

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

- Group Turnover slightly down 1.95% to HK\$692.5 million
- Loss Attributable to Equity Holders of the Company of HK\$106.7 million (FY2020/21: HK\$81.9 million)
- 集團營業額輕微下降 1.95% 至 HK\$692.5 佰萬
- 本公司權益持有人應佔虧損為 HK\$106.7 佰萬 (2020/21 財政年度：HK\$81.9 佰萬)

Despite economic activities continued to be disrupted by the pandemic, as well as movement control in some of our operating regions, Group turnover decreased mildly by 1.95% to HK\$692.5 million (FY2020/21: HK\$706.3 million) for the year under review. A loss attributable to Group equity holders of HK\$106.7 million was recorded after taking into account of the following non-cash items:

- the accounting impact from HKFRS 16 Leases (non-cash) of HK\$29.1 million (income) (FY2020/21: HK\$76.3 million (income));
- an impairment loss (non-cash) of HK\$8.1 million (FY2020/21: HK\$15.7 million) relating to right-of-use assets mainly arising from retail stores with declined store profitability;
- an impairment loss (non-cash) of HK\$23.0 million (FY2020/21: HK\$54.1 million) due to revaluation of investment properties and leasehold land and buildings as at year end;
- a stock provision expense relating to slow-moving watch movements was nil in FY2021/22 (FY2020/21: HK\$19.3 million); and
- an impairment of intangible assets (non-cash) of HK\$2.7 million (FY2020/21: HK\$5.6 million) due to reducing recoverable amount.
- 香港財務報告準則第 16 號租賃的會計影響 (非現金)HK\$29.1 佰萬(收入) (2020/21 財政年度：HK\$76.3 佰萬(收入))；
- 有關使用權資產的減值虧損(非現金) HK\$8.1 佰萬(2020/21 財政年度：HK\$15.7 佰萬)，主要來自盈利水平有所下降的零售店舖；
- 於年末重新估值投資物業及租賃土地及樓宇而產生減值虧損(非現金)HK\$23.0 佰萬(2020/21 財政年度：HK\$54.1 佰萬)；
- 2021/22 財政年度慢流手錶機芯的存貨撥備開支為零(2020/21 財政年度：HK\$19.3 佰萬)；及
- 由於可回收金額減少，無形資產減值(非現金)HK\$2.7 佰萬(2020/21 財政年度：HK\$5.6 佰萬)。

If the above non-cash items were excluded, the Group would have reported a loss of HK\$102.0 million in FY2021/22. This represents an improvement of 36.8% compared with a loss in FY2020/21 of HK\$161.3 million after excluding the above non-cash items and the gain on disposal of a subsidiary of HK\$97.8 million (relating to a property in Hong Kong). This improvement was due to ongoing enhancement in operating efficiency.

儘管經濟活動繼續受到疫情的干擾，以及部分營運地區的人流管控措施，本集團營業額於回顧年度輕微下降 1.95% 至 HK\$692.5 佰萬 (2020/21 財政年度：HK\$706.3 佰萬)。集團權益持有人應佔虧損為 HK\$106.7 佰萬，已經計及下列非現金項目：

如剔除上述非現金項目，集團於 2021/22 財政年度錄得虧損 HK\$102.0 佰萬，較 2020/21 財政年度的虧損 HK\$161.3 佰萬(剔除上述非現金項目及出售一間附屬公司之收益 HK\$97.8 佰萬(有關一項香港物業))改善 36.8%，此改善乃由於經營效率不斷提高所致。

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As the COVID-19 situation started to be stabilised in some of the Group's operating regions, it is noticed that the Group's turnover has picked up with an increase of 26.1% in the 2H FY2021/22 compared with 1H FY2021/22. This momentum continued from April to May 2022 with annual growth of 17% due to rebound in consumer sentiments in Hong Kong and Southeast Asia.

The Group gross profit margin improved to 46.7% compared with 46.0% in FY2020/21 as a result of fine tuning of product portfolio.

