戰的外部環境，集團難以預計2020/21年上半年餘下月份的經濟復蘇情況。集團將繼續採納合適措施應對相關挑戰，包括密切監控現金流、經營成本、資本開支、存貨管理，關閉表現欠佳的店舖及申請新型冠狀病毒相關各項政府資助／補貼。成本控制措施的財務影響會繼續於2020/21財政年度反映。

**變革及創新**

儘管營運環境持續嚴峻，集團將繼續發展全域營銷業務模式，並加快對此領域的投放。因此，集團將於未來數月持續投資於線上業務，以提升集團的線上品牌知名度，以增強集團線上及線下業務的互動協同效應。

**財務**

本集團管理層密切監察及掌握集團的資本管理、貨幣及利率變動，以監控本集團營運相關的財務風險。本集團實行嚴謹的財務管理策略，以掌控用於業務營運的短期及長期資金需求的流動性。有關資金來自業務營運以及有期貸款及短期貿易融資等銀行融資。本集團亦持續監察現有及預估未來現金流，審慎管理資產及負債的到期日以及業務營運的財務資金需要。

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Group gearing ratio was 88.6% (31 March 2019: 40.3%) with shareholders' funds standing at HK\$530.4 million (31 March 2019: HK\$985.0 million) and net debts of HK\$469.8 million (31 March 2019: HK\$396.8 million). The net debts are based on the bank borrowings of HK\$651.4 million (31 March 2019: HK\$688.3 million) less bank balance and cash of HK\$181.6 million (of the Group as at 31 March 2019: HK\$291.5 million) of which HK\$54.6 million were pledged (31 March 2019: HK\$56.6 million). The bank borrowings comprised of HK\$115.8 million repayable within one year and HK\$ 535.6 million with scheduled repayment after one year but repayable on demand and were classified as current liabilities. The increase in gearing ratio was due to the fact that certain non-cash expenses (such as stock provision and impairment of investment properties, right-of-use assets and intangible assets) were recorded during FY2019/20, and thus reducing shareholders' funds. The Group's cash inflow from its operations was HK\$159.1 million. Upon adoption of HKFRS 16 Leases, the repayment of lease liabilities is included in financing activities and therefore the cash inflow from its operations increased. The unutilized banking facilities as at 31 March 2020 was HK\$192 million.

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

As at 31 March 2020, the current assets and current liabilities were approximately HK\$718.1 million (31 March 2019: HK\$1,033.8 million) and HK\$1,017.6 million (31 March 2019: HK\$958.6 million), respectively. The current ratio was approximately 0.71 (1.08 as at 31 March 2019). On the adoption of HKFRS 16 Leases, the Group recognized the commitments under operating leases for future periods as lease liabilities, whereas, under the previous accounting standard, no such liabilities were required. Therefore, the net current assets is lower.

本集團的借貸比率為88.6% (2019年3月31日：40.3%)，股東資金為HK\$530.4百萬 (2019年3月31日：HK\$985.0百萬)，本集團的淨債務為HK\$469.8百萬 (2019年3月31日：HK\$396.8百萬)。淨債務乃根據銀行貸款HK\$651.4百萬 (2019年3月31日：HK\$688.3百萬) 減去銀行結餘及現金HK\$181.6百萬 (本集團於2019年3月31日：HK\$291.5百萬)，其中HK\$54.6百萬為抵押銀行存款 (2019年3月31日：HK\$56.6百萬) 計算。銀行貸款包括HK\$115.8百萬需於一年內償還，及HK\$535.6百萬為預定還款期於一年以後 (但可應要求償還因此列為流動負債)。借貸比率增加乃由於在2019/20財政年度錄得若干非現金開支 (例如存貨撥備及投資物業、使用權資產及無形資產減值)，因此股東資金減少。本集團營運的現金流入為HK\$159.1百萬。在採納香港財務報告準則第16號「租賃」後，租賃負債還款計入融資活動，營運現金流入因而增加。於2020年3月31日，未動用銀行融資為HK\$192百萬。

