

CEC-COILS® 759 阿信屋®

CEC國際控股有限公司
CEC INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

(Stock Code 股份代號: 759)

ANNUAL REPORT 年報
2022/2023

Corporate Profile

CEC International Holdings Limited (“CEC International”) is a small and medium-sized enterprise that upholds “progressive, determined, dedicated” as its main operating principle and is mainly engaged in design to manufacture of a wide range of electronic coils and local retail business.

Founded in 1979, our electronic coils business has been evolving progressively to become one of the major manufacturers of electronic coils supplying to a multiple of industry segments, including telecommunications and information technology equipment, data networking and power conversion applications, office automation equipment, audio and visual products, home appliance and power tools. CEC International is an experienced and competitive player in the electronic coils arena, with large-scale manufacturing facilities, research and development, sales and customer services based in Mainland China and marketing centers established in Hong Kong China, Mainland China, Taiwan China and Singapore.

759 STORE was established by the Group on 7 July 2010, as the Group started to develop its retail business with reference to the consumption model of Japanese localities. 759 STORE aimed to give desirable service to local Hong Kong residents, providing a relaxing shopping environment with wide range of products for our customers to choose. Our products not only came from Japan, but also from European countries, South-east Asia, Korea, Mainland China, Taiwan China and so forth. To provide our customers with a much comprehensive range of products to select, we did our best to further increase the varieties of our products and, apart from food, we self-imported frozen food, alcohol beverages, household products, kitchenware and personal care products, etc. Looking forward, 759 STORE will continue to serve Hong Kong local residents and provide comfortable, relaxing, diversified and much brand new shopping experience to our customers.

Listed on The Stock Exchange of Hong Kong Limited since November 1999, CEC International expects to progressively reinforce its corporate governance through the supervision by the capital market. CEC International is also dedicated to achieving sustainable development for its business, and to generate stable long-term return on shareholders’ investment.

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Corporate Information

DIRECTORS

Executive Directors

Ms. Tang Fung Kwan
(Chairman and Managing Director)
Mr. Lam Kwok Chung
(Deputy Managing Director)
Mr. Ho Man Lee

Independent Non-executive Directors

Mr. Goh Gen Cheung
Mr. Chan Chiu Ying
Ms. Tsui Mei Ling, May

AUDIT COMMITTEE

Mr. Chan Chiu Ying (Chairman)
Mr. Goh Gen Cheung
Ms. Tsui Mei Ling, May

REMUNERATION COMMITTEE

Mr. Goh Gen Cheung (Chairman)
Ms. Tang Fung Kwan
Mr. Chan Chiu Ying
Ms. Tsui Mei Ling, May

NOMINATION COMMITTEE

Ms. Tang Fung Kwan (Chairman)
Mr. Goh Gen Cheung
Mr. Chan Chiu Ying
Ms. Tsui Mei Ling, May

COMPANY SECRETARY

Ms. Ho Wing Yi

PRINCIPAL BANKERS

The Hongkong and Shanghai
Banking Corporation Limited
Bank of China (Hong Kong)
Limited

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

2nd Floor, Hing Win Factory
Building
110 How Ming Street
Kwun Tong, Kowloon
Hong Kong

HEADQUARTERS IN MAINLAND CHINA

Li Xin Jie, Yong An Lu
Dong Feng Zhen
Zhongshan
Guangdong
China

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity
Auditor

LEGAL ADVISERS

Grandall Zimmern Law firm
Appleby

SHARE REGISTRARS AND TRANSFER OFFICES

Bermuda Principal Share Registrar

MUFG Fund Services
(Bermuda) Limited
4th Floor North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Hong Kong Branch Share Registrar

Computershare Hong Kong
Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Websites: <http://www.0759.com>
<http://www.ceccoils.com>
[http://www.irasia.com/
listco/hk/cecint](http://www.irasia.com/listco/hk/cecint)

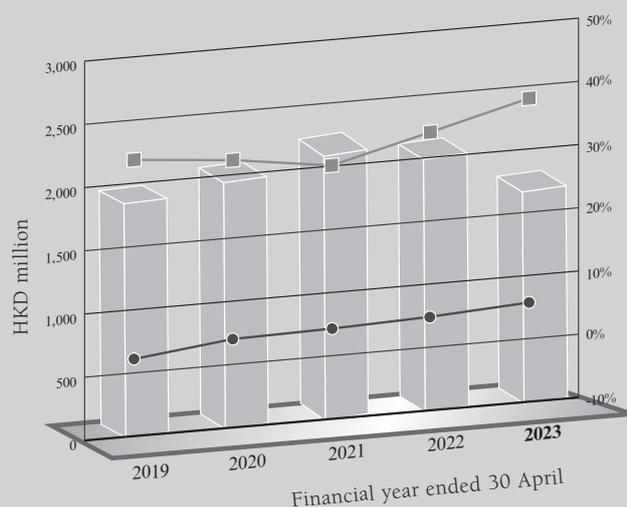
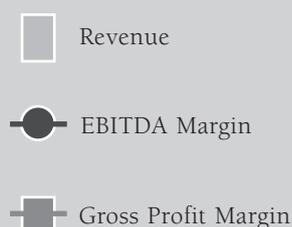
E-mail: info@ceccoils.com

Listed on The Stock Exchange of
Hong Kong Limited

Stock Code: 759

Financial Highlights

Revenue, EBITDA Margin and Gross Profit Margin of the Group for the past 5 years



	As at 30 April/ Year ended 30 April	
	2023 HK\$'000	2022 HK\$'000
Revenue	1,692,403	2,008,967
Profit for the year of the Company	49,565	39,884
Total assets	917,091	919,516
Net assets	533,543	499,653
Per Share Data		
Basic earnings per share (HK cents)	7.44	5.99
Net assets per share (HK cents)	80.1	75.0
Financial Ratios		
Gross profit margin (%)	38.0	34.0
EBITDA margin (%)	5.7	4.8
Current ratio	1.13	0.98
Interest coverage ratio	136	33
Gearing ratio	0.01	0.04

Definitions

Basic earnings per share	$\frac{\text{Profit for the year of the Company}}{\text{Weighted average number of issued shares}}$	EBITDA margin (%)	$\frac{\text{Operating profit plus depreciation and amortisation} \times 100\%}{\text{Revenue}}$
Net assets per share	$\frac{\text{Net assets}}{\text{Number of shares as at end of year}}$	Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Gross profit margin (%)	$\frac{\text{Gross profit} \times 100\%}{\text{Revenue}}$	Interest coverage ratio	$\frac{\text{Operating profit plus depreciation and amortisation}}{\text{Interest expense}}$
		Gearing ratio	$\frac{\text{Total borrowings}}{\text{Total equity}}$

Five-Year Financial Summary

The results, assets and liabilities of the Group for the last five financial years are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit/(loss) attributable to equity holders	49,565	39,884	32,324	12,349	(9,521)
Total assets	917,091	919,516	983,418	1,135,006	1,021,168
Total liabilities	(383,548)	(419,863)	(515,050)	(722,721)	(595,505)
	533,543	499,653	468,368	412,285	425,663

Management Discussion and Analysis

Dear Shareholders,

On behalf of the Board of Directors (the “Board”) of CEC International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”), I am pleased to present the twenty-fourth annual report of the Company since the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited on 15 November 1999.

2022/2023 SUMMARY OF RESULTS

- Revenue decreased 15.8% to HK\$1,692,403,000 (2022: HK\$2,008,967,000);
- Profit for the year of the Company increased 24.3% to HK\$49,565,000 (2022: HK\$39,884,000);
- Basic earnings per share was HK7.44 cents (2022: HK5.99 cents);
- Net cash inflow from operating activities of HK\$211,497,000 (2022: HK\$307,108,000); and
- Gross profit margin increased by 4 percentage points to 38.0% (2022: 34.0%).

DIVIDEND

No interim dividend has been declared for the year ended 30 April 2023 (2022: Nil).

The Board has resolved to recommend, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the payment of a final dividend of HK1.00 cent (2022: HK1.00 cent) per share for the year ended 30 April 2023 payable on or about 6 November 2023 to the shareholders whose names appear on the Company’s register of members on 13 October 2023.

Management Discussion and Analysis

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.

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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).

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.

(* The ratio of total borrowings over total equity)

Management Discussion and Analysis

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 HK\$'000	2022 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)
Increase in cash and cash equivalents	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.

Management Discussion and Analysis

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.

By Order of the Board
Tang Fung Kwan
Chairman

Hong Kong, 27 July 2023

Directors and Senior Management Profile

Directors

Executive Directors

Ms. TANG Fung Kwan, aged 53, was appointed as an executive director of the Company with effect from 29 September 1999, and has been the Chairman and Managing Director of the Company since 19 August 2018. She is responsible for leading the strategic planning, business development and overall management of the Group. Ms. Tang is also the managing director of Coils Electronic (Zhong Shan) Co., Ltd. and a number of other subsidiaries of the Company. She is currently a member of the Remuneration Committee and the Chairman of the Nomination Committee of the Company. She has been admitted to the degree of Bachelor of Social Sciences with Honours in The University of Hong Kong in 1992, the degree of International Master of Business Administration in The University of South Australia, Australia, in 1998, the degree of Bachelor of Laws (LLB) in The Manchester Metropolitan University, United Kingdom, in 2006, the Postgraduate Certificate in Laws and the degree of Master of Laws in Arbitration and Dispute Resolution in The University of Hong Kong in 2008 and 2010 respectively. Ms. Tang joined the Group in 1993.

Mr. LAM Kwok Chung, aged 31, was appointed as an executive director of the Company with effect from 28 September 2018, and has been the Deputy Managing Director of the Company since 1 August 2021. He is responsible for overseeing the Group's store operation and marketing functions. Mr. Lam is the sole director of Ka Yan China Development (Holding) Company Limited and a director of Coils Electronic (Zhong Shan) Co., Ltd. and a number of other subsidiaries of the Company. Mr. Lam has been awarded Bachelor of Arts under the Credit Accumulation Mechanism offered by the School of Professional Education and Executive Development, The Hong Kong Polytechnic University in 2014. Mr. Lam joined the Group in 2013.

Mr. HO Man Lee, aged 43, was appointed as an executive director of the Company with effect from 27 September 2011, responsible for the Group's development and application of information technology as well as administration and human resources management. He is also responsible for coordinating marketing-related joint programs and is actively engaged in compliance management of the retail operation. Mr. Ho joined the Group in 2001 and has worked in various departments, duties included information system development, administration and personnel management, company secretary and etc. Since the establishment of 759 STORE, he followed our founder Mr. Lam Wai Chun and continued to take part in various functions of the retail business, including marketing, store operation, shop leasing and etc, from which he has accumulated valuable retail experience. Mr. Ho has been admitted to the degree of Bachelor of Computer Science with Honours in The Hong Kong University of Science and Technology in 2001 and the degree of Master of Business Administration in The Chinese University of Hong Kong in 2006.

Directors and Senior Management Profile

Independent Non-Executive Directors

Mr. GOH Gen Cheung, aged 76, was appointed as an independent non-executive director of the Company with effect from 1 December 2005. He is a member of the Audit Committee and the Nomination Committee of the Company and was appointed as the Chairman of the Remuneration Committee of the Company with effect from 29 September 2021. Mr. Goh has over 30 years of treasury, finance and banking experience. He is a Certified Banker of The Hong Kong Institute of Bankers and obtained a Master's degree in Business Administration from the University of East Asia, Macau in 1987. Mr. Goh is also an independent non-executive director of Beijing Properties (Holdings) Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. CHAN Chiu Ying, aged 64, was appointed as an independent non-executive director of the Company with effect from 1 February 2015 and is the Chairman of the Audit Committee and a member of both the Remuneration Committee and Nomination Committee of the Company. Mr. Chan has over 30 years' experience in the fields of accounting, securities and corporate finance spanning from regulatory to investment advisory and management of listed companies in Hong Kong. Mr. Chan holds a Master degree in Business Administration from the University of Bradford, the United Kingdom and is an advisor providing corporate and strategic advisory services in Hong Kong and China. He is a fellow of the Hong Kong Institute of Certified Public Accountants. He is also an associate of the Chartered Institute of Management Accountants, the United Kingdom and a member of the Hong Kong Securities and Investment Institute. From September 2004 to January 2015, Mr. Chan was also an independent non-executive director of Asia Allied Infrastructure Holdings Limited (formerly known as Chun Wo Development Holdings Limited), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Ms. TSUI Mei Ling, May, aged 59, was appointed as an independent non-executive director of the Company, a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company with effect from 24 December 2021. Ms. Tsui graduated from the University of Hong Kong in 1985 with a Bachelor of Arts degree. She went on to further study in law and was admitted as a solicitor in Hong Kong in 1994 and in England and Wales in 1997. After her initial years of legal practice, Ms. Tsui spent more than five years working for several Securities and Futures Commission licenced corporations during which period she was appointed as a director being responsible for the supervision of the investment advisory business of those licensed corporations. She had been registered as an investment adviser and licensed as a responsible officer to advise on corporate finance. Since 2004 she has been working in a law firm in Hong Kong as a Consultant. Ms. Tsui has over 35 years of experience in legal, corporate finance and company secretarial practice.

Directors and Senior Management Profile

Senior Management

Company Secretary

Ms. HO Wing Yi, aged 49, is the head of accounting of the Group, responsible for the Group's financial reporting and corporate finance functions. Ms. Ho is also the company secretary of the Company. She worked in an international firm of certified public accountants and has over 7 years of experience in auditing. Ms. Ho has been admitted to the degree of Bachelor of Accountancy with Honours and the degree of Master of Business Administration in The Hong Kong Polytechnic University in 1996 and 2007 respectively. She is also a fellow member of The Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Ho joined the Group in 2003.

Electronic Components Manufacturing Business

Ms. MAI Shaoling, aged 59, is the head of factory affairs of Coils Electronic (Zhong Shan) Co., Ltd. responsible for managing the factory affairs of Zhongshan main plant. Ms. Mai is also the Party branch secretary of 中共中山市東鳳鎮高雅線圈製品有限公司 (Zhongshan Dong Feng Zhen Coils Electronic Company Limited). She has over 40 years of experience in administration and has been admitted to the degree of Master of Business Administration in The University of Wales, United Kingdom in 2013. Ms. Mai joined the Group in 1983.

