

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

- Group Turnover down 31.7% to HK\$706.3 million
- Loss Attributable to Equity Holders of the Company of HK\$81.9 million (FY2019/20: HK\$402.9 million)
- Gearing ratio at 70.2% (31 March 2020: 88.6%)
- Net debt at HK\$342.5 million, down HK\$127.3 million from HK\$469.8 million at 31 March 2020
- Group Inventory down HK\$105.7 million or 28.3% to HK\$267.3 million
- 集團營業額下降 31.7% 至 HK\$706.3 佰萬
- 本公司權益持有人應佔虧損為 HK\$81.9 佰萬 (2019/20 財政年度：HK\$402.9 佰萬)
- 借貸比率為 70.2% (2020 年 3 月 31 日：88.6%)
- 淨債務為 HK\$342.5 佰萬，較 2020 年 3 月 31 日 HK\$469.8 佰萬減少 HK\$127.3 佰萬
- 集團存貨減少 HK\$105.7 佰萬或 28.3% 至 HK\$267.3 佰萬

For the year under review, Group turnover decreased by 31.7% to HK\$706.3 million (FY2019/20: HK\$1,034.8 million) as the pandemic severely disrupted economic activities with lockdowns in some of our operating regions. A loss attributable to Group equity holders of HK\$81.9 million was recorded after taking into account the following items:

- a gain on disposal of a subsidiary of HK\$97.8 million (relating to a property in Hong Kong);
- the accounting impact from HKFRS 16 Leases (non-cash) of HK\$76.3 million (income);
- an impairment (non-cash) of 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\$54.1 million due to revaluation of investment properties and leasehold land and buildings as at 31 March 2021;
- a stock provision expense (non-cash) of HK\$19.3 million relating to slow-moving watch movements; and
- an impairment of intangible assets (non-cash) of HK\$5.6 million due to reducing recoverable amount.
- 出售一間附屬公司之收益 HK\$97.8 佰萬 (有關一個香港物業)；
- 香港財務報告準則第 16 號租賃的會計影響 (非現金) HK\$76.3 佰萬 (收入)；
- 使用權資產減值 (盈利水平有所下降的零售店舖) (非現金) HK\$15.7 佰萬；
- 於 2021 年 3 月 31 日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\$54.1 佰萬；
- 慢流手錶機芯的存貨撥備開支 (非現金) HK\$19.3 佰萬；及
- 無形資產減值 (由於可回收金額減少) (非現金) HK\$5.6 佰萬。

If the above items are excluded, the Group would have reported a loss of HK\$161.3 million.

於回顧年度，疫情嚴重干擾經濟活動，集團部分營運地區實施封城措施，本集團的營業額下降 31.7% 至 HK\$706.3 佰萬 (2019/20 財政年度：HK\$1,034.8 佰萬)。集團權益持有人應佔虧損為 HK\$81.9 佰萬，已經計及下列項目：

如剔除上述項目，集團將會錄得虧損 HK\$161.3 佰萬。

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

- the accounting impact from HKFRS 16 Leases of HK\$12.3 million (expense);
- an impairment of HK\$76.9 million relating to right-of-use assets mainly arising from retail stores with declined store profitability;
- an impairment loss 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; and
- an impairment of intangible assets of HK\$6.2 million due to a reducing recoverable amount.

Group gross profit margin was 46.0% compared with 48.8% in FY2019/20 as promotional strategies were implemented to stimulate consumer demand and to reduce inventory to enhance liquidity.

Various government subsidies of approximately HK\$31.2 million were received in our operating regions during the reporting period.

In FY2020/21, the Group continued with measures, including those below, to further reduce operating costs and to strengthen liquidity:–

- selling expenses (excluding expenses related to investment in brand building) which fell 43.5% mainly due to reduced rental expenses and other overheads at shops;
- Group general and administrative expenses which fell further by 13.3% in FY2020/21 following a decrease of 21.6% in FY2019/20;
- capital expenditures which were significantly reduced by 63.2% to HK\$4.2 million (FY2019/20: HK\$11.4 million) in line with Group strategy to close non-performing shops and to rationalise shop portfolio to improve shop productivity. Shop numbers fell by 19.4% y-o-y;

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

- 香港財務報告準則第 16 號租賃的會計影響 HK\$12.3 百萬(開支)；
- 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虧損 HK\$66.3 百萬；
- 慢流手錶機芯的存貨撥備開支 HK\$95.4 百萬；及
- 無形資產減值 HK\$6.2 百萬(由於可回收金額減少)。

本集團的毛利率為 46.0%，而 2019/20 財政年度為 48.8%，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本周轉。