Various government subsidies of approximately HK\$8.4 million (FY2020/21: HK\$31.2 million) were received in our operating regions during the reporting period.

In FY2021/22, the Group continued to implement measures to further reduce operating costs and strengthen liquidity, including the below:-

- selling expenses (excluding expenses related to investment in brand building) fell by 15.0% mainly due to reduced rental expenses and other overheads at shops;
- general and administrative expenses maintained at same level as last year following a decrease for two consecutive years of 13.3% in FY2020/21 and 21.6% in FY2019/20;
- strict inventory control and prudent stock procurement to reduce Group inventory balance which declined by 2.5% or HK\$6.6 million compared with the balance at 31 March 2021.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2022 (2021: Nil per ordinary share).

CITY CHAIN GROUP

The CITY CHAIN Group operates around 142 stores in Hong Kong, Macau, Mainland China ("Greater China"), Singapore, Thailand and Malaysia together with online stores under our own brands of "CITY CHAIN" and "SOLVIL et TITUS" respectively.

隨著集團部分經營地區的新型冠狀病毒疫情開始穩定，本集團的營業額有所回升，2021/22 財政年度下半年較 2021/22 財政年度上半年增長 26.1%。在香港及東南亞的消費情緒回升帶動下，增長勢頭於 2022 年 4 月至 5 月持續，按年增長率為 17%。

由於對產品組合調整，本集團的毛利率提高至 46.7%，而 2020/21 財政年度為 46.0%。

於報告期內，集團營運所在地區獲得各項政府補貼約 HK\$8.4 佰萬 (2020/21 財政年度：HK\$31.2 佰萬)。

於 2021/22 財政年度，本集團繼續推行措施以進一步減少營運費用及增強流動資金，包括以下各項：

- 銷售支出(撇除與品牌推廣投資有關的開支)下降 15.0%，主要由於商舖租金支出及其他店舖營運開支減少；
- 一般及行政支出于連續兩年下降後(2020/21 財政年度下降 13.3%，2019/20 財政年度下降 21.6%)，維持與去年相同的水平；
- 嚴格的存貨控制及審慎進行採購，令本集團的存貨有所減少，與 2021 年 3 月 31 日的存貨結餘相比，下降 2.5% 或 HK\$6.6 佰萬。

末期股息

董事會不建議宣派截至 2022 年 3 月 31 日止年度的末期股息 (2021 年：每股普通股零)。

「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 142 間店舖，並分別以集團的自有品牌「時間廊」及「鐵達時」經營網上商店。

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The CITY CHAIN Group reported a 6.6% decline in turnover to HK\$441.4 million (FY2020/21: HK\$472.5 million) and a loss before interest and tax (LBIT) of HK\$74.2 million (FY2020/21: HK\$69.6 million).

In FY2021/22, the CITY CHAIN Group recorded a profitable result in e-commerce business in Hong Kong and Southeast Asia regions with annual sales growth of 14.3% and 102% respectively. Under the pandemic, we are strengthening product assortment and accelerating our pace of investment in our online operations. As such, interactions with consumers were enhanced so that the sales via omni channels were boosted with the enhanced awareness of our own brands “CITY CHAIN” and “SOLVIL et TITUS”.

Greater China

In Hong Kong, the retail sales were improved by 8.3%. Same store sales also achieved a growth of 22.5%. However, the worsening Omicron spread in Mainland China and Macau offset such growth, causing the turnover for our CITY CHAIN operations in Greater China fell by 4.6% to HK\$242.7 million (FY2020/21: HK\$254.3 million). Greater China regions recorded LBIT of HK\$72.8 million (FY2020/21: LBIT HK\$75.1 million). If the accounting impact from HKFRS 16 Leases in both years was excluded, the LBIT for FY2021/22 would be HK\$96.5 million, improved by HK\$49.7 million or 34% from HK\$146.2 million for FY2020/21. A deficit in valuation of investment properties of HK\$10.7 million was recorded in FY2021/22 (FY2020/21: deficit of HK\$15.3 million).