Mr. WANG Zhengwen, aged 55, is the head of finance of Coils Electronic (Zhong Shan) Co., Ltd. responsible for the accounts management of Zhongshan main plant. He graduated from the Beijing University of Finance and Economics in 1990 and obtained the qualification of accountant from the Ministry of Finance, People's Republic of China. Mr. Wang joined the Group in 1998.

Ms. LAI Wanru, aged 51, is the head of purchasing of Coils Electronic (Zhong Shan) Co., Ltd. responsible for the purchase, materials procurement and logistics management functions of the Group's coil business as well as the purchasing function of 759 STORE. Ms. Lai has over 30 years of experience in materials procurement, coils production as well as sales and marketing. She has been admitted to the executive diploma in Management Studies in The Hong Kong Polytechnic University in 2005. Ms. Lai joined the Group in 1990.

Mr. ZHAO Xiangqun, aged 61, is the head of engineering and quality responsible for the management of engineering and quality functions of the Group's electronic components manufacturing business. Mr. Zhao has over 30 years of experience in research and development of electronic components and quality management. He has been admitted to the degree of Bachelor of Science in Physics and the degree of Master of Science in Gravitational Physics in the Sun Yat-Sen University, China, in 1986 and 1989 respectively. Mr. Zhao joined the Group in 2001.

Directors and Senior Management Profile

Retail Business

Ms. LEE Tsz Kei, aged 30, is the business development and operations manager, responsible for strategic sourcing, vendor and merchandizing management, business process optimization and the coordination of new initiatives in the retail business assigned by the managing director, such as to explore and develop new sourcing networks and ways of merchandizing related to healthy living style. She has been admitted to the degree of Bachelor of Business Administration in Operations Management and Management with Honours in The Hong Kong University of Science and Technology in 2015, the Master Degree of Art in Psychology in The Chinese University of Hong Kong in 2018. Ms. Lee joined the Group in 2015.

Mr. CHEUNG Ming Yat, aged 47, is the head of corporate strategy and development responsible for strategic studies and data analytics of the retail business. He has been admitted to the degree of Bachelor of Finance with Honours in The University of Hong Kong in 1998. Mr. Cheung first joined the Group in 1998 and his most recent joining date was in November 2015.

Ms. SIU Pui Yan, aged 41, is the purchasing manager of retail business, responsible for coordinating the purchases and supplies of the retail business. She has been admitted to the degree of Bachelor of Business Administration in Lingnan University, Hong Kong in 2003. Ms. Siu joined the Group in 2010.

Mr. FUKUOKA Kazuaki, aged 59, is the business development manager of purchasing of retail business, responsible for developing new source of Japanese food grocery for 759 STORE. Mr. Fukuoka has over 35 years of experience in areas such as retail of snack and food grocery, shop management, visual merchandising, shop layout design, etc. Mr. Fukuoka joined the Group in 2011.

Mr. CAO Huizhong, aged 53, is the quality assurance manager responsible for the management of food quality and labeling functions. He has been admitted to the degree of Master of Business Administration in The Hong Kong Polytechnic University in 2006. Mr. Cao joined the Group in 1994.

Mr. QING Liang, aged 45, is the head of information system responsible for managing the development and application of information system. Mr. Qing has been admitted to the degree of Bachelor of Computer Science and Technology with Honours in the Chongqing Jiaotong University, China (formerly known as the Chongqing Jiaotong Institute) in 2000 and the degree of Master of Science in Engineering Business Management jointly awarded by The University of Warwick, United Kingdom and The Hong Kong Polytechnic University in 2014. Mr. Qing joined the Group in 2002.

Directors and Senior Management Profile

Ms. WONG Sin Kam, aged 61, is the head of shop operation responsible for the management of shop operation and leasing function of 759 STORE. She has over 40 years of working experience in related field. Ms. Wong joined the Group in 1990.

Mr. YIP Chi Ping, aged 58, is the head of shop development and local sourcing responsible for shop development and sourcing of local supplies for 759 STORE. Mr. Yip worked in a large-scale chained supermarket and has over 35 years of experience in retail operations and merchandising. Mr. Yip joined the Group in 2013.

Mr. LEE Sze Ming Bruce, aged 51, is the head of shop management responsible for managing all outlets of 759 STORE. Mr. Lee worked in a large-scale chained convenient store and has over 20 years of experience in shop operations. Mr. Lee joined the Group in 2012.

Mr. HO Kwok Keung, aged 65, is the head of engineering (interior fitting out) responsible for managing the fitting-out and its maintenance of the retail shops. He is a former executive director of the Company (appointed on 20 December 2002 and resigned on 14 August 2003). He has over 45 years of experience in electronics and electrical industry. Mr. Ho joined the Group in 1996.

Report of the Directors

The Directors of the Company (the “Directors”) present this report together with the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 30 April 2023.

Principal activities and geographical analysis of operations

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) retail of food and beverage, household and personal care products, (ii) design, development, manufacture and sale of a wide range of coils, ferrite powder and other electronic components, and (iii) investment property holdings.

An analysis of the Group’s performance for the year by operating segments is set out in Note 5 to the financial statements.

Business Review

A review of the business of the Group as required by Schedule 5 to the Hong Kong Companies Ordinance is set out in the section headed “Management Discussion and Analysis” on pages 6 to 12 of this annual report and Note 3 to the consolidated financial statements as set out on pages 87 to 95 of this annual report. There was no major event affecting the Group that has occurred since the financial year ended 30 April 2023. The review forms part of the Report of the Directors.

Discussions on the Group’s environmental policies are set out under the section headed “A. Environment” of the Environmental, Social and Governance Report on pages 42 to 58 of this annual report.

Description of the principal risks and uncertainties with which the Group is encountering and discussions on the Group’s compliance with relevant laws and regulations, and on the relationships with its key stakeholders which have a significant impact on the Group are provided in the paragraphs below.

Report of the Directors

Principal Risks and Uncertainties

Risks associated with import costs

759 STORE imports products independently on its own effort in container units, in which over 90% of the products are imported directly from their places of origin. Since purchase prices are generally in Japanese Yen, Euro and US dollar, the fluctuations in Japanese Yen and Euro will directly affect the purchasing cost. To offset the risk due to the fluctuating currencies, 759 STORE makes good effort to search for new product sources from different places of origin that its purchasing network has currently covered 60 countries and regions, and endeavours to diversify the impact arising from fluctuations of the currency and economy in a single region on the purchasing cost.

Fluctuations in external economic environment

The global geopolitical situation is at a complex moment. Coupled with high inflation rates around the world and extreme fluctuations in global financial markets, it has seriously affected the economies all over the world, leading to abnormal fluctuations in the global stock market and international exchange rates in a bewildering way with sharp soars and abrupt drops at times. For local retail market, though no significant fluctuation has emerged so far, the continues uncertainty in the external economic environment has led to the risk of downturn in Hong Kong's export industry and other sectors, and it is difficult to estimate the magnitude of the impact on consumer demand in the future. 759 STORE positions itself as retailer of daily necessities, developing mainly on, not only leisure foods, but also foods, groceries and daily necessities to cope with the future changes in economic cycles which may greatly fluctuate.

Keen competition

In response of the downturn in retail market, the competition in retail market become keener. 759 STORE faces not only the competition from big supermarket chains and convenience store chains, but also the competition from snack stores of different sizes, frozen food stores or small and medium-sized shops which keep newly emerging in recent years. It makes the already keen market competition more intensified. The market on one hand shows no growth in its total volume, on the other hand has its number of players kept increasing, making our task to maintain the volume of revenue extremely challenging. 759 STORE will continue to adhere to its model of direct import, keep introducing new products from different places of the world to persistently refresh its products that makes 759 STORE take a path of differentiation on its development in market, so as to avoid destructive competition with other market players for selling the same products.

Compliance with Laws and Regulations

During the year under review, the Group has not been aware of any material breach of or non-compliance with the applicable laws and regulations that has a significant impact on its businesses and operations.

Report of the Directors

Relationship with Customers and Suppliers

759 STORE has its outlets penetrated in almost all residential districts in Hong Kong and has since its establishment endeavoured to provide quality services to customers.

On the supply chain front, 759 STORE sticks to its self-import model with suppliers from 60 countries and regions globally, most of them are overseas manufacturers, farms and large scaled wholesalers. The Group values mutually beneficial long lasting relationships with its customers and suppliers to ensure sustainable development of its business.

Relationship with Employees

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics. The management reviews regularly the compliance of the Group's subsidiaries with local labour laws and regulations in order to ensure fair labour practice among the workforce.

The Group believes that employees are its valuable assets and regards human resources as its corporate wealth. The management regularly reviews the Group's remuneration packages to ensure that they are in line with the prevailing market standard in order to attract and retain employees. The Group also provides employees with on-job training and development opportunities to enhance their career progression.

Results and appropriations

The results of the Group for the year ended 30 April 2023 are set out in the consolidated income statement on page 64 of this annual report.

No interim dividend has been declared for the year ended 30 April 2023 (2022: Nil). The board of directors of the Company (the "Board") has resolved to recommend, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the payment of a final dividend of HK1.00 cent (2022: HK1.00 cent) per share for the year ended 30 April 2023 payable on or about 6 November 2023 to the shareholders whose names appear on the Company's register of members on 13 October 2023.

Principal investment properties

Details of the principal properties of the Group held for investment purposes are set out on page 136 of this annual report.

Report of the Directors

Distributable reserves

As at 30 April 2023, the Company's contributed surplus of approximately HK\$131,338,000 (2022: HK\$131,338,000) (subject to provisions under the Companies Act 1981 of Bermuda (as amended)) and retained earnings of approximately HK\$17,624,000 (2022: HK\$9,286,000) were available for distribution to the equity holders of the Company.

Pre-emptive rights

There is no provision for pre-emptive rights in the Company's Bye-laws and the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders of the Company.

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.

Directors

The Directors who held office during the year ended 30 April 2023 and up to the date of this report were:

Executive Directors

Ms. Tang Fung Kwan (*Chairman and Managing Director*)

Mr. Lam Kwok Chung (*Deputy Managing Director*)

Mr. Ho Man Lee

Independent non-executive Directors

Mr. Goh Gen Cheung

Mr. Chan Chiu Ying

Ms. Tsui Mei Ling, May

Pursuant to Bye-law 87 of the Company's Bye-laws, Ms. Tang Fung Kwan and Mr. Goh Gen Cheung shall retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

The Company has received from each independent non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company considers such Directors to be independent. Mr. Goh Gen Cheung has served as an independent non-executive Director for more than nine years. Pursuant to the code provision B.2.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, further appointment of Mr. Goh as an independent non-executive Director should be subject to a separate resolution to be approved by the shareholders of the Company. In this regard, a resolution will be proposed at the forthcoming annual general meeting of the Company for further appointment of Mr. Goh as an independent non-executive Director.

Report of the Directors

Mr. Goh has over 30 years of treasury, finance and banking experience and provided his objective views and independent guidance to the Board and its committees over the years. Mr. Goh has not been engaged in any executive management of the Group and has confirmed in writing his independence. The nomination committee of the Company has assessed his independence based on the criteria as set out in Rule 3.13 of the Listing Rules and is satisfied that Mr. Goh remains independent. Having considered the above factors, the nomination committee of the Company is of the view that Mr. Goh possesses the required character, integrity, experience and knowledge to continue fulfilling the role of independent non-executive Director and accordingly recommends to the Board (which accepts such recommendation) for the proposed re-election of Mr. Goh as an independent non-executive Director at the forthcoming annual general meeting of the Company.

Directors' service contracts

None of the Directors who will be proposed for re-election at the forthcoming annual general meeting of the Company has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' material interests in transactions, arrangements and contracts that are significant in relation to the Company's business

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director and the Director's connected person (as defined in the Listing Rules) had a material interest, whether directly or indirectly, subsisted at the end of the year under review or at any time during the year.

Biographical details of directors and senior management

Brief biographical details of the Directors and senior management of the Group are set out on pages 13 to 17 of this annual report.

Report of the Directors

Director's and chief executive's interests and/or short positions in the shares, underlying shares and debentures of the Company or any specified undertaking of the Company or any other associated corporations

As at 30 April 2023, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Shares of the Company

Name of director	Number of shares of HK\$0.10 each held			Percentage of issued share capital
	Personal interests (Note 2)	Trusts interests	Total interests	
Ms. Tang Fung Kwan	4,194,611	–	4,194,611	0.63%
Mr. Lam Kwok Chung	–	442,295,660 (Note 3)	442,295,660 (Note 3)	66.39%
Mr. Ho Man Lee	30,000	–	30,000	0.0045%

Notes:

- All the above interests in the shares of the Company were long positions.
- Personal interests were interests held by the relevant directors as beneficial owners.
- The 442,295,660 shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by HSBC International Trustee Limited as trustee of a discretionary trust (the "Trust") founded by the late Mr. Lam Wai Chun, the founding chairman of the Company and a former director of the Company. In the capacity as a discretionary beneficiary of the Trust, Mr. Lam Kwok Chung was deemed to be interested in all the shares held by Ka Yan China Development (Holding) Company Limited for the purpose of the SFO.

Report of the Directors

(b) Shares of associated corporation(s) of the Company

Coils Electronic Co., Limited

Name of director	Number of non-voting deferred shares of HK\$1.00 each held		Percentage of issued non-voting deferred shares
		Trusts interests	
Mr. Lam Kwok Chung (Notes 4 and 5)		6,000,000	42.86%

Notes:

- The 6,000,000 non-voting deferred shares were held by Ka Yan China Development (Holding) Company Limited, representing approximately 42.86% of the 14,000,000 non-voting deferred shares in the share capital of Coils Electronic Co., Limited, in which Coils International Holdings Limited, a direct wholly-owned subsidiary of the Company, held the entire issued ordinary share capital. Mr. Lam Kwok Chung was deemed to be interested in all these shares under the SFO by virtue of the reason set out in Note 3 to sub-paragraph (a) above.
- All the above interests in the non-voting deferred shares of Coils Electronic Co., Limited held or deemed to be held by Mr. Lam Kwok Chung were long positions.

Save as disclosed above, as at 30 April 2023, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered into the register kept by the Company pursuant to Section 352 of SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

Save as disclosed above, as at 30 April 2023, neither the Directors or chief executive of the Company nor their spouses or children under the age of 18 had been granted any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised such rights.