於報告期內，集團營運所在地區獲得各項政府補貼約 HK\$31.2 百萬。

於 2020/21 財政年度，本集團繼續實施以下措施以進一步減少營運費用及加強流動性：

- 銷售支出(撇除與品牌推廣投資有關的開支)下降 43.5%，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繼 2019/20 財政年度下降 21.6% 後，於 2020/21 財政年度再下降 13.3%；
- 資本開支大幅減少 63.2% 至 HK\$4.2 百萬(2019/20 財政年度：HK\$11.4 百萬)，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。店舖數目按年減少 19.4%；

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- strict inventory control and tightened stock procurement to reduce Group inventory balance which declined by 28.3% against that at the end of March 2020 (after including a stock provision expense of HK\$19.3 million for slow-moving watch movements which was made with a view that the consumption of watch movements will remain stagnant given the current adverse retail climate and uncertainty around the magnitude of recoveries of the retail and tourism sectors in the near future). Excluding the impact of the provision expense, Group inventory balance at the end of March 2021 declined by 23.2% or HK\$86.4 million y-o-y.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: Nil per ordinary share).

CITY CHAIN GROUP

The CITY CHAIN Group operates around 150 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 38.9% decline in turnover to HK\$472.5 million (FY2019/20: HK\$773.3 million) and a loss before interest and tax (LBIT) of HK\$69.6 million (FY2019/20: HK\$206.1 million with the impact of 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 Leases in FY2019/20).

In FY2020/21, as the CITY CHAIN Group progressed with its migration to an omni-channel business model encouraging results were reported by our e-commerce business in Hong Kong. Moreover, our upgraded CRM membership program “Delights”, a key component to the development of our omni-channel business was launched in Hong Kong and Mainland China in 2019 and continues to strengthen customer engagement. Under COVID-19, we continued to accelerate 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” and “SOLVIL et TITUS”.

- 嚴格控制存貨並收緊採購，集團存貨較2020年3月末減少28.3% (其中包括手錶機芯存貨撥備 HK\$19.3 佰萬，由於當前零售景氣疲弱及短期內零售和旅遊業復甦前景不明朗，導致手錶機芯存貨慢流)。若剔除撥備支出的影響，本集團於2021年3月末之存貨結餘按年計減少23.2%或HK\$86.4 佰萬。

末期股息

董事會不建議宣派截至2021年3月31日止年度的末期股息(2020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150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38.9%至HK\$472.5 佰萬(2019/20 財政年度：HK\$773.3 佰萬)及除利息及稅項前虧損HK\$69.6 佰萬(2019/20 財政年度：HK\$206.1 佰萬，包括因2019/20 財政年度採納新香港財務報告準則第16號租賃而產生本集團零售店舖使用權資產的減值虧損的影響HK\$76.9 佰萬)。

於2020/21 財政年度，隨著時間廊轉型至全域營銷模式，集團於香港的電子商務業務取得令人鼓舞的成績。集團全域營銷模式發展的主要組成部分－升級CRM會籍計劃「Delights」於2019年在香港及中國內地推出以加強客戶聯繫。在新型冠狀病毒疫情下，集團繼續加快投資步伐，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，以保持與消費者的有效互動，從而促進線上銷售並加強「時間廊」及「鐵達時」品牌於線上的滲透力。

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Greater China

Turnover for our CITY CHAIN operations in Greater China fell by 46.7% to HK\$254.3 million (FY2019/20: HK\$477.1 million) but LBIT narrowed to HK\$75.1 million (FY2019/20: LBIT HK\$209.2 million) mainly attributable to tight cost control measures in place throughout the year and the accounting impact from HKFRS 16 Leases. In line with our shop consolidation strategy, number of shops reduced by 19 shops compared with March 2020. A deficit in valuation of investment properties of HK\$15.3 million was recorded in FY2020/21.

Notwithstanding the pandemic, we saw a mild recovery of sales in the quarter from January to March 2021 ("Q4") with a positive y-o-y despite reduced number of shops. We continued to see a y-o-y sales growth from April to May 2021.

Our online business in Hong Kong delivered a promising performance with escalating sales recorded in FY20/21 and a satisfactory EBIT was recorded, whilst cost efficiencies at our Mainland China watch e-commerce business continued to improve.

Southeast Asia

Our Southeast Asian operations in Singapore, Malaysia and Thailand were impacted by COVID-19 almost throughout the year as curfews and movement controls were implemented within these countries. Certain shopping malls either closed temporarily in response to government demand for controlling crowds and sanitization or voluntarily shortened operating hours. Work-from-home and no dine-in arrangements were prevalent and reduced foot traffic in shopping malls significantly. Moreover, these economies were hit hard by muted tourism. Despite these however, our operation teams remained agile, and managed these unprecedented challenges with an emphasised focus on enlarging our local customer base, growing e-commerce sales and negotiating for rental concessions.