本集團的主要貸款以港幣結算，主要按香港銀行同業拆息率或銀行最優惠利率基準，以浮動息率計算。由於本集團的主要收益以港幣及澳門幣計算，故本集團應用自然對沖機制。

於2020年3月31日，流動資產及流動負債分別約為HK\$718.1百萬 (2019年3月31日：HK\$1,033.8百萬) 及HK\$1,017.6百萬 (2019年3月31日：HK\$958.6百萬)。流動比率約為0.71 (2019年3月31日：1.08)。於採納香港財務報告準則第16號「租賃」後，本集團將未來經營租賃承擔確認為租賃負債，而根據先前會計準則，本集團無須確認該等負債。因此，流動資產淨額因而降低。

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As at 31 March 2020, the Group's total equity funds amounted to HK\$537.1 million.

Prior to the date of this report, the Group obtained a one-off waiver from a bank from strict compliance with certain covenant requirements of bank borrowings amounting to HK\$429.697 million.

The Group does not use any financial instruments for hedging purposes.

The Group does not engage in speculative derivative trading.

As at 31 March 2020, the Group does not have any significant contingent liabilities.

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

As at 31 March 2020, certain property, plant and equipment, investment properties and bank deposit amounting to HK\$640.4 million (31 March 2019: HK\$712.3 million) were pledged to secure banking facilities granted to the Group. Capital expenditures was under control and reduced to HK\$11.4 million (FY2018/19: HK\$30.1 million).

The investment properties were revalued by an independent valuer as at 31 March 2020. An impairment loss of HK\$66.3 million was recorded in the year ended 31 March 2020 accordingly.

The deferred tax asset balance decreased by HK\$11.2 million and this expense was charged to the income statement during the year ended 31 March 2020. The decrease was mainly from a decrease in tax losses recognised as deferred tax asset.

於2020年3月31日，本集團的股權總額為HK\$537.1百萬。

在此報告日期前，本集團已從一間銀行獲得一次性豁免關於借貸合約的部份合約要求，有關借貸金額HK\$429.697百萬。

集團並無使用任何財務工具作對沖用途。

集團並無參與純投機的衍生工具交易。

於2020年3月31日，集團並沒有任何重大或然負債。

集團並無任何重大投資或轉變資本資產之計劃。

於2020年3月31日，本集團部分物業、機器及設備、投資物業以及銀行存款總值HK\$640.4百萬(2019年3月31日：HK\$712.3百萬)已抵押予銀行以獲取銀行信貸。資本開支處於控制中並削減至HK\$11.4百萬(2018/19財政年度：HK\$30.1百萬)。

於2020年3月31日，投資物業由獨立專業合資格估值師重新估值。截至2020年3月31日止年度，錄得減值虧損HK\$66.3百萬元。

遞延稅項資產結餘減少HK\$11.2百萬及此支出已於截至2020年3月31日止年度之收益表扣除。減少主要來自確認為遞延稅項資產之稅項虧損減少所致。

**NUMBER AND REMUNERATION OF EMPLOYEES,  
REMUNERATION POLICIES, BONUS AND TRAINING  
SCHEMES**

The Group's remuneration policies are reviewed on a regular basis and remuneration packages are in line with market practices in the relevant countries where the Group operates. As at 31 March 2020, the Group had 1,120 employees (31 March 2019: 1,550 employees). The Group offers KPI related bonuses to eligible employees based on the performance of the Group and the individual employee. The Group also provides related training programmes to improve the quality, competence and skills of its employees.

**Joseph C. C. Wong**

*Chairman and Chief Executive Officer*

Hong Kong, 26 June 2020

**僱員數目及酬金、酬金政策、獎金及僱員培訓  
計劃**

集團以其運營國家的人力資源市場為準則，釐定給予當地僱員的報酬，並定期進行檢討。本集團於 2020年3月31日有1,120位(2019年3月31日：1,550位)僱員。集團就業績及個別僱員表現提供按「關鍵績效指標」釐定之獎金予合資格的僱員。集團亦提供相關的培訓計劃改善僱員質素、能力及技能。

**黃創增**

*主席及行政總裁*

香港，2020年6月26日