Although there was fifth wave of the pandemic in Hong Kong in the quarter from January to March 2022, recovery has been noted since April 2022. Business was supported by a strengthened product portfolio, attributing an annual sales growth of approximately 22% in Hong Kong throughout April and May 2022.

Meanwhile, our online business in Hong Kong sustained a growing trend and a profit with y-o-y growth of 20.4% was recorded. At the same time, efficiency on our Mainland China watch e-commerce business also continued to improve.

「時間廊」集團的營業額下降 6.6% 至 HK\$441.4 佰萬 (2020/21 財政年度：HK\$472.5 佰萬) 及除利息及稅項前虧損為 HK\$74.2 佰萬 (2020/21 財政年度：HK\$69.6 佰萬)。

於 2021/22 財政年度，「時間廊」集團於香港及東南亞地區的電子商務業務已錄得盈利，年度銷售額分別增長 14.3% 及 102%。於疫情下，集團加強銷售不同類別產品，並加快對線上業務的投資步伐。因此，與消費者的互動有所加強，使集團的自有品牌「時間廊」及「鐵達時」的認受得到提高，從而提昇全域營銷模式的銷售。

大中華

香港的零售額上升 8.3%，而同店銷售亦取得 22.5% 的增長。然而，Omicron 變種病毒於中國內地及澳門的傳播情況惡化，抵銷該增長，導致大中華區的「時間廊」業務的營業額下降 4.6% 至 HK\$242.7 佰萬 (2020/21 財政年度：HK\$254.3 佰萬)。大中華區錄得除利息及稅項前虧損為 HK\$72.8 佰萬 (2020/21 財政年度：除利息及稅項前虧損為 HK\$75.1 佰萬)。倘兩個財政年度均不計及香港財務報告準則第 16 號租賃的會計影響，2021/22 財政年度的除利息及稅項前虧損將為 HK\$96.5 佰萬，比 2020/21 財政年度的 HK\$146.2 佰萬改善 HK\$49.7 佰萬或 34%。於 2021/22 財政年度，投資物業估值虧損為 HK\$10.7 佰萬 (2020/21 財政年度：虧損 HK\$15.3 佰萬)。

雖然於 2022 年 1 月至 3 月的季度，香港爆發第五波疫情，但自 2022 年 4 月起已漸見復蘇。業務得到具競爭力的產品組合的支持，使 2022 年 4 月及 5 月在香港的銷售錄得按年 22% 的增長。

同時，集團於香港的線上業務保持增長趨勢，並錄得按年增長 20.4% 的盈利。另一方面，中國內地手錶電子商務業務的營運效率亦繼續提升。

Southeast Asia

Our Southeast Asian operations in Singapore, Malaysia and Thailand were impacted by various extents of travel restrictions between June to August 2021. Despite these restrictions, by focusing on refreshing product portfolio, streamlining cost structure and developing omni channels, we have adapted to the new normal and achieved annual growth rate of approximately 102% for our e-commerce business.

Turnover at our Southeast Asian operations declined by 8.9% to HK\$198.7 million (FY2020/21: HK\$218.2 million) with an aggregate LBIT of HK\$1.4 million (FY2020/21: EBIT of HK\$5.5 million). Singapore and Malaysian operations posted an EBIT of HK\$8.4 million (FY2020/21: HK\$9.7 million) while Thailand operations posted a loss of HK\$9.8 million (FY2020/21: loss of HK\$4.2 million). With gradual reopening of economies, retail sales performance and profitability has improved since April 2022.

SUPPLY CHAIN MANAGEMENT AND WHOLESALE TRADING

Turnover for this division comprising our supply chain and wholesale trading subsidiaries increased moderately by 7.4% to HK\$251.1 million (FY2020/21: HK\$233.8 million) and an EBIT of HK\$45.8 million was posted. (FY2020/21: HK\$20.0 million with a provision expense of HK\$19.3 million for slow-moving watch movements).