大中華

大中華「時間廊」業務的營業額下跌 46.7% 至 HK\$254.3 佰萬 (2019/20 財政年度：HK\$477.1 佰萬)，除利息及稅項前虧損收窄至 HK\$75.1 佰萬 (2019/20 財政年度：除利息及稅項前虧損為 HK\$209.2 佰萬)，主要由於年內實施嚴格的成本控制措施及香港財務報告準則第 16 號租賃的會計影響。為配合集團店舖整合策略，於年內已關閉 19 間店舖。於 2020/21 財政年度，投資物業估值虧損為 HK\$15.3 佰萬。

儘管受疫情的影響，集團於 2021 年 1 月至 3 月的季度（「第四季度」）的銷售溫和反彈，在商舖數目減少的情況下，銷售額按年計仍錄得增長；並於 2021 年 4 月至 5 月，集團銷售額按年計持續增長。

集團於香港的線上業務取得令人滿意的成績，於 20/21 財政年度營業額大幅增長，並錄得令人滿意的除利息及稅項前溢利，而中國內地手錶電子商務業務的成本效益則持續提昇。

東南亞

集團於新加坡、馬來西亞及泰國的東南亞業務幾乎全年均受新型冠狀病毒疫情的影響，因為該等國家實施宵禁及人流管控。因應政府對控制聚集及衛生消毒的要求，部分商場暫時關閉或縮短營業時間。在家工作及不設堂食的安排大幅影響商場的人流。此外，該等國家亦同時受到旅遊業低迷的嚴重打擊。儘管面對該等前所未有的挑戰，集團營運團隊靈活應變，積極擴大本地客戶群，增加電子商務銷售及磋商租金減免。

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Turnover at our Southeast Asian operations declined by 26.3% to HK\$218.2 million (FY2019/20: HK\$ 296.2 million) with the number of shops reduced by 17% due to the closure of certain non-performing shops mainly in Thailand and Singapore. Despite the challenging business environment, our Singapore and Malaysian operations posted an EBIT (excluding exchange difference) of HK\$10.2 million. Our Singapore operations recorded a same store growth of 11.4% in the last 4 months of the financial year. Our Southeast Asian operations reported an aggregate EBIT (excluding exchange difference) of HK\$6.5 million (FY2019/20: HK\$3.1 million) despite a loss of HK\$3.7 million posted by our Thai operations.

SUPPLY CHAIN MANAGEMENT AND WHOLESALE TRADING

Turnover for this division comprising our supply chain and wholesale trading subsidiaries decreased moderately by 10.6% to HK\$233.8 million (FY2019/20: HK\$261.5 million) and an EBIT of HK\$20.0 million was posted. Excluding a provision expense of HK\$19.3 million for slow-moving watch movements, this division would have reported a profit of HK\$39.3 million (FY2019/20, a profit of HK\$30.4 million excluding a provision expense of HK\$95.4 million for slow-moving watch movements).

As the sole distributor for “SEIKO” clocks and watches and “GRAND SEIKO” 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.

COVID-19 AND THE SHORT TERM OUTLOOK

In the short to medium term, the direction of the pandemic, associated vaccine rollout and take up will continue to dictate the pace of economic recovery in most of the regions where we operate. Based on these factors, the Group is highly likely to continue operating in a challenging environment for the remaining fiscal year.

The Group will continue to adopt appropriate measures to meet these headwinds, including closely monitoring cash flow, operating costs, capital expenditure, inventory management; closing non-performing shops. The financial impact of cost containment measures will continue to be reflected in FY2021/22. However, we will continue to accelerate investment in our online businesses and further progress the development of our omni-channel business.

東南亞業務的營業額下降 26.3% 至 HK\$218.2 百萬 (2019/20 財政年度：HK\$296.2 百萬)，由於關閉泰國及新加坡若干表現欠佳的店舖，店舖數目減少 17%。儘管業務環境充滿挑戰，集團新加坡及馬來西亞業務錄得除利息及稅項前溢利 (不包括匯兌差額) HK\$10.2 百萬。集團新加坡業務於財政年度最後四個月錄得同店增長 11.4%。雖然泰國業務錄得虧損 HK\$3.7 百萬，集團東南亞業務仍錄得除利息及稅項前溢利 (不包括匯兌差額) HK\$6.5 百萬 (2019/20 財政年度：HK\$3.1 百萬)。

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 10.6% 至 HK\$233.8 百萬 (2019/20 財政年度：HK\$261.5 百萬) 及錄得除利息及稅項前溢利 HK\$20.0 百萬。如撇除慢流手錶機芯撥備開支 HK\$19.3 百萬，此分部溢利為 HK\$39.3 百萬 (2019/20 財政年度：若撇除慢流手錶機芯撥備開支 HK\$95.4 百萬，溢利為 HK\$30.4 百萬)。

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，並深受消費者歡迎，並提供及時顧客服務以支援零售商的銷售。