Report of the Directors

Directors' rights to acquire shares or debentures

At no time during the year ended 30 April 2023 was the Company, its subsidiaries, its fellow subsidiaries, its holding companies or its other associated corporations a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Interests of shareholders discloseable under the SFO

As at 30 April 2023, according to the register kept by the Company under Section 336 of the SFO, the following persons, other than the Directors or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Shares of the Company

Substantial shareholders (as defined in the Listing Rules)

Name	Number of shares of HK\$0.10 each held					Percentage of issued share capital
	Beneficial owner	Family interests	Corporate interests	Trusts interests	Total interests	
Ms. Law Ching Yee	-	29,955,188 (Note 2)	-	442,295,660 (Notes 2)	472,250,848 (Notes 2)	70.89%
Ka Yan China Development (Holding) Company Limited	442,295,660 (Notes 2 and 3)	-	-	-	442,295,660 (Notes 2 and 3)	66.39%
Ka Yan China Investments Limited	-	-	442,295,660 (Notes 2 and 3)	-	442,295,660 (Notes 2 and 3)	66.39%
HSBC International Trustee Limited	-	-	-	442,295,660 (Notes 2 and 3)	442,295,660 (Notes 2 and 3)	66.39%

Report of the Directors

Notes:

1. All the above interests in the shares of the Company were long positions.
2. The 442,295,660 shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by the Trust. In the capacity as a discretionary beneficiary of the Trust, Ms. Law Ching Yee was deemed to be interested in all the shares held by Ka Yan China Development (Holding) Company Limited for the purpose of the SFO. The 29,955,188 shares were held by the late Mr. Lam Wai Chun, the founding chairman of the Company and a former director of the Company, as beneficial owner. Ms. Law Ching Yee, being the spouse of the late Mr. Lam Wai Chun, was deemed to be interested in all the shares held by her spouse, for the purpose of the SFO.
3. The interests in 442,295,660 shares held by Ka Yan China Investments Limited, the ultimate holding company of the Company, and HSBC International Trustee Limited refer to the same shares and duplicated with each other. Such shares formed the shares in which Ka Yan China Development (Holding) Company Limited was interested. As at 30 April 2023, the actual number of shares held by Ka Yan China Investments Limited, Ka Yan China Development (Holding) Company Limited and HSBC International Trustee Limited in the Company which duplicated with one another was 442,295,660 shares.

Save as disclosed above, the Company had not been notified of any other person (other than a director or a chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 30 April 2023.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Emolument policy

The Board, with the benefit of the advice from its Remuneration Committee, formulated the employee emolument policy of the Group on the basis of their merits, qualifications and competence.

The basis of determining the remuneration of the Directors is set out under the section headed "Remuneration of Directors and Senior Management" of the Corporate Governance Report on pages 33 to 34 of this annual report.

Report of the Directors

Major suppliers

The percentages of purchases for the year under review attributable to the Group's major suppliers are as follows:

Purchases	
– the largest supplier	16%
– five largest suppliers combined	36%

None of the Directors, nor any of their respective associates or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has an interest in any of the Group's five largest suppliers.

Major customers

During the year under review, the Group sold less than 5% of its goods and services to its five largest customers.

Related party transactions

Details of significant related party transactions entered into by the Group are set out in Note 31 to the financial statements on page 127 of this annual report which did not constitute notifiable connected transactions under the Listing Rules.

Public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at 27 July 2023 being the latest practicable date prior to the printing of this annual report, the Company has maintained the prescribed amount of public float as required under the Listing Rules during the year ended 30 April 2023 and up to the date of this annual report.

Permitted indemnity provision

During the year ended 30 April 2023 and up to the date of this annual report, the Company has maintained the directors' and officers' liability insurance for the Directors and the officers of the Company to provide protection against claims arising from the lawful discharge of duties by such Directors and officers.

Five years' financial summary

A summary of the Group's financial information for the last five financial years is set out on page 5 of this annual report.

Report of the Directors

Auditor

The financial statements of the Company have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

TANG FUNG KWAN

Chairman

Hong Kong, 27 July 2023

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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 deviation:

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 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 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.

Save as disclosed above, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code.

CORPORATE STRATEGY AND CULTURE

759 STORE aims to give desirable service to the local community, providing a relaxing shopping environment with a wide range of high quality products for our customers to choose. The Company upholds “progressive, determined, dedicated” as its main operating principle and is committed to promoting a corporate culture and values of integrity, inclusivity and excellence that, we believe, can enable the Company to achieve its long-term objectives and sustainable development for its business. The Board plays the leading role in instilling this positive culture across the organization, creating a workplace where every employees feel empowered to act lawfully, ethically and responsibly.

759 STORE adheres to the model of “Quick Turnover with Lower Margin” and “Direct Import from Place of Origin”. Detailed discussions on the Group’s business strategies are set out under the section headed “Management Discussion and Analysis” on pages 6 to 12 of this annual report.

Corporate Governance Report

BOARD OF DIRECTORS

The Board currently comprises three executive directors, namely Ms. Tang Fung Kwan (Chairman and Managing Director), Mr. Lam Kwok Chung (Deputy Managing Director) 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. The number of independent non-executive directors of the Company represents half of the Board and there is one independent non-executive director who possesses appropriate professional qualifications, accounting and related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The Company has received from each of its independent non-executive directors an annual written confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all its independent non-executive directors are independent. To the best knowledge of the members of the Board, none of them has any financial, business, family or other material/relevant relationship with each other.

In accordance with the Company's Bye-laws, one-third of the directors of the Company shall retire from office by rotation at each annual general meeting and each of their re-election is subject to a vote of shareholders. Every director is subject to retirement by rotation at least once every three years.

The Board determines the objectives, strategies and policies of the Group. In addition, the Board monitors and controls the operating and financial performance in pursuit of the Group's strategic objectives. The day-to-day management of the Group's business is delegated to the Managing Director and the management of the Group under the supervision of the executive directors of the Company. The functions and powers that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group's overall strategic policies, financial objectives, dividend policy, changes in accounting policies, material acquisition and disposal of assets, investments and capital projects, banking facilities, provision of guarantees and indemnities, determination and adoption of documents (including the publication of announcements, reports and statements to shareholders) that are required pursuant to the Company's constitutional documents, statutes and other applicable regulations, as well as compliance with the financial covenants imposed by banks.

The Board is also responsible for overseeing ESG issues, formulating the overall strategies and objectives therefor, as well as performing the corporate governance duties including: (i) to develop and review the Group's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of directors and senior management; (iii) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and (v) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

Corporate Governance Report

BOARD OF DIRECTORS *(continued)*

With the support of the executive directors and the management of the Group, the Chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate information, which are complete and reliable, in a timely manner. Each of the directors keeps abreast of his/her responsibilities as a director of the Company and of the conduct, business activities and development of the Company. Monthly updates are provided to directors to ensure that they are aware of the business and regulatory environment in which the Group conducts its business.

The Company renewed the directors' and officers' liability insurance for members of the Board in February 2023 to provide protection against claims arising from the lawful discharge of duties by the directors.

BOARD MEETINGS

The Board meets regularly to review the financial and operating performance of the Group each financial year. Regular Board meetings are held at least four times per year. The directors may attend Board meetings in person or by means of a conference telephone, electronic or other communication in accordance with the Company's Bye-laws.

ATTENDANCES OF MEETINGS

The number of meetings of the Board and its committees during the year ended 30 April 2023, the individual attendance of each Board and committee member at these meetings and the attendance of the Board members at the 2022 AGM are set out below:

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	2022 AGM
Executive Directors					
Tang Fung Kwan	6/6	–	3/3	1/1	1/1
Lam Kwok Chung	6/6	–	–	–	1/1
Ho Man Lee	6/6	–	–	–	1/1
Independent Non-Executive Directors					
Goh Gen Cheung	6/6	4/4	3/3	1/1	1/1
Chan Chiu Ying	6/6	4/4	3/3	1/1	1/1
Tsui Mei Ling, May	6/6	4/4	3/3	1/1	1/1

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Since 29 September 2009, the roles of the Chairman of the Board and the CEO were performed by the late Mr. Lam Wai Chun, the founding Chairman of the Company. After the pass away of 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. 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 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.

NON-EXECUTIVE DIRECTORS

All the three non-executive directors of the Company are independent and have entered into their respective letters of appointment for a term of two years.

INDUCTION AND DEVELOPMENT

Upon their appointments, directors will meet with our external legal adviser and be advised on the legal and other duties and obligations they have as directors of a listed company. Throughout the course of their directorship, directors are updated on any developments or changes affecting the Company and their obligations to it monthly and at regular Board meetings.

Directors' training is an ongoing process. All directors are encouraged to attend relevant training courses and seminars at the Company's expense. As part of their continuous professional development ("CPD"), directors are regularly briefed on various topics, in particular regulatory updates, latest market trends and ESG development, that are relevant to their duties and responsibilities through their participation in the training sections organized by the Company Secretary and external advisors. In addition, all directors are provided with reading materials from time to time to develop and refresh their knowledge and skills in relation to their contribution to the Board.

Corporate Governance Report

INDUCTION AND DEVELOPMENT *(continued)*

The Company has received from all its directors of their respective training records for the year ended 30 April 2023. The Board has reviewed and monitored the training and CPD of the directors and the senior management of the Group. The CPD training received by the directors during the year ended 30 April 2023 is summarised as below:

Directors	Types of CPD Training Received
Executive Directors	
Tang Fung Kwan	(1) & (2)
Lam Kwok Chung	(1) & (2)
Ho Man Lee	(1) & (2)
Independent Non-Executive Directors	
Goh Gen Cheung	(1) & (2)
Chan Chiu Ying	(1) & (2)
Tsui Mei Ling, May	(1) & (2)

Notes:

- (1) Attending training courses, seminars, forums, conferences, workshops or briefing sessions
- (2) Reading materials, reports, articles or other papers on business, industry or regulatory updates

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Board established a Remuneration Committee on 18 March 2005 with written terms of reference, which are available on the Company's website (www.0759.com), setting out the duties (including but not limited to the duties as required under the Code Provisions of the Code) and authority of the Remuneration Committee. The principal duties of the Remuneration Committee include but not limited to making recommendations to the Board on (i) the Company's policy and structure for all remunerations and fees of directors of the Company and senior management of the Group, (ii) the remuneration packages of each executive director of the Company and senior management of the Group, including benefits in kind, pension rights and compensation payments, and (iii) the remuneration of non-executive directors of the Company, as well as reviewing and approving the management's remuneration proposals.

The Company's remuneration policy aims to establish a fair and consistent framework for determining competitive remuneration packages that can attract, retain, motivate and reward employees at all levels. The remuneration packages may consist of a combination of fixed and variable remuneration. Other employee benefits included pension scheme, on-job training, education subsidy and other social insurances and paid leaves as required under the laws and regulations at the place of employment. In addition, discretionary bonus may be granted to eligible employees taking into account factors such as market benchmark as well as the Group's and individual's performance during the year. The employee remuneration is reviewed regularly.

Corporate Governance Report

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

In determining the emolument of directors of the Company and senior management of the Group, the Remuneration Committee takes into consideration factors such as salaries or fees paid by comparable companies, time commitment and responsibilities of the directors and senior management, employment conditions elsewhere in the Group, desirability performance-based remuneration, the operating results of the Group, individual performance and prevailing market conditions. No director is involved in any discussion about his/her own remuneration.

The emoluments of the members of the senior management by band for the year ended 30 April 2023 are set out below:

Emolument bands	Number of members	
	2023	2022
Nil to HK\$1,000,000	11	13
HK\$1,000,000 to HK\$1,500,000	4	2

Further particulars regarding the directors' emoluments and the 5 highest paid individuals as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Note 9 to the financial statements on page 102 of this annual report.

During the year ended 30 April 2023, the Remuneration Committee held three meetings. The works performed by the Remuneration Committee included making recommendation to the Board of a discretionary bonus scheme and the remuneration package of certain members of the senior management, reviewing the Group's remuneration policy, the remuneration packages of the executive directors and senior management of the Group, as well as reviewing and determining the upper limit of revised salary for the senior management.

The Remuneration Committee currently comprises four members including one executive director, namely Ms. Tang Fung Kwan, and three independent non-executive directors, namely Mr. Goh Gen Cheung (chairman of the Remuneration Committee), Mr. Chan Chiu Ying and Ms. Tsui Mei Ling, May.

DIRECTORS' SECURITIES TRANSACTIONS

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 at the applicable times for the period from 1 May 2022 to 30 April 2023. The Model Code also applies to the relevant employees of the Group.

Corporate Governance Report

NOMINATION COMMITTEE

The Board established a Nomination Committee on 21 March 2012 with written terms of reference, which are available on the Company's website (www.0759.com), setting out the duties (including but not limited to the duties as required under the Code Provisions of the Code) and authority of the Nomination Committee. The principal duties of the Nomination Committee include but not limited to reviewing the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy and assessing the independence of independent non-executive directors of the Company. The Nomination Committee currently comprises four members including one executive director, namely Ms. Tang Fung Kwan (chairman of the Nomination Committee), and three independent non-executive directors, namely Mr. Goh Gen Cheung, Mr. Chan Chiu Ying and Ms. Tsui Mei Ling, May.

The Board has adopted a policy (the "Nomination Policy") which sets out the selection criteria and procedures for nominating suitable candidates for appointment as a new director of the Company or to fill a vacancy. When searching candidates for directorship, the Nomination Committee shall invite nominations from the Board members or may also put forward candidates by itself. In assessing the suitability of a proposed candidate, the Nomination Committee will take into consideration factors including, inter alia, the candidate's reputation for integrity, accomplishment and experience, commitment in respect of available time and relevant interest, and benefits to the Company's board diversity. In the case of independent non-executive director, the candidate must also satisfy the independence requirements as set out under any applicable laws, rules and regulations. Shortlisted candidates will then be nominated to the Board for its consideration.

To ensure independent views and input are available to the Board, the Company has established mechanisms including: (i) at least one-third of the Board are independent non-executive directors; (ii) independent non-executive directors receive fixed fee for their roles as the members of the Board and chairmen of the Board Committees as appropriate; (iii) no independent non-executive director holds more than six listed company directorships; (iv) further appointment of independent non-executive director who has served the Company for more than nine years is subject to a separate resolution to be approved by the shareholders of the Company; (v) the Nomination Committee will assess the independence of each independent non-executive director annually; (vi) at least one post-meeting private session between the Chairman and the independent non-executive directors is held annually to provide a forum where independent views can be communicated to the Chairman directly; and (vii) all directors are entitled to seek independent professional advice as appropriate at the Company's expenses to facilitate proper discharge of their duties. The Board has reviewed the implementation of these mechanisms during the year ended 30 April 2023 and considered that they remain effective.