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

東南亞

集團於新加坡、馬來西亞及泰國的東南亞業務於2021年6月至8月期間受到不同程度的管控限制的影響。儘管有此等限制，通過專注於更新產品組合、精簡成本結構及發展全域營銷模式渠道，集團已經適應新常態，其電子商務業務更錄得約102%的年度增長率。

東南亞業務的營業額下降8.9%至HK\$198.7百萬(2020/21財政年度：HK\$218.2百萬)，除利息及稅項前虧損總額為HK\$1.4百萬(2020/21財政年度：除利息及稅項前溢利為HK\$5.5百萬)。新加坡及馬來西亞業務錄得除利息及稅項前溢利HK\$8.4百萬(2020/21財政年度：HK\$9.7百萬)，而泰國業務的虧損為HK\$9.8百萬(2020/21財政年度：虧損HK\$4.2百萬)。隨著各經濟體逐步重新對外開放，自2022年4月起，零售表現及盈利能力得以改善。

供應鏈管理及批發貿易

供應鏈及批發貿易分部的營業額上升7.4%至HK\$251.1百萬(2020/21財政年度：HK\$233.8百萬)及錄得除利息及稅項前溢利HK\$45.8百萬(2020/21財政年度：HK\$20.0百萬連同慢流手錶機芯撥備開支HK\$19.3百萬)。

作為「GRAND SEIKO」及「精工」鐘錶於香港、澳門、新加坡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，深受消費者歡迎，提供及時顧客服務以支援零售商的銷售。

GROUP OUTLOOK

Although the global market continues to be affected by the pandemic, the Group strives to stay ahead of the changing consumer behaviour while maintains the prudent view on the short run outlook given the uncertainties in post-pandemic development and magnitude of economic recovery in our operating regions. The Group will continue to invest in the growing segment of e-commerce business and leverage available resources to integrate online and offline transaction channels. By developing these new business strategies, the Group shall be able to achieve the goal of accelerating sales growth and delivering satisfactory shopping experience particularly in online channels.

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.

Group gearing ratio was 95.7% (31 March 2021: 70.2%) with shareholders' funds standing at HK\$378.1 million (31 March 2021: HK\$487.5 million) and net debts of HK\$361.8 million (31 March 2021: HK\$342.5 million). The net debts are based on the bank borrowings of HK\$473.9 million (31 March 2021: HK\$512.8 million) and less bank balance and cash of HK\$112.1 million (31 March 2021: HK\$170.3 million). The bank borrowings comprised of HK\$226.2 million repayable within one year and HK\$247.7 million with scheduled repayment after one year but repayable on demand and were classified as current liabilities. The Group's cash inflow from its operations was HK\$92.2 million. The unutilized banking facilities as at 31 March 2022 was HK\$82.7 million.

集團前景

儘管全球市場繼續受到疫情的影響，但考慮到疫情後的發展及本集團經營地區的經濟復甦程度的不確定性，本集團致力適應轉變中的消費者行為，並對短期前景保持審慎看法。本集團將繼續投資於不斷增長的電子商務業務領域，並利用現有資源整合線上及線下交易渠道。通過發展此等新的業務策略，本集團將能夠實現加快銷售增長的目標，尤其在網上渠道為客戶提供滿意的購物體驗。

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。

本集團的借貸比率為 95.7% (2021 年 3 月 31 日：70.2%)，股東資金為 HK\$378.1 佰萬 (2021 年 3 月 31 日：HK\$487.5 佰萬)，本集團的淨債務為 HK\$361.8 佰萬 (2021 年 3 月 31 日：HK\$342.5 佰萬)。淨債務乃根據銀行貸款 HK\$473.9 佰萬 (2021 年 3 月 31 日：HK\$512.8 佰萬) 減去銀行結餘及現金 HK\$112.1 佰萬 (2021 年 3 月 31 日：HK\$170.3 佰萬)。銀行貸款包括 HK\$226.2 佰萬需於一年內償還及 HK\$247.7 佰萬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)。本集團營運的現金流入為 HK\$92.2 佰萬。於 2022 年 3 月 31 日，未動用銀行融資為 HK\$82.7 佰萬。