新型冠狀病毒疫情及短期前景

於中短期內，疫情的走向、相關疫苗的推出及接種將繼續影響集團營運所在大部份地區的經濟復甦步伐。因此，集團於財政年度餘下期間將繼續面臨各項挑戰。

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。成本控制措施的積極財務影響會繼續於 2021/22 財政年度反映。然而，集團將繼續加快線上業務投資及進一步開發全域營銷業務模式。

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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 70.2% (31 March 2020: 88.6%) with shareholders' funds standing at HK\$487.5 million (31 March 2020: HK\$530.4 million) and net debts of HK\$342.5 million (31 March 2020: HK\$469.8 million). The net debts are based on the bank borrowings of HK\$512.8 million (31 March 2020: HK\$651.4 million) less bank balance and cash of HK\$170.3 million (31 March 2020: HK\$181.6 million of which HK\$54.6 million were pledged). The bank borrowings comprised of HK\$226.2 million repayable within one year and HK\$ 286.6 million with scheduled repayment after one year but repayable on demand and were classified as current liabilities.

The decrease in gearing ratio was due to the disposal of a property by way of transfer of shares in a subsidiary to a third party during FY2020/21 with most of the sales proceeds used to repay bank loans. The Group's cash inflow from its operations was HK\$185.3 million. The unutilized banking facilities as at 31 March 2021 was HK\$122.7 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 2021, the current assets and current liabilities were approximately HK\$579.6 million (31 March 2020: HK\$718.1 million) and HK\$765.3 million (31 March 2020: HK\$1,017.6 million), respectively. The current ratio was approximately 0.76 (0.71 as at 31 March 2020).

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 70.2% (2020 年 3 月 31 日：88.6%)，股東資金為 HK\$487.5 佰萬 (2020 年 3 月 31 日：HK\$530.4 佰萬)，本集團的淨債務為 HK\$342.5 佰萬 (2020 年 3 月 31 日：HK\$469.8 佰萬)。淨債務乃根據銀行貸款 HK\$512.8 佰萬 (2020 年 3 月 31 日：HK\$651.4 佰萬) 減去銀行結餘及現金 HK\$170.3 佰萬 (2020 年 3 月 31 日：HK\$181.6 佰萬，其中 HK\$54.6 佰萬為抵押銀行存款)。銀行貸款包括 HK\$226.2 佰萬需於一年內償還及 HK\$286.6 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)。

借貸比率減少乃由於在 2020/21 財政年度透過向一名第三方轉讓附屬公司股份的方式出售物業，大部分銷售所得款項用於償還銀行貸款。本集團營運的現金流入為 HK\$185.3 佰萬。於 2021 年 3 月 31 日，未動用銀行融資為 HK\$122.7 佰萬。

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 2021 年 3 月 31 日，流動資產及流動負債分別約為 HK\$579.6 佰萬 (2020 年 3 月 31 日：HK\$718.1 佰萬) 及 HK\$765.3 佰萬 (2020 年 3 月 31 日：HK\$1,017.6 佰萬)。流動比率約為 0.76 (2020 年 3 月 31 日：0.71)。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

As at 31 March 2021, the Group's total equity funds amounted to HK\$494.6 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 2021, 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 2021, certain property, plant and equipment and investment properties amounting to HK\$513.9 million (31 March 2020: HK\$640.4 million of certain property, plant and equipment, investment properties and bank deposit) were pledged to secure banking facilities granted to the Group. Capital expenditure was well controlled and reduced to HK\$4.2 million (FY2019/20: HK\$11.4 million).

The investment properties and leasehold land and buildings were revalued by independent valuers as at 31 March 2021. An impairment loss of HK\$54.1 million was recorded in the year ended 31 March 2021 accordingly.

The deferred tax asset balance decreased by HK\$22.3 million and this expense was charged to the income statement during the year ended 31 March 2021. The decrease was mainly from a decrease in tax losses and other temporary differences recognised as a deferred tax asset.

於 2021 年 3 月 31 日，本集團的股權總額為 HK\$494.6 佰萬。

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 2021 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 2021 年 3 月 31 日，本集團部分物業、機器及設備及投資物業總值 HK\$513.9 佰萬(2020 年 3 月 31 日：部份物業、機器及設備、投資物業及銀行存款總值 HK\$640.4 佰萬)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\$4.2 佰萬(2019/20 財政年度：HK\$11.4 佰萬)。

於 2021 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 2021 年 3 月 31 日止年度，錄得減值虧損 HK\$54.1 佰萬元。

遞延稅項資產結餘減少 HK\$22.3 佰萬及此支出已於截至 2021 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及其他暫時性差額減少所致。

**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 2021, the Group had around 1,000 employees (31 March 2020: 1,120). 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, 24 June 2021

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2021年3月31日約有1,000位(2020年3月31日：1,120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，2021年6月24日