The Nomination Committee held one meeting during the year ended 30 April 2023. During this period, the Nomination Committee reviewed the structure, size, composition and diversity of the Board, assessed the independence of independent non-executive directors and made recommendation to the Board for the re-appointment of retiring directors.

Corporate Governance Report

DIVERSITY

The Company recognises the importance of the diversity of composition of the Board for the sustainable and balanced development of the Group in the long term. The Board has adopted a policy (the “Board Diversity Policy”) that sets out the approach to achieving the Board’s diversity through consideration of a range of perspectives, including but not limited to gender, age, cultural and educational background, experience, professional qualifications, expertise, skills and the business plans of the Group at the material time. All appointments of director of the Company will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee is delegated with the responsibility to monitor the implementation of the Board Diversity Policy by reviewing the Board’s composition at least once annually. As at the date of this report, the Board comprises 2 female directors and 4 male directors. Female representation on the Board is approximately 33%. The members of the Board came from various education and professional backgrounds who possess a diverse range of experience, skills and expertise that have brought different insights to the Board. The Nomination Committee considers the current composition of the Board to be diverse, whether in respect of gender, age, professional knowledge, skills, experience and other evaluation criteria as set out in the Board Diversity Policy and is appropriate to complement the Company’s corporate strategy. The Nomination Committee will continue to monitor the implementation of the Board Diversity Policy and the Nomination Policy and, for the purpose of ensuring their effectiveness and relevance to the Company’s needs, as well as complying with both the regulatory requirements effective from time to time and good corporate governance practices, the Nomination Committee will periodically review these policies, and when necessary, consider setting further measurable objectives and recommend any revisions of these policies to the Board for consideration and approval.

The Company is also committed to creating an inclusive and diverse workplace. We continuously optimize the workforce composition in pursuit of a well-diversified staff structure that aligns with our business development objectives. As at 30 April 2023, the gender ratio of our workforce was 68:32 (female to male ratio). 40% of the senior management positions were held by female employees. At present, we consider this gender ratio reasonable and appropriate that can drive innovation and promote our decision-making capabilities. As our business continue to develop and grow, we remain steadfast in our dedication to maintain this diversity, understanding that it is integral to our long-term success and competitive advantage. Further details on the Group’s workforce diversity are set out under the section headed “B. Society” of the Environmental, Social and Governance Report on pages 42 to 58 of this annual report.

AUDIT COMMITTEE

The Board established an Audit Committee in September 1999 with written terms of reference (including but not limited to the duties as required under the Code Provisions of the Code), which are available on the Company’s website (www.0759.com). The principal duties of the Audit Committee include but not limited to reviewing and overseeing the Group’s financial reporting system, internal control procedures, risk management, internal and external audit functions and reviewing the Group’s financial information.

Corporate Governance Report

AUDIT COMMITTEE *(continued)*

The Audit Committee is also primarily responsible for reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, and making recommendations to the Board on the appointment of, and approving the remuneration and terms of engagement of the external auditor. In general, the external auditor has to refrain from engaging in non-assurance services required by the Group except for limited tax-related services or specifically approved items. On 6 March 2023, the Audit Committee has adopted a Non-Assurance Services Concurrence Policy (the "NASCP") which sets out (i) the classification of services as pre-concurred (subject to pre-approved maximum fee amounts), not pre-concurred and prohibited; and (ii) the approval process for services and fee amounts that have not been pre-concurred.

The Audit Committee has received confirmation from and discussed with the Group's external auditor, PricewaterhouseCoopers, on its independence and objectivity. During the year ended 30 April 2023, the Audit Committee reviewed PricewaterhouseCoopers's statutory audit scope and the fees paid/payable to PricewaterhouseCoopers amounted to approximately HK\$3,174,000 for statutory audit services and approximately HK\$127,000 for non-audit services (comprising tax and other services) rendered to the Group.

The Audit Committee was satisfied with PricewaterhouseCoopers's work, its independence, objectivity, qualifications, expertise, resources and the effectiveness of the audit process. On 18 July 2022, the Audit Committee recommended to the Board the re-appointment of PricewaterhouseCoopers as the external auditor of the Group for the year ended 30 April 2023 for shareholders' approval at the 2022 AGM.

The Audit Committee currently comprises three independent non-executive directors, namely Mr. Chan Chiu Ying (chairman of the Audit Committee), Mr. Goh Gen Cheung and Ms. Tsui Mei Ling, May. The chairman of the Audit Committee possesses the appropriate professional qualifications and experience in accounting, securities and corporate finance. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual results of the Company for the year ended 30 April 2023.

Regular meetings have been held by the Audit Committee since its establishment. The Audit Committee meets at least twice in each financial year in accordance with its terms of reference. During the year ended 30 April 2023, the Audit Committee discharged its duties by reviewing the audit findings, risk management and internal control systems of the Group, internal audit plan and schedule, internal audit reports on the effectiveness of internal control of the Group, the financial reporting matters (including announcements, financial reports and accounts relating to the interim and annual results of the Company before submission to the Board for approval, the accounting principles and practices adopted by the Group and compliance with relevant rules and regulations in respect thereof), approving the terms of engagement of the Company's external auditor and the NASCP and discussing with the Company's external auditor the nature and scope of the audit. Two post-meeting sessions with the external auditor in the absence of management of the Group were held during the year ended 30 April 2023.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for overseeing the risk management and internal control systems of the Group on an ongoing basis covering all material controls, including financial, operational, compliance control and risk management. The systems are designed to provide reasonable, but not absolute assurance against material misstatement, losses, errors, corruption and fraud.

To enhance the risk management and internal control systems, the Group continues to engage an external audit firm to carry out the risk management, ESG related-risks and internal control systems review and assessment and to evaluate all the key areas of the Group to ensure that: -

- proper segregation of duties, risk management, ESG related-risks and internal control systems have been established by the management of the Group and are functioned as intended;
- policies and procedures have been designed for safeguarding the Group's assets against unauthorized use or disposition;
- all applicable laws, rules and regulations are complied with;
- the policy and system that promote and support anti-corruption laws and regulations have been set-up;
- the risk management, ESG related-risks and internal control functions are properly integrated into the daily operations of the Group;
- adequate measures, management and control systems have been deployed for mitigating the corruption, fraud, irregularities, financial, and operational risk exposure by the Group; and
- significant control weaknesses, findings and improvement processes are directly reported to the Audit Committee regularly.

A whistleblowing policy and system which provides employees and those who dealt with the Group with the channels to raise concerns, in confidence and anonymity, about the possible improprieties in any matters related to the Group has been set-up. The Audit Committee oversees the whistleblowing policy and systems.

During the year ended 30 April 2023, no significant risk management and internal control issues has been identified. The Board continued to review the operational effectiveness of the Group's risk management and internal control systems through the Audit Committee, including the approval of internal audit planning and procedures, and the assessment and review of internal audit reports to ensure that a sound and effective risk management and control environment have been installed into the Group.

Corporate Governance Report

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company acknowledge their responsibility for preparing the financial statements of the Group, which give a true and fair view and are prepared in accordance with statutory requirements and applicable accounting standards with appropriate accounting policies applied on consistent basis, and ensuring the publication of the Group's financial statements in a timely manner.

The directors of the Company have continued to adopt the going concern basis in preparing the financial statements. The Board endeavours to ensure a balanced, clear and understandable assessment of the Group's performance and prospects in financial reporting.

The responsibilities of the Company's external auditor with respect to financial reporting are set out in the Independent Auditor's Report on pages 59 to 63 of this annual report.

COMPANY SECRETARY

The Company Secretary is an employee of the Company and is appointed by the Board. The Company Secretary is responsible for facilitating the procedures and activities of the Board and its committees as well as good communication flow among the Board members, shareholders and the senior management.

During the year ended 30 April 2023, Ms. Ho Wing Yi, the company secretary of the Company (the "Company Secretary"), undertook no less than 15 hours of relevant professional training to keep abreast of latest legislative and regulatory changes and to refresh her skills and knowledge.

INSIDE INFORMATION

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is fully aware of its obligations under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and the Listing Rules. In December 2013, a policy has been adopted by the Board which sets out guidelines to the directors, officers and all relevant employees of the Group to ensure that inside information of the Company is to be disseminated to the public in equal and timely manner.

Corporate Governance Report

INVESTOR RELATIONS, SHAREHOLDERS' RIGHTS AND COMMUNICATIONS

A Shareholders Communication Policy was adopted in March 2012 to ensure that shareholders of the Company are provided with ready, equal and timely access to balanced and understandable information about the Company. The policy is posted on the Company's website (www.0759.com) and is regularly reviewed to ensure its effectiveness.

The Company has established different communication channels with its shareholders and the investors, including (i) the annual general meetings of the Company which provide a forum for its shareholders to raise comments and exchange views with the Board; and (ii) updated company news and published announcements of the Group which are available on the websites of the Stock Exchange and the Company.

The general meetings of the Company provide a forum for communication between the Board and the shareholders of the Company. The chairmen and members of the Board and its committees, senior management and auditor of the Company are available to answer questions at the general meetings. Shareholders are encouraged to participate in general meetings to stay informed of the Company's businesses and communicate any concerns or inquire they may have to the Board.

The Company arranges for the notice to its shareholders to be sent at least 20 clear business days before each of the annual general meetings of the Company. Separate resolutions are proposed at annual general meeting on each substantially separate issue, including the re-election of each individual director.

Pursuant to the Bye-laws 58 of the Bye-laws of the Company, any shareholder holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by depositing a written requisition to the Board or the Secretary of the Company at 2nd Floor, Hing Win Factory Building, 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two (2) months after the deposit of such requisition. Any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of meeting will explain the poll voting procedures at the relevant general meeting and answer any questions from shareholders on voting by poll.

The Board reviewed the Shareholders Communication Policy during the year ended 30 April 2023 and considered that it remained effective and was properly implemented given the various communication channels having been in place during the year as summarized in the above paragraphs.

The Board always welcomes shareholders' views and input. Shareholders may at any time send their enquiries by addressing them to the Company Secretary by post to 2nd Floor, Hing Win Factory Building, 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong or by email at secretary@ceccoils.com.

Corporate Governance Report

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year ended 30 April 2023.

DIVIDEND POLICY

The Company endeavours to achieve sustainable business development and to generate stable long-term return on shareholders' investment. Subject to any restrictions under the laws of Bermuda, the Bye-Laws of the Company and any applicable laws, rules and regulations, the Company may declare dividend according to the recommendation of the Board. In deciding the Company's dividend distribution and in determining the dividend amount, the Board shall take into account, inter alia, the Group's general financial condition, the Group's actual and future operations and liquidity position, the Group's expected working capital requirements and future expansion plans, general market conditions, as well as any restrictions on payment of dividends, other applicable laws and regulations, and any other factors that the Board deems appropriate.

CONTINUOUS CORPORATE GOVERNANCE ENHANCEMENT

The Board is committed to progressively reinforce its corporate governance including giving closer attention to any regulatory changes with a view to maintaining a corporate culture built on ethics and integrity and increasing shareholder value as a whole.

Environmental, Social and Governance Report

Standards and Scope of Reporting

This environmental, social and governance report (“this report”) has been prepared and published in accordance with the requirements set out in Appendix 27 “Environmental, Social and Governance Reporting Guide” to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

This report presents the environmental, social and governance (“ESG”) performance of the Company and its subsidiaries (the “Group”, “we” or “our”) during the reporting period from 1 May 2022 to 30 April 2023 (the “Reporting Period”). Based on the principle of materiality, this report mainly covers the retail business of the Group, with the same reporting scope as previous.

In preparing this report, the Group has followed the following four reporting principles:

Materiality	The Group has ensured that this report covers key environmental, social and governance issues which are of concern to different stakeholders and have a significant impact on the Group’s business and operations, by conducting stakeholder engagement and materiality assessments. Details are set out in the chapters on “Stakeholder Engagement” and “Materiality Assessment”.
Quantitative	Information on the criteria, methods, assumptions and/or calculation tools used for the environmental and social KPIs disclosed in this report, and the sources of conversion factors are set out in the notes following the relevant KPIs.
Balance	We have endeavoured to disclose information in this report in an objective manner so as to present an unbiased view of the Group’s overall environmental, social and governance performance.
Consistency	Wherever practicable, the Group applies consistent reporting standards, data collection and calculation methods to ensure that the information disclosed in this report can be meaningfully compared. Any changes that may affect meaningful comparisons of KPIs are disclosed accordingly.

This report was reviewed and approved by the board of directors of the Company (the “Board”) on 27 July 2023.

Commitment and Policy of the Board on Sustainable Development

Since the inception of 759 STORE in 2010, the Group has been implementing the policy of “Quick Turnover with Lower Margin” with an aim to serve local community, by sourcing varieties of food products and necessities of daily life from all over the world and offering high quality products at low prices to local neighbours. The Board believes that the promotion of sustainable development constitutes an integral part of the implementation of such business philosophy of 759 STORE, and is also the cornerstone of the development of the Group in the long run. The Board is responsible for assessing ESG related risks and opportunities, and formulating overall strategies and objectives therefor. We have included ESG issues in the agenda of regular Board meetings. The Board communicates with the Sustainability Working Group on a regular basis to monitor the progress of the Group’s sustainable development and review the same in a timely manner. We identify and prioritize material issues by understanding the views of stakeholders and by reference to industry standard practices. The Board believes that, in order to achieve the objective of sustainable development, we have to rely on the combined efforts of each and every employee and business partner of the Group. Therefore, we are committed to incorporating sustainable development programs into our corporate day-to-day operations, to enable every employee to be engaged in practice, and to cultivate the group culture on the environmental and social sustainability through a top-down method and promote such culture within the Group and then outward to its business partners.

Environmental, Social and Governance Report

Sustainability Governance

With an effective sustainability governance framework, a company is enabled to formulate and implement appropriate sustainability strategies and objectives in the course of its business, manage reporting procedures, monitor progress and review results. The Board supervises the sustainable development of the Group in all respects and assumes the key responsibility to formulate policies and strategies in relation to sustainable development. Under the leadership of the Board, the Group has established a Sustainability Working Group, which is led by the executive directors of the Company (the “Directors”) and comprises senior officers from various core departments, each with different professional backgrounds. The Working Group is responsible for coordinating the sustainable development activities across the Group, including, among others, execution of the strategies set by the Board, implementation of relevant policies and measures, monitoring of the sustainable development performance of all departments and stakeholders engagement, and reports and makes recommendations to the Board on a regular basis.

Risk Management

The Board is responsible for ensuring that the Group establishes and maintains a sound and effective risk management and internal control system covering all material controls, including financial, operational, compliance control and risk management. We have included ESG-related risks in the scope of such system controls.

Climate change is affecting people’s health, society and economy in the world, with increasing risks and opportunities associated with it. The Group realized that the deteriorating extreme weather conditions due to climate change would, on the one hand, increase employees’ safety risks and have an impact on the operations of local stores, transportation and etc.; on the other hand, it would also increase the potential risk hindering or interrupting the supply chains. We have taken measures to reduce the related risks, which are summarised in the sections headed “Health and Safety” and “Supply Chain Management” in this report.

In the long run, governments in the world are accelerating the introduction of responsive policies to address climate change. In order to achieve the goal of “carbon neutrality” by 2050, the Hong Kong Special Administrative Region (“Hong Kong”) government has also formulated the Climate Action Plan and actively implemented various environmental measures and related laws. Among which, the *Producer Responsibility Scheme on Glass Beverage Containers* and the enhanced *Plastic Shopping Bag Charging Scheme* were officially implemented on 1 May 2023 and 31 December 2022, respectively. The Group has provided appropriate guidelines and training to enable employees at all levels to understand the implementation details of the new measures as soon as possible and make joint efforts in promoting waste reduction at the source. Other schemes that have a significant impact on the Group’s retail business include:

- the *Municipal Solid Waste Charging*
- the *Producer Responsibility Scheme on Plastic Beverage Containers*

The Group has actively participated in the industry seminars on these schemes to prepare for supporting the implementation of such measures as soon as possible. The Group will continue to closely monitor the development of relevant policies and formulate strategies in a timely manner in response to the risks and opportunities arising therefrom.

Environmental, Social and Governance Report

Stakeholder Engagement

By maintaining communication with stakeholders and understanding their expectations and needs, we identify material ESG issues, and are well-aware of related risks and opportunities, which are critical to the sustainable development of the Group. In our daily operations, we collect opinions from stakeholders through various channels. Our major stakeholders, communication channels and their concerns are set out below:

Major Stakeholders	Communication Channels	Concerns
Customers	<ul style="list-style-type: none"> • Retail outlets • Service hotlines and emails • Social media platforms 	<ul style="list-style-type: none"> • Product quality and safety • Customer service • Personal data and privacy protection
Employees	<ul style="list-style-type: none"> • Induction and on-job training • Team meeting • Internal email and instant messaging platform • Staff activities 	<ul style="list-style-type: none"> • Occupational safety and health • Development and training • Remuneration and benefits
Suppliers and business partners	<ul style="list-style-type: none"> • Interviews and virtual meetings • Regular email or telephone communication • On-site inspection • Supplier evaluation 	<ul style="list-style-type: none"> • Stable business partnerships • Fair trading terms • Business integrity
Community	<ul style="list-style-type: none"> • Community investment • Sponsorship and donations • Social media platform/email 	<ul style="list-style-type: none"> • Environment protection
Government and regulatory authorities	<ul style="list-style-type: none"> • Regular industry conferences • Email communication 	<ul style="list-style-type: none"> • Food safety • Environment protection
Shareholders and investors	<ul style="list-style-type: none"> • General meetings of shareholders • Financial reports, circulars and announcements • Email communication • Disclosure of information on the websites of the Stock Exchange and the Company 	<ul style="list-style-type: none"> • Financial performance • Return on investment • Information disclosure and transparency

Environmental, Social and Governance Report

Materiality Assessment

By assessing the materiality of ESG issues, a company formulates its objectives focusing on material areas and dedicating more resources in those areas with priority, which is critical to making great progress in promoting sustainable development. According to the opinions collected from stakeholder engagement, and after assessing the impact on and relevance of such issues to the business of the Group, we have identified the following areas that should be developed in priority:

Environment	Employees	Product Responsibility	Community Participation
<ul style="list-style-type: none"> • Wastes Management • Use of Packaging Materials • Energy Conservation • Greenhouse Gas Emission 	<ul style="list-style-type: none"> • Health and Safety • Development and Training 	<ul style="list-style-type: none"> • Product Safety and Quality • Personal Data and Privacy Protection • Complaints about products and services 	<ul style="list-style-type: none"> • Supporting the Community

A. ENVIRONMENT

The Group attaches great importance to environmental protection. We apply measures such as energy conservation and pollution prevention in our daily operation, and we strive to maintain the sustainable development of the environment in the course of our business development.

The Group is committed to complying with laws and regulations regarding environmental protection. Main applicable laws include the Product Eco-responsibility Ordinance (Cap. 603 of the Laws of Hong Kong) and Air Pollution Control (Volatile Organic Compounds) Regulation (Cap. 311W of the Laws of Hong Kong) etc. The Group ensures that all employees abide by relevant laws and regulations during business operation by updating system procedures, formulating relevant working guidelines and providing staff trainings. The Group is not aware of any material non-compliance with any laws and regulations in relation to the environment during the Reporting Period.

Waste Management

We understand the importance of reducing wastes at the source, and we make the effort to reduce the wastes produced during the process of operation that need to be disposed of. By continuously optimising the information system, we strive to reduce the difference between procurement and market demands. Besides, for the products not selling well or close to expiry dates, we offer concessionary clearance prices which attract customers to buy so as to reduce wastage of food. As for a small quantity of products with damaged packaging, we donate them to the needy through the food sharing project of the New Life Psychiatric Rehabilitation Association.

Environmental, Social and Governance Report

A. ENVIRONMENT *(continued)*

Waste Management *(continued)*

In addition, wastes such as waste paper, packing wrap and toner cartridges are produced during the process of retail business operation. We manage these wastes based on the principle of “in first reducing, in second reusing and in third recycling”. During the Reporting Period, the Group has adopted the following measures:

- Encourage the staff to use electronic document for circulation and record to reduce printing
- Display reminders on all printers and copiers to remind the staff to save paper
- Encourage the staff to use double-sided printing as much as possible
- Reuse some of the furniture and equipment during shop renovation
- Do best to repair broken cash registers or recycle parts to reduce wastes
- Send the used/unuseful paper cartons to recycling stations
- Recycle toner cartridges

In order to further reduce paper consumption at the source, we have installed electronic advertising screens for all newly-opened shops from 2021, and gradually installed them for all existing shops at the time of shop renovation. We aim to increase the proportion of shops with installed electronic advertising screens by 10% each year, to minimize the use of paper printed for advertising. As of 30 April 2023, the shops installed with electronic advertising screens accounted for approximately 34.9% (2022: 24.4%), representing an increase of approximately 43% as compared with that of last year. We will continuously optimize relevant systems to enhance their advertising efficiency and utilization.

In addition, we continue to promote online training and assessment, and make short videos on the selected training topics, to continuously provide employees with necessary trainings through online systems. In the long run, proper use of online training not only improves work efficiency of relevant departments, but also reduces the paper consumption for printing training materials.

During the Reporting Period, the total amount of non-hazardous wastes produced during our daily operation abovementioned that need to be disposed of was approximately 65 tonnes (2022: 65 tonnes), with the intensity of 0.040 tonnes per HK\$1 million revenue (2022: 0.034 tonnes per HK\$1 million revenue), which was similar to that for the same period of previous year. No hazardous waste was produced during the operation process. We study and take different methods to treat wastes taking into account the need of community and feasible solutions according to the type of wastes. In the future, we will continue to improve waste data collection, evaluate and disclose relevant information, and gradually set appropriate targets on waste reduction according to the actual situation.

Environmental, Social and Governance Report

A. ENVIRONMENT *(continued)*

Packaging Materials

Plastic bags are also one of the resources mainly consumed in the retail business. The enhanced Plastic Shopping Bag Charging Scheme was implemented in Hong Kong at the end of December 2022, which increased the plastic bag charge and removed the exemption for certain products (e.g. frozen or chilled foodstuff). We have updated the guidelines in a timely manner and have provided trainings for frontline staff to enable them to understand the implementation details of the new measures and help encourage customers to bring their own shopping bags. During the Reporting Period, the proportion of customers who brought their own shopping bags increased to 86% (2022: 83%).

Moreover, since the range of products sold by 759 STORE includes relatively heavy items such as rice and beverages, packaging wraps are used for transporting goods in order to ensure the safety of employees and passers-by. Since June 2021, we began a plastic wrap recycling program in cooperation with recycling entities in the community. During the Reporting Period, a total of approximately 0.5 tonnes (2022: 0.5 tonnes) of plastic wraps were recycled. Going forward, we will maintain close communication with the entities in the community to consider extending the recycling to other areas, if appropriate.

During the Reporting Period, the above-mentioned plastic materials for packaging amounted to approximately 83 tonnes (2022: 99 tonnes), with a consumption intensity of approximately 0.05 tonnes per HK\$1 million sales (2022: 0.05 tonnes per HK\$1 million sales), similar to that of last year. We will make efforts to research on methods to reduce the consumption of packaging materials during business operations.

Energy Conservation

Saving energy consumption can bring dual benefits to a company in both environmental and economical aspects. The main energy consumed by the Group was purchased electricity, of which more than 80% was used for the operation of retail outlets. Therefore, we have been focusing on implementing energy-saving measures in our outlets, including:

- Adopting LED lightings instead of traditional halogen spotlights or fluorescent tubes. We have discontinued the purchase of traditional halogen spotlights and fluorescent tubes. At present, more than 90% of our shops have fully adopted LED lightings as their lighting systems.
- For the design of new shops, we have replaced the previously used upright display refrigerators with more energy-efficient chest freezers. We will also explore the feasibility of use of chest freezers according to shop conditions, such as area and shape of the shop, during the renovation of existing shops.
- Joining the “Charter on External Lighting” launched by the Environment and Ecology Bureau, with commitment to switch off lighting installations for decorative, promotional or advertising purposes which affect the outdoor environment during the preset time to minimize light nuisance and energy wastage.

Environmental, Social and Governance Report

A. ENVIRONMENT *(continued)*

Energy Conservation *(continued)*

- Responding to the invitation of shopping malls which have participated in the Environment and Ecology Bureau’s “Energy Saving Charter” and committing to maintaining an average indoor temperature of 24 to 26 degrees Celsius, so as to reduce power consumption.

The total energy consumption during the Reporting Period is as follows:

	Unit	2023	2022
Fuel Consumption	litres	117,507	133,041
Power Consumption	kWh	21,323,000	21,441,228
Power Consumption Intensity (by revenue)	kWh per HK\$1 million revenue	13,094	11,154

In the future, the Group will aim to ensure that power consumption is in line with business development, and will continue to work closely with related equipment and power supply partners to actively explore more feasible energy-saving or renewable energy solutions, so as to achieve the effective use of energies.

Exhaust Gas Emissions

The exhaust gas emissions generated by the Group’s retail business are mainly from the Group’s transportation fleet, which is responsible for the distribution and transportation of goods to 166 (2022: 172) outlets of 759 STORE. All pre-Euro V diesel engine trucks were phased out before October 2020. To reduce exhaust gas emissions, we have implemented the following measures, including: regular maintenance and cleaning of vehicles and the requirement that the drivers must turn off the ignition when vehicles are parked in the parking lots. We equipped all trucks with GPS system to encourage drivers to adopt environment-friendly driving practices by monitoring vehicle speed and engine idling while enhancing operational efficiency.

During the Reporting Period, the total fuel consumption of the retail business was approximately 117,507 liters (2022: 133,041 liters), and the nitrogen oxides (NOx)¹, sulfur oxides (SOx) and particulate matter¹ emitted were 656,998 grams (2022: 855,155 grams), 1,897 grams (2022: 2,138 grams) and 16,654 grams (2022: 22,913 grams), respectively. In the future, we will continue to monitor the changes of these data with an aim to ensure that fuel consumption is in line with business development. We will continuously research the application of new technologies to improve the efficiency of logistics and take effective measures as appropriate to improve fuel consumption efficiency and reduce emissions of exhaust gas. We will also keep reviewing our policy on outsourcing logistic companies and release relevant emission data as appropriate.

¹ The emission factor is calculated with reference to the EMFAC-HK Vehicle Emission Calculation of the Environmental Protection Department and assuming a relative humidity of 80%, a temperature of 25 degrees Celsius, and an average driving speed of 30 kilometers per hour.

Environmental, Social and Governance Report

A. ENVIRONMENT *(continued)*

Greenhouse Gas Emissions

During the Reporting Period, the Group's total greenhouse gas emissions were 9,617 tCO₂e (2022: 9,834 tCO₂e), representing a decrease of approximately 2.2% as compared with that of last year, which were mainly derived from the purchased electricity within scope 2 (see below), accounting for approximately 96% (2022: 96%) of total emissions. During the Reporting Period, the Group's indirect emissions of energy decreased by approximately 1.9% to 9,226 tCO₂e (2022: 9,409 tCO₂e) as compared with that of last year.

The amount of greenhouse gas emitted by us during the Reporting Period is shown in the following table:

	Unit	2023	2022
Scope 1 – Direct Emissions	tCO ₂ e	302	343
Scope 2 – Indirect Emissions of Energy ²	tCO ₂ e	9,226	9,409
Scope 3 – Other Indirect Emissions ³	tCO ₂ e	89	82
Total Greenhouse Gas Emissions	tCO ₂ e	9,617	9,833
Greenhouse Gas Emissions Intensity (by revenue)	tCO ₂ e/HK\$1 million revenue	5.91	5.12

² The emission factor for purchased electricity came from CLP Power Hong Kong Limited and The Hongkong Electric Company Limited.

³ Other indirect emissions are calculated with reference to “How to Prepare an ESG Report? – Appendix II: Reporting Guidance on Environmental KPIs” issued by the Stock Exchange, including indirect emissions generated by the waste paper disposed of and the electricity consumed by government departments to treat water and sewage.

In the future, the Group will endeavour to promote energy conservation measures (see “Energy Conservation” above) to manage our carbon footprint in a responsible manner. We will continue to improve data collection, keep evaluating and disclosing relevant information, and gradually set appropriate targets to reduce emissions according to the actual situation.

Environmental, Social and Governance Report

A. ENVIRONMENT *(continued)*

Reducing Impacts on the Environment

We will adopt any practical measures to minimise the influence of business operations on the natural environment.

A number of studies have indicated that micro-plastics had potential negative influence on the marine environment as well as on human health. Some of the micro-plastics come from personal care and cosmetics products with cleaning and scrubbing purposes. As such, we responded to the call of the environmental protection organization, Greenpeace, at the beginning of 2017, and committed to terminating the procurement of products that contain micro-plastics. We have also participated in the Bye Bye Microbeads Charter promoted by the Environmental Protection Department.

Water Resource

The retail business of the Group is not an industry which uses water intensively. Water resources are mainly used for the cleaning of shops, warehouses and offices as well as for personal hygiene of employees. Since water resource is an increasing global concern, we have displayed posters in workplaces to remind employees to save water and minimise waste. During the Reporting Period, the total water consumption of our retail business was 9,528 m³ (2022: 11,220 m³), with the intensity of 5.85 m³/HK\$1 million revenue (2022: 5.84 m³/HK\$1 million revenue). We will continuously monitor changes in this data and take measures to maintain water consumption efficiency when appropriate. During the Reporting Period, the Group did not encounter any problems in sourcing water. Due to low water consumption of the Group, there is no plan to set a target for reduction of water consumption. If our business model changes in the future and involves a significant increase in water consumption, the Group will further evaluate the necessity of setting a target.

B. SOCIETY

Our Personnel

The Group is an equal opportunity employer, and all employment-related decisions such as recruitment or promotion are made based on individual performance and qualification. We strive to create a diversified working environment without discrimination against gender, age, marital status, pregnancy, disability, family status and race. The Employees' Handbook stipulates our personnel system covering various aspects including recruitment, promotion, dismissal, compensation, commission, working hours, rest periods and other benefits so that employees at all levels can understand the employment policy of the Company.

Environmental, Social and Governance Report

B. SOCIETY (continued)

Our Personnel (continued)

The management also regularly reviews the compliance of the Group's subsidiaries with local labour laws and regulations, and strengthens the relevant management personnel's understanding of these laws and regulations through external trainings in order to ensure fair and just treatments of labour practices among the workforce. The labour laws applicable to the retail business of the Group mainly include the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), the Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong), the Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong), the Family Status Discrimination Ordinance (Cap. 527 of the Laws of Hong Kong), the Race Discrimination Ordinance (Cap. 602 of the Laws of Hong Kong), the Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong), the Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong) and the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong). During the Reporting Period, there was no material non-compliance with the relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination and other benefits and welfare.

As at 30 April 2023, a total of 837 employees (2022: 855) were employed for the retail business of the Group. The number of our employees by gender, age group, region and employment type is listed below:

	2023	2022
By gender		
Female	569	583
Male	268	272
By age		
40 years old or below	365	387
Over 40 years old	472	468
By region		
Mainland China and Hong Kong	837	855
By employment type		
Full-time	719	782
Part-time	118	73

Environmental, Social and Governance Report

B. SOCIETY (continued)

Our Personnel (continued)

The Group deeply believes that employees are the most valuable asset of an enterprise and regards human resources as its corporate wealth. The management reviews the remuneration packages of the Group regularly to ensure that they meet the current standards of the market and are attractive for the retention of employees. During the Reporting Period, the average monthly turnover rate¹ of employees was 4.6% (2022: 4.1%), representing a slight increase of approximately 0.5 percentage point as compared with the previous year. The average monthly turnover rate of our employees by gender, age group, region and employment type is as follows:

	2023	2022
By gender		
Female	5.0%	4.5%
Male	3.7%	3.3%
By age		
40 years old or below	5.9%	5.6%
Over 40 years old	3.7%	2.9%
By region		
Mainland China and Hong Kong	4.6%	4.1%
By employment type		
Full-time	3.9%	3.7%
Part-time	10.2%	8.1%

¹ The "Average Monthly Turnover Rate" refers to the average of turnover rate each month during the Reporting Period, namely the number of employees in each employee group leaving the Company each month divided by the total number of employees in that employee group at the end of the month. The leaving employees include those who leave the Company voluntarily or due to dismissal, retirement or death in service.

Health and Safety

The Group is committed to safeguarding the health and safety of the employees. We develop corresponding guidelines with respect to work safety, occupational health and emergency handling. We ensure that employees comply with such guidelines, and regularly provide occupational safety education and training sessions to the employees to enhance their awareness of safety.

In response to the extreme weather events which come more serious with the climate change, we turn the emergency handling procedure into topical guideline, and regularly review and update its content, timely incorporating various situations that may be caused by extreme weather events, such as flooding. Such guidelines have been included in the designated training programs, and regular trainings will be conducted through the online system to ensure that all employees maintain a high level of contingency awareness at all times.

Environmental, Social and Governance Report

B. SOCIETY (continued)

Health and Safety (continued)

For each work-related injury, a task force will be responsible for investigating the cause of the accident, proposing and implementing improvement plans and preventive measures such as updating work safety guidelines and upgrading equipment.

We also continuously review and improve the environment, facilities and staff equipment of the workplace to ensure that the requirements of the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong), the Fire Safety (Buildings) Ordinance (Cap. 572 of the Laws of Hong Kong) and the Fire Safety (Commercial Premises) Ordinance (Cap. 502 of the Laws of Hong Kong) are complied with. We have implemented various measures, for instance:

- Equipping with sufficient fire-fighting devices, such as automatic sprinkler systems, fire extinguishers, emergency lights and etc., and conducting regular fire safety inspections to ensure that all devices function properly.
- Equipping with first aid kits for employees to provide emergency medical assistance in the event of an injury.
- Providing seats to frontline staff to prevent lower limb disorders.

In order to ensure that all shops strictly implement a series of work guidelines and safety rules formulated by the Company, regional managers frequently visit shops to supervise and guide frontline staff. In addition, as part of the risk management and internal control system, external auditors also inspect shops regularly on a random basis, inspect working environment and its facilities and monitor the implementation of occupational safety and health as well as report to the Board periodically, so as to minimize any potential safety risks to protect the health and safety of employees and customers.

Although the COVID-19 pandemic has come to an end, the Group will continue to provide employees with necessary protective equipment and cleaning and disinfection supplies to protect the health of employees, and ensure the cleanliness of all shops and workplaces.

During the past three Reporting Periods, there were no work-related fatalities within the Group. During the Reporting Period, there were no material non-compliance with the laws and regulations in relation to health and safety within the Group, and the number of days lost due to work-related injuries was 263 days (2022: 223 days), with the ratio of lost days² of 0.12% (2022: 0.10%).

² The "Ratio of Lost Days" refers to the percentage of sick leave days due to work-related injuries to the number of scheduled working days of all employees during the Reporting Period.

Environmental, Social and Governance Report

B. SOCIETY (continued)

Development and Training

The Group places great importance on the development of talents. We actively promote on-the-job trainings for the employees at all levels, who are recommended to participate in various training courses, forums and seminars. During the Reporting Period, our staff participated in trainings covering areas such as food safety, occupational safety and health, human resources management, retail technology application, big data analyzing, network safety and other information technologies as well as sustainable development, with an aim to enhance their knowledge and working skills, and in turn they can create competitive advantages together with the Group. We also provide the employees with different levels of educational subsidies, and encourage them to participate in continuing education and practice life-long learning, so as to achieve continuous self-development.

In addition to participating in external courses, we also provide new recruit and on-the-job trainings for employees at all levels, covering the topics such as shop operation procedures, customer communication skills, work safety and health. Furthermore, managers also visit shops to provide guidance to frontline employees on a regular basis. We will continue to implement our training programs in a more flexible manner. On the one hand, the face-to-face training with more interactions will resume; on the other hand, we will also continue to promote online training and assessment, and make short videos as suitable training topics to continuously provide trainings for employees through the online systems.

During the Reporting Period, the Group actively enhanced training for its employees. The ratio of employees trained³ of the retail business was 81% (2022: 80%), and the average training hours per employee⁴ increased to 1.4 hour (2022: 1.0 hour). The training statistics by gender and employee type are set out below:

	2023		2022	
	Ratio of Employees Trained	Average Training Hours (Hours)	Ratio of Employees Trained	Average Training Hours (Hours)
By gender				
Female	82%	1.1	80%	0.8
Male	79%	2.2	78%	1.5
By employee type				
Senior management	52%	12.3	65%	9.2
Middle management	73%	4.0	70%	1.2
General staff	82%	1.1	80%	0.8

³ The "Ratio of Employees Trained" is the percentage of the number of employees who participated in trainings during the Reporting Period to the total number of employees who served the Group during the Reporting Period.

⁴ The "Average training hours per employee" is calculated by dividing the total training hours during the Reporting Period by the total number of employees who served the Group during the Reporting Period.

Environmental, Social and Governance Report

B. SOCIETY *(continued)*

Labour Standards

The Group highly values and strictly abides by all the applicable laws and regulations of its locations of operation, including Employment Ordinance (Chapter 57 of the Laws of Hong Kong), and prohibits the use of child labour and forced or compulsory labour at all its business units. During the recruitment process, the human resources department will examine the proof of identity of applicants to ensure that they have reached the legal working age, and that relevant measures are effectively implemented through regular internal audits. In addition, the Employees' Handbook set out and has communicated the policies on overtime work, rest periods and etc. to each and every employee. We also have a whistle-blowing system for anyone, including employees, to complain and report any non-compliance.

The Group absolutely does not tolerate the use of child or forced labour in the supply chain. Once any use of child or forced labour by our suppliers is identified, we will terminate the cooperation with them immediately. During the Reporting Period, no employee is forced to work against his/her will or work as forced labour, or suffers corporal punishment or coercion of any type related to work.

Product Responsibility

Product Safety and Quality

The Group places great importance on product safety and quality, as it is directly related to the lives and health of customers. We have established a quality management system and obtained the ISO9001 certification. Detailed work procedures and guidelines have been developed with respect to the monitoring of product quality, verification of product labels and handling of complaints. A dedicated quality assurance department is responsible for the implementation of such procedures accordingly in order to ensure the compliance of the products with the requirements of applicable laws, including the Public Health and Municipal Services Ordinance (Cap. 132 of the Laws of Hong Kong), the Trade Descriptions Ordinance (Cap. 362 of the Laws of Hong Kong) and the Consumer Goods Safety Ordinance (Cap. 456 of the Laws of Hong Kong).

We take every customer's feedback seriously. We have established a number of different channels to collect customers' opinions, suggestions and complaints, including social platforms, emails and service hotlines. For each formal complaint, the Quality Assurance Department conducts a formal investigation, tracks and analyzes the root cause of the issue jointly with suppliers, and formulates response strategies. During the Reporting Period, the Group was not aware of any material complaint about products and services. All customer comments and enquiries have been properly handled and followed up in accordance with the established handling mechanism.

The business of 759 STORE focuses on operations in retailing food and beverages such as snacks and food groceries. As such, we will pay close attention to the food alerts released by Centre for Food Safety, research reports from the Consumer Council as well as to relevant market information, which will be immediately followed with responsive action.

Environmental, Social and Governance Report

B. SOCIETY (continued)

Product Responsibility (continued)

Product Safety and Quality (continued)

As long as we confirm that a certain batch of products are involved with quality and safety issues and must be recalled, we will fully cooperate with the regulatory authorities and, as soon as practicable, withdraw the relevant products from the shelves according to their instructions, announce the recall arrangement and treat the recalled items properly. During the Reporting Period, no product of the Group is required to be recalled due to safety and health issues.

Personal Data Privacy

The Group recognises the importance of protecting the personal data of customers. A privacy policy is in place to ensure that the collection, use, retention and access of personal data during the course of business are in conformity with the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong). The requirements include, among others, obtaining customers' consent prior to data collection, ensuring the data be used only for the purpose for which it has been collected and retaining the data no longer than necessary. The policy is published on the website of 759 STORE.

In respect of confidentiality of data, all employees are required to strictly observe the data confidentiality policy of the Group according to the terms of employment. Relevant procedures are in place to provide employees at all levels with clear and specific guidelines in relation to the authority of access to confidential and sensitive information and its processing procedures such as transmission, storage and destruction. Managers visit the work sites to monitor the implementation of such guidelines on a regular basis. Any employee who breaches such policies and guidelines will be subject to serious consequences, including, among others, termination of employment and legal actions against any party involved. In addition, computer system and firewall are also updated regularly to fend off any potential hacking attacks.

Advertising

759 STORE provides customers with the latest discount and product information through various channels such as shop posters, official websites and social platforms. When preparing promotional materials, we strive to use clear and unequivocal designs and expressions, and convey important terms and information as accurately as possible to avoid misunderstandings by customers. All information is checked by a dedicated team to ensure that the content be accurate and complete and comply with the Trade Descriptions Ordinance (Cap. 362 of the Laws of Hong Kong).

Environmental, Social and Governance Report

B. SOCIETY (continued)

Product Responsibility (continued)

Intellectual Property Rights

We respect the intellectual property rights of others and ensure the compliance with applicable laws, including the Copyright Ordinance (Cap. 528 of the Laws of Hong Kong) and the Trade Marks Ordinance (Cap. 559 of the Laws of Hong Kong), and we also strive to protect our rights and interests from infringement. The Employees' Handbook sets out the guidelines that require employees not to infringe intellectual property rights of any third party, such as use of software and quoting source of information etc. We also protect our trade marks and other intellectual property rights by registering trade marks and taking legal actions as and when necessary.

During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations concerning the health and safety, advertising, labeling and privacy of its products and services that have a significant impact on the Group.

Supply Chain Management

With respect to the supply chain, 759 STORE adopts a self-import model where most suppliers are overseas producers, farms and large wholesalers. The Group upholds the principle of fair competition, focuses on maintaining with the suppliers a long-term relationship of mutual benefits. The Group has an open and transparent procurement management procedure, which is included in the ISO9001 quality system certification and is audited by a third-party institution regularly. All new suppliers must be recognized by the established supplier assessment system according to the criteria in relation to product quality, product safety and supplier scale etc., and also with reference to local regulations and applicable international standards. As for all existing suppliers, we conduct regular assessment based on their past performance in customer satisfaction with their products, their popularity, previous quality, whether there have been any quality problems and the corrective measures taken etc.

We endeavour to purchase goods in an ethical and responsible manner. With regard to various environmental and social risks (e.g. sustainable food ingredients and labour standards), we actively maintain close communication with the suppliers to mutually ensure the sustainable development of our business. From January 2021, an ethical procurement policy was in place and adopted as a basis of selecting suppliers and purchasing goods, which contained, among others, prohibition from use of child and forced labour, compliance with the standards of minimum labor remuneration and benefits, provision of safe working conditions, and compliance with the international standards of environmental protection. Relevant personnel will meet with suppliers on a regular basis and arrange site visits to evaluate and ensure that suppliers and their products comply with the above criteria.

Due to climate change, the potential risk that hinders or interrupts the supply chains in several regions is increasing. In order to offset this risk, 759 STORE is committed to searching sources of goods from different locations, with the current procurement network covering 60 countries and regions, doing best to diversify the impact on supply from extreme weather or serious accidents caused thereby in a single region. During the Reporting Period, the Group had a total of 229 major suppliers, of which 121 suppliers were from overseas and 108 were from Mainland China, Hong Kong, Macau and Taiwan regions of China.

Environmental, Social and Governance Report

B. SOCIETY *(continued)*

Anti-corruption

The Group deeply believes that honesty, integrity and fairness are important assets of an enterprise. The Group has established code of practice for integrity management (as set out in the Employees' Handbook), which sets out all the basic disciplinary standards with respect to compliance with The Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong), the avoidance of conflict of interests and the handling of confidential information, that all directors and employees must abide by, as well as the guidelines with respect to the responses to various situations encountered during the performance of their duties. The human resources department will arrange for each employee to receive relevant training. The code also includes a whistle-blowing procedure which provides the employees with the channels for inquiry and reporting of any suspected violations. In addition, we will also review and improve the monitoring system on an on-going basis to prevent our staff from committing fraudulent act during the operation process.

During the Reporting Period, the Group has complied with the relevant laws and regulations, and there was no litigation regarding bribery, extortion, fraud and money laundering brought against the Group or its employees.

Community Investment

The Group made use of diversified channels to actively carry out its responsibilities as corporate citizen. Not only encouraging its staff to give care to the society, promoting their mental and physical health and so as their balanced development, the Group also commit actions to actively take care non-profit organizations of various disadvantaged communities, religious groups and educational institutions, in contact with all walks of life to give support for relieving poverty and fighting against pandemic.

During the Reporting Period, the Group donated approximately 80,000 masks to the society, and approximately 8,000 packs of rice to the grassroots people through various community groups, to make a small contribution to help relieving the pressure of grassroots people on living needs.

Independent Auditor's Report



羅兵咸永道

TO THE SHAREHOLDERS OF CEC INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of CEC International Holdings Limited (the “Company”) and its subsidiaries (the “Group”), which are set out on pages 64 to 135, comprise:

- the consolidated statement of financial position as at 30 April 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 April 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

Basis for Opinion *(continued)*

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to risk of revenue recognition.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Risk of revenue recognition</p> <p>Refer to note 2.19 for the Group's accounting policies on revenue recognition and note 5 for the analysis of the Group's revenue for the year ended 30 April 2023.</p> <p>The Group recognised revenue of HK\$1,692 million for the year ended 30 April 2023.</p> <p>We focused on revenue recognition in particular for the retail business due to its magnitude and the characteristics of the Group's industry nature. The recording of revenue involves high volume of small amount transactions through various systems. Any errors arising from capturing of data or interfaces of data amongst the various systems may have significant impact on revenue. Therefore, it required significant time and resource to audit.</p>	<p>We understood, evaluated and validated management's key internal controls in its revenue recognition process.</p> <p>We involved Information Technology specialists to evaluate the design of the relevant controls (including automated controls) over revenue recognition and tested the operating effectiveness of those controls.</p> <p>We performed analysis on revenue by comparing the actual result of the current year with that of the prior year.</p> <p>We tested samples of sales transactions by tracing to bank receipts and other relevant evidence.</p> <p>We tested samples of journal entries posted to revenue accounts selected on risk-based criteria.</p> <p>We found the sales transactions being tested were supported by appropriate evidence.</p>

Independent Auditor's Report

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

(continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lai Pui Ling, Sandra.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 July 2023

Consolidated Income Statement

For the year ended 30 April 2023

	Note	2023 HK\$'000	2022 HK\$'000
Revenue	5	1,692,403	2,008,967
Cost of sales	8	(1,048,706)	(1,325,999)
Gross profit		643,697	682,968
Other income	6	19,331	186
Other (losses)/gains, net	7	(790)	2,204
Selling and distribution expenses	8	(453,373)	(479,626)
General and administrative expenses	8	(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	10	(10,361)	(11,848)
Profit before income tax		57,913	53,685
Income tax expense	11	(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	12	HK7.44 cents	HK5.99 cents

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 April 2023

	2023 HK\$'000	2022 HK\$'000
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 may be reclassified subsequently to profit or loss</i>		
Currency translation differences	(8,955)	(2,518)
Total comprehensive income for the year attributable to equity holders of the Company	40,552	37,281

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 30 April 2023

	Note	2023 HK\$'000	2022 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	315,582	332,461
Right-of-use assets	15	234,991	220,170
Investment properties	16	19,910	21,408
Financial assets at fair value through other comprehensive income	17	106	164
Deposits paid for acquisition of property, plant and equipment	18	1,039	–
Rental deposits	18	34,389	31,719
Deferred tax assets	19	5,727	5,015
		611,744	610,937
Current assets			
Inventories	20	144,282	126,064
Accounts receivable	21	14,447	24,800
Deposits, prepayments and other receivables	18	39,138	57,526
Tax recoverable		18	18
Pledged bank balances	22	21,440	21,440
Cash and cash equivalents	22	86,022	78,731
		305,347	308,579
Total assets		917,091	919,516
EQUITY			
Share capital	23	66,619	66,619
Reserves	24	466,924	433,034
Total equity		533,543	499,653

Consolidated Statement of Financial Position

As at 30 April 2023

	Note	2023 HK\$'000	2022 HK\$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	15	92,930	85,559
Deferred tax liabilities	19	7,484	7,360
Accruals and other payables	27	9,801	9,780
Borrowings	25	2,554	3,483
		112,769	106,182
Current liabilities			
Lease liabilities	15	135,190	123,540
Borrowings	25	963	14,903
Accounts payable	26	70,752	95,695
Accruals and other payables	27	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

The consolidated financial statements were approved by the Board of Directors on 27 July 2023 and were signed on its behalf.

Tang Fung Kwan
Director

Lam Kwok Chung
Director

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 April 2023

	Attributable to equity holders of the Company		
	Share capital (Note 23) HK\$'000	Reserves (Note 24) HK\$'000	Total HK\$'000
Balance at 1 May 2021	66,619	401,749	468,368
Profit for the year	–	39,884	39,884
Other comprehensive income:			
Change in fair value of financial assets at fair value through other comprehensive income	–	(85)	(85)
Currency translation differences	–	(2,518)	(2,518)
Total comprehensive income	–	37,281	37,281
Dividend paid	–	(5,996)	(5,996)
Balance at 30 April 2022	66,619	433,034	499,653
Balance at 1 May 2022	66,619	433,034	499,653
Profit for the year	–	49,565	49,565
Other comprehensive income:			
Change in fair value of financial assets at fair value through other comprehensive income	–	(58)	(58)
Currency translation differences	–	(8,955)	(8,955)
Total comprehensive income	–	40,552	40,552
Dividend paid	–	(6,662)	(6,662)
Balance at 30 April 2023	66,619	466,924	533,543

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 April 2023

	Note	2023 HK\$'000	2022 HK\$'000
Cash flows from operating activities			
Cash generated from operations	28(a)	233,462	307,116
Hong Kong profits tax paid		(21,846)	–
Overseas tax paid		(119)	(8)
Net cash generated from operating activities		211,497	307,108
Cash flows from investing activities			
Purchases of property, plant and equipment		(16,577)	(18,831)
Proceeds from disposal of property, plant and equipment	28(b)	50	142
Net cash used in investing activities		(16,527)	(18,689)
Cash flows from financing activities			
Proceeds from borrowings		27,850	163,593
Repayments of borrowings		(42,719)	(274,967)
Decrease in pledged bank deposits		–	9,950
Interest received		705	99
Interest paid		(777)	(3,331)
Principal element of lease payments		(152,927)	(158,946)
Interest element of lease payments		(12,645)	(10,602)
Dividend paid		(6,662)	(5,996)
Net cash used in financing activities		(187,175)	(280,200)
Increase in cash and cash equivalents		7,795	8,219
Exchange difference		(504)	150
Cash and cash equivalents at the beginning of the year		78,731	70,362
Cash and cash equivalents at the end of the year	22	86,022	78,731

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

1 General information

CEC International Holdings Limited (the “Company”) is an investment holding company. Its subsidiaries are principally engaged in (i) retail of food and beverage, household and personal care products (“retail business”), (ii) design, development, manufacture and sale of a wide range of coils, ferrite powder and other electronic components (“electronic components manufacturing”), and (iii) investment property holdings. The Company and its subsidiaries are collectively referred to as “the Group” in the consolidated financial statements.

The Company is incorporated as an exempted company in Bermuda with limited liability. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 1999. Its immediate holding company and ultimate holding company are Ka Yan China Development (Holding) Company Limited and Ka Yan China Investments Limited, respectively, both incorporated in the British Virgin Islands. The Company is ultimately controlled by Mr. Lam Kwok Chung, an executive director of the Company.

These consolidated financial statements are presented in thousands of Hong Kong dollars, unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 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 the 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(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.

Notes to the Financial Statements

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

- (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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 April. All subsidiaries incorporated in Mainland China adopt 31 December as their financial year end for statutory purpose. For the purpose of preparing the Group's consolidated financial statements, management accounts of these subsidiaries as at and for the twelve months ended 30 April 2022 and 2023 were used, after making adjustments which are considered necessary by the directors of the Company for compliance with HKFRS.

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations other than common control combination. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that make strategic decisions.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.4 Foreign currency translation *(continued)*

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.5 Property, plant and equipment

Buildings comprise mainly factories, retail outlets and offices. All property, plant and equipment is stated at historical cost less depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

The principal annual rates are as follows:

– Buildings	1.8% to 4.1%
– Machinery	10%
– Furniture and equipment	16.7% to 25%
– Motor vehicles	16.7% to 30%
– Leasehold improvements	33% or over the lease period, whichever is shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains, net" in the consolidated income statement.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.6 Investment properties

Investment properties, comprising residential and office buildings, and a retail outlet are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs. Subsequently, it is carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as offer prices, recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of “other (losses)/gains, net”.

2.7 Impairment of investments in subsidiaries and other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, but are at least tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.8 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurements categories: those to be measured subsequently at fair value either through other comprehensive income or through profit or loss and those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flow.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI"). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.8 Financial assets *(continued)*

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. The Group classified its debt instruments as financial assets at amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss.

Equity investments

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group’s right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in “other (losses)/gains, net” in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method and excludes borrowing costs. For the manufacturing operations, the cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). For retail business, the cost includes all expenditures including material cost and shipping cost in bringing the inventory to its present location. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Accounts and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounts and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.8 for further information about the Group's accounting for accounts and other receivables for a description of the Group's impairment policies.

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.15 Current and deferred taxation *(continued)*

(b) Deferred income tax (continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.16 Accounts and other payables

Accounts and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.17 Employee benefits *(continued)*

(b) Pension obligations

The Group participated in a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses in the consolidated income statement when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits, and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense in the consolidated income statement.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of discounts.

Revenue is recognised when, or as, the control of the goods or services is transferred to the customer.

(a) Sale of goods – retail

Revenue from sales of goods is recognised at the point of sale to customers or when a group entity has delivered products to the customer and collectability of the related receivables is reasonably assured.

(b) Sale of goods – electronic components manufacturing

Sales are recognised when the control of the products are transferred to the customers at a point in time, being products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2.20 Rental income

Rental income from operating leases where the Group is a lessor is recognised on a straight line basis over the lease term.

2.21 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.22 Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.23 Government subsidies

Subsidies from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.24 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.24 Leases *(continued)*

To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and makes adjustments specific to the lease.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- any restoration cost.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Leasehold land commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders for final dividend and the board of directors for interim dividend.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.26 Provision for reinstatement cost

Provision for reinstatement cost represents the present value of the estimated cost for the restoration work of the Group's leased retail shops agreed to be carried out upon the expiry of the relevant leases using a risk-free pre-tax interest rate. The provision has been determined by the directors based on their best estimates. The related reinstatement costs have been included as right-of-use asset in the consolidated statement of financial position (see Note 2.24).

2.27 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow interest-rate risk. The policies on how to mitigate these risks are set out below. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities and net investments are denominated in a currency that is not the functional currency of the Group's entities.

The Group operates mainly in Hong Kong and Mainland China with sales transactions being denominated in Hong Kong dollars, Renminbi ("RMB") and United States dollars. The Group's purchases were mainly settled in Hong Kong dollars, RMB, United States dollars, Japanese Yen and Euro.

As at 30 April 2023, if Hong Kong dollars had strengthened/weakened by 4% (2022: 2%) against RMB with all other variables held constant, post-tax profit for the year would have been approximately HK\$3,135,000 lower/higher (2022: HK\$1,558,000), mainly as a result of foreign exchange losses/gains on the translation of RMB denominated assets.

As Hong Kong dollars are pegged with United States dollars, the Group considers the foreign exchange risk arisen from United States dollars is low.

Notes to the Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Foreign exchange risk (continued)

As at 30 April 2023, if Hong Kong dollars had strengthened/weakened by 5% (2022: 3%) against Japanese Yen with all other variables held constant, post-tax profit for the year would have been approximately HK\$803,000 higher/lower (2022: HK\$449,000), mainly as a result of foreign exchange gains/losses on translation of Japanese Yen denominated payables.

As at 30 April 2023, if Hong Kong dollars had strengthened/weakened by 5% (2022: 3%) against Euro with all other variables held constant, post-tax profit for the year would have been approximately HK\$55,000 higher/lower (2022: HK\$12,000), mainly as a result of foreign exchange gains/losses on translation of Euro denominated payables.

(b) Credit risk

Credit risk is managed on a group basis. The Group's financial assets mainly comprise accounts receivable, deposits, other receivables and bank balances. The amounts of those assets stated in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Risk management

The Group's credit risk is concentrated on a number of major and long established customers in relation to the electronic components manufacturing business. Sales to the top five customers accounted for approximately 39% of the Group's segment sales in relation to the electronic components manufacturing business. The Group has policies in place to ensure that sales are made to customers with appropriate credit history and to limit the amount of credit exposure to individual customer. The Group reviews the recoverable amount of each individual accounts receivable at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The Group's past experience in collection of accounts receivable falls within the recorded allowances. For retail business, transactions are mainly settled in cash or other form of electronic monies and therefore management do not anticipate significant credit risk.

The credit risk on cash at banks and pledged bank balances is limited because the counterparties are major financial institutions located in Hong Kong and Mainland China.

The Company has no significant exposure to credit risk because the Company's assets are mainly relating to balances with subsidiaries.

Notes to the Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss (“ECL”) model:

- Accounts receivable
- Deposit and other receivables
- Cash and cash equivalents and pledged bank balances

While cash and cash equivalents and pledged bank balances are also subject to the impairment of HKFRS 9, the identified impairment loss is immaterial, as all of the Group’s bank deposits were placed with major financial institutions incorporated in Hong Kong and PRC, which management believes are of high-credit-quality without significant credit risk.

Accounts receivable

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the past repayment history and the historical credit loss experience. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Notes to the Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Accounts receivable (continued)

On that basis, the loss allowance as at 30 April 2023 and 2022 was determined as follows for accounts receivable:

	Current HK\$'000	Overdue by 1-30 days HK\$'000	Overdue by 31-60 days HK\$'000	Overdue by 61-90 days HK\$'000	Overdue			Total HK\$'000
					by 91 days - 1 year HK\$'000	Overdue by 1-2 years HK\$'000	Overdue by over 2 years HK\$'000	
At 30 April 2023								
Expected loss rate	-	0.2%	0.3%	26.2%	56.0%	100.0%	100.0%	
Gross carrying amount-Accounts receivable	11,770	933	680	668	1,308	164	4,341	19,864
Loss allowance	-	2	2	175	733	164	4,341	5,417
At 30 April 2022								
Expected loss rate	-	0.1%	0.3%	2.7%	49.6%	100.0%	100.0%	
Gross carrying amount-Accounts receivable	20,064	1,564	1,409	1,648	328	92	4,805	29,910
Loss allowance	-	2	4	44	163	92	4,805	5,110

Other financial assets at amortised cost

For other financial assets at amortised cost, including deposits and other receivables, the loss allowance was based on the 12-month ECL as there was no significant increase of credit risk since initial recognition of these financial assets.

As at 30 April 2023 and 2022, the expected credit loss is assessed to be insignificant.

Notes to the Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

The Group's management regularly monitors current and expected liquidity requirements to ensure that sufficient reserves of cash and adequate amount of committed credit facilities are available to meet the Group's liquidity requirements in the short and long term. Management believes that there is no significant liquidity risk in view of the available unutilised bank facilities and cash and cash equivalents held. In addition, the directors regularly review the liquidity position of the Group to ensure that all covenants with banks are complied with at all times.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table is the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year HK\$'000	Between 1 year and 2 years HK\$'000	Between 2 years and 5 years HK\$'000	Total HK\$'000
At 30 April 2023				
Borrowings	1,129	1,129	1,599	3,857
Accounts payable	70,752	–	–	70,752
Accruals and other payables (excluding non-financial liabilities)	16,532	–	–	16,532
Lease liabilities	141,780	76,291	20,420	238,491
	230,193	77,420	22,019	329,632
At 30 April 2022				
Borrowings	15,323	989	2,580	18,892
Accounts payable	95,695	–	–	95,695
Accruals and other payables (excluding non-financial liabilities)	16,194	–	–	16,194
Lease liabilities	130,883	69,460	18,541	218,884
	258,095	70,449	21,121	349,665

Notes to the Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The Group's bank borrowings contain a repayment on demand clause which can be exercised by the banks at their discretion. The analysis below shows the cash outflow based on the earliest period in which the Group would be required to repay the borrowings if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

	On demand HK\$'000	Less than 1 year HK\$'000	Between 1 year and 2 years HK\$'000	Between 2 years and 5 years HK\$'000	Total HK\$'000
At 30 April 2023					
Borrowings	–	1,129	1,129	1,599	3,857
Accounts payable	–	70,752	–	–	70,752
Accruals and other payable (excluding non-financial liabilities)	–	16,532	–	–	16,532
Lease liabilities	–	141,780	76,291	20,420	238,491
	–	230,193	77,420	22,019	329,632
At 30 April 2022					
Borrowings	13,938	989	989	2,580	18,496
Accounts payable	–	95,695	–	–	95,695
Accruals and other payable (excluding non-financial liabilities)	–	16,194	–	–	16,194
Lease liabilities	–	130,883	69,460	18,541	218,884
	13,938	243,761	70,449	21,121	349,269

Notes to the Financial Statements

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Cash flow interest rate risk

The Group's interest-rate risk mainly arises from pledged bank deposits, bank balances and borrowings. The Group regularly seeks the most favourable interest rates available for its bank deposits and borrowings. Bank deposits and borrowings issued at variable rates expose the Group to cash flow interest rate risk. Information relating to the interest rates and terms of the Group's bank deposits and borrowings are disclosed in Notes 22 and 25. As at 30 April 2023, if the market interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK\$392,000 higher/lower (2022: HK\$341,000), mainly as a result of higher/lower interest income on bank deposits net off with higher/lower interest expense on borrowings.

The Group has not entered into any interest rate swaps to hedge its exposure to interest rate risks.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt to equity ratio. The debt to equity ratio is calculated as total debt divided by total equity. Total debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position). Total capital is calculated as "equity", as shown in the consolidated statement of financial position. The debt to equity ratios at 30 April 2023 and 2022 were as follows:

	2023 HK\$'000	2022 HK\$'000
Total borrowings (Note 25)	3,517	18,386
Total equity	533,543	499,653
Debt to equity ratio	0.01	0.04

Notes to the Financial Statements

3 Financial risk management (continued)

3.3 Fair value estimation

The carrying value less impairment provision of receivables is a reasonable approximation of its fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of financial instruments traded in active markets (such as available-for-sale financial assets) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Group is the current bid price.

Financial instruments that are measured in the consolidated statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Inputs for the asset or liability that are not based on observable market data (level 3).

The following table presents the Group's assets that are measured at fair value at 30 April 2023:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at FVOCI				
– Equity securities	106	–	–	106

The following table presents the Group's assets that are measured at fair value at 30 April 2022:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at FVOCI				
– Equity securities	164	–	–	164

There were no transfers between level 1 and 2 during the year.

Notes to the Financial Statements

3 Financial risk management *(continued)*

3.3 Fair value estimation *(continued)*

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provision for impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment and right-of-use assets have been determined based on value-in-use calculations, taking into account latest market information and past experience. These calculations and valuations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable, (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business, and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

Notes to the Financial Statements

4 Critical accounting estimates and judgements *(continued)*

(b) Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Management evaluates the provision for impairment of inventories by comparing the anticipated selling prices of the inventories with their carrying values. The overall evaluations require significant management judgements, including estimates of future sales, continuing market acceptance of its products, and market and economic conditions. Provision for inventory will be established based upon such judgements for any inventories that are identified as having a net realisable value less than their carrying value.

5 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 reportable 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.

Notes to the Financial Statements

5 Segment information (continued)

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)	100,703	98,202	(15,443)	(13,780)	(1,586)	(1,698)			83,674	82,724
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	15,964	18,054	613	777	-	-			16,577	18,831

Notes to the Financial Statements

5 Segment information (continued)

	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									917,091	919,516
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									383,548	419,863

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	23,068	32,253	495	757
	1,692,403	2,008,967	611,744	610,937

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).

Notes to the Financial Statements

6 Other income

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

Note: In FY2023, these mainly 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.

7 Other (losses)/gains, net

	2023 HK\$'000	2022 HK\$'000
Net fair value loss on investment properties (<i>Note 16</i>)	(1,057)	(962)
Net gain on disposal of property, plant and equipment (<i>Note 28 (b)</i>)	50	23
Gain on lease modification (<i>Note 15</i>)	217	3,143
	(790)	2,204

Notes to the Financial Statements

8 Expenses by nature

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

	2023 HK\$'000	2022 HK\$'000
Auditors' remuneration		
– audit services	3,174	3,156
– non-audit services	127	127
Cost of inventories recognised as expenses included in cost of sales (Note 20)	1,025,763	1,299,361
Depreciation of property, plant and equipment (Note 14)	28,375	30,137
Direct operating expenses arising from investment properties that generate rental income	118	118
Employee benefit expenses (including directors' emoluments) (Note 9)	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 (Note 15)	160,225	158,050
Expenses relating to short-term leases and variable lease payments (Note 15)	11,135	9,371
(Reversal of)/provision for impairment of right-of-use assets (Note 15)	(358)	152
Provision for impairment loss on financial assets (Note 21)	307	64
Provision for impairment of inventories	2,308	105
Provision for/(reversal of) impairment of properties, plant and equipment (Note 14)	1,241	(138)
Utility expenses	67,750	65,381
Freight and transportation	53,293	59,894
Other expenses	68,718	75,760
Total cost of sales, selling and distribution expenses and general and administrative expenses	1,642,670	1,945,824

Notes to the Financial Statements

9 Employee benefit expenses

	2023 HK\$'000	2022 HK\$'000
Wages and salaries	244,392	266,661
Pension costs		
– Defined contribution plans (<i>Note a</i>)	19,300	20,757
– Long service payments	250	–
Staff welfare	4,282	3,569
	268,224	290,987

(a) Pension costs - defined contribution plans

The Group has arranged for certain of its employees (including executive directors) in Hong Kong to participate in a defined contribution provident fund under the Occupational Retirement Schemes Ordinance (the “ORSO Scheme”), which is managed by an independent trustee. Each of the Group and its employees make monthly contributions to the scheme at 5% to 10% and 5%, respectively of the employees’ basic salaries. The employees are entitled to receive their entire contributions and the accrued interest thereon, and 100% of the Group’s employer contributions and the accrued interest thereon upon retirement or leaving the Group after completing one year of service. The forfeited contributions made by the Group and related accrued interest are used to reduce the Group’s employer contribution. This scheme is not available for new employees who joined after 1 December 2000.

From 1 December 2000, companies within the Group in Hong Kong have participated in the Mandatory Provident Fund Scheme under the Mandatory Provident Fund Schemes Ordinance (the “MPF Scheme”), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its employees make monthly contributions to the scheme at 5% to 10% and 5%, respectively of the employees’ relevant income as defined under the Mandatory Provident Fund Schemes Ordinance with the maximum mandatory contributions by each of the Group and its employees limited to HK\$1,500 per month, and further contributions are voluntary. The mandatory contributions are fully and immediately vested in the employees as accrued benefits. The employees are entitled to receive their entire voluntary contributions and 100% of the Group’s employer voluntary contributions upon retirement or leaving the Group after completing one year of service. The forfeited voluntary contributions made by the Group are used to reduce the Group’s employer voluntary contributions.

As stipulated by the rules and regulations in Mainland China, the Group contributes to state-sponsored retirement plans for its employees in Mainland China. The Group contributes to the retirement plans at rates of approximately 14% to 33% of the basic salaries of its employees in Mainland China and has no further obligation for the actual payment of pensions or post-retirement benefits. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

Notes to the Financial Statements

9 Employee benefit expenses (continued)

(a) Pension costs - defined contribution plans (continued)

The employees of the Company's subsidiary in Singapore are members of the Central Provident Funds (the "Funds") operated by the government of Singapore. The subsidiary contributes to the Funds approximately 17% of the salaries of its employees, and has no further obligation for the actual payment of pensions or post-retirement benefits beyond the contributions.

During the year ended 30 April 2023, aggregate contributions made by the Group to the aforementioned schemes amounted to approximately HK\$19,300,000 (2022: HK\$20,757,000), with no deduction of forfeited contributions (2022: Nil). As at 30 April 2023, there were no material forfeitures available to offset the Group's future contributions.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2022: two) directors whose emoluments are reflected in the analysis in Note 33 to the consolidated financial statements. The emoluments paid/payable to the remaining three (2022: three) individuals during the year are as follows:

	2023 HK\$'000	2022 HK\$'000
Basic salaries, allowances and other benefits in kind	3,526	3,447
Contributions to pension schemes	147	144
Discretionary bonus	215	100
	3,888	3,691

The emoluments fell within the following band:

	Number of individuals	
	2023	2022
Emolument bands		
HK\$1,000,000 to HK\$1,500,000	3	3

No emoluments were paid to individuals as an inducement to join the Group or as compensation for loss of office.

Notes to the Financial Statements

10 Finance costs, net

	2023 HK\$'000	2022 HK\$'000
Interest expense on bank borrowings	709	2,941
Interest expense on lease liabilities (Note 15)	12,645	10,602
Interest income from bank deposits	(705)	(99)
Others	(2,288)	(1,596)
	10,361	11,848

11 Income tax expense

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

	2023 HK\$'000	2022 HK\$'000
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 (Note 19)	(588)	1,059
	8,348	13,801

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.

Notes to the Financial Statements

11 Income tax expense (continued)

The reconciliation between the Group's actual tax charge and the amount which is calculated based on the domestic tax rates in the respective territories is as follows:

	2023 HK\$'000	2022 HK\$'000
Profit before income tax	57,913	53,685
Tax calculated at weighted average domestic tax rates applicable to profits in the respective territories	8,895	7,482
Tax effect on income not subject to income tax	(3,366)	(34)
Tax effect on expenses not deductible for income tax purposes	1,725	2,071
Utilisation of previously unrecognised tax losses	(25)	(347)
Tax losses for which no deferred tax asset is recognised	1,663	4,790
Temporary differences for which no deferred tax asset is recognised	80	150
Over provision in prior years	(134)	(111)
Tax reduction	(490)	(198)
Others	–	(2)
	8,348	13,801

12 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.

13 Dividend

	2023 HK\$'000	2022 HK\$'000
Proposed final dividend of HK1 