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On 28 January 2022, a subsidiary of the Group entered into a provisional agreement with an independent third party for the disposal (“Disposal”) of a property in Hong Kong at a consideration of HK\$120 million. A deposit of HK\$12 million has been received by the Group before 31 March 2022. The Disposal will be completed in August 2022 (“Completion”) and an unaudited gain on disposal of approximately HK\$79 million will be recognised in the financial year ending 31 March 2023. Upon Completion, the Group intends to utilize part of the net proceeds to partially repay bank loans of the Group and accordingly reduce future interest expenses and lower the gearing ratio to strengthen liquidity of the Group. The balance of the net proceeds will be retained as general working capital.

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 assets of the Group are in Hong Kong dollars, the natural hedge mechanism is applied.

As at 31 March 2022, the current assets and current liabilities were approximately HK\$549.9 million (31 March 2021: HK\$579.6 million) and HK\$734.9 million (31 March 2021: HK\$765.3 million), respectively. The current ratio was approximately 0.75 (0.76 as at 31 March 2021).

As at 31 March 2022, the Group’s total equity funds amounted to HK\$384.7 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 2022, a subsidiary of the Company had contingent liabilities in respect of bank guarantees given to landlords in lieu of rental deposits for certain retail shops and a supplier amounting to approximately HK\$5.296 million (2021: HK\$4.810 million).

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

於2022年1月28日，本集團一間附屬公司與一名獨立第三方就出售（「出售」）一間位於香港的物業訂立臨時買賣協議，代價為HK\$120百萬。本集團已於2022年3月31日前收到訂金HK\$12百萬。該出售事項將於2022年8月完成，出售事項的未經審核收益約為HK\$79百萬，將於截至2023年3月31日的財政年度確認。完成後，本集團擬將部分所得款項用於償還本集團的銀行貸款，以減少未來利息開支及降低資產負債比率以加強本集團的流動性。所得款項餘額將保留為一般營運資金。

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。由於本集團的主要資產以港幣計算，故本集團應用自然對沖機制。

於2022年3月31日，流動資產及流動負債分別約為HK\$549.9百萬(2021年3月31日：HK\$579.6百萬)及HK\$734.9百萬(2021年3月31日：HK\$765.3百萬)。流動比率約為0.75(2021年3月31日：0.76)。

於2022年3月31日，本集團的股權總額為HK\$384.7百萬。

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2022年3月31日，本公司一間附屬公司有或然負債約HK\$5.296百萬(2021年：HK\$4.810百萬)，涉及向業主就其若干零售店舖的租金按金及一間供應商提供銀行擔保。

集團並無任何重大投資或轉變資本資產之計劃。

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As at 31 March 2022, certain property, plant and equipment, investment properties and assets classified as held for sale amounting to HK\$479.8 million (31 March 2021: HK\$513.9 million of certain property, plant and equipment and investment properties) were pledged to secure banking facilities granted to the Group.

The investment properties and leasehold land and buildings were revalued by independent valuers as at 31 March 2022. An impairment loss of HK\$23.0 million was recorded in the year ended 31 March 2022 accordingly.

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 2022, the Group had around 910 employees (31 March 2021: 1,000). 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, 23 June 2022

於 2022 年 3 月 31 日，本集團部分物業、機器及設備、投資物業及分類為持作可供出售資產總值 HK\$479.8 佰萬(2021 年 3 月 31 日：部分物業、機器及設備及投資物業總值 HK\$513.9 佰萬)已抵押予銀行以獲取銀行信貸。

於 2022 年 3 月 31 日，投資物業及租賃土地及樓宇由獨立專業合資格估值師重新估值。截至 2022 年 3 月 31 日止年度，錄得減值虧損 HK\$23.0 佰萬。

僱員數目、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 2022 年 3 月 31 日約有 910 位(2021 年 3 月 31 日：1,000 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，2022年6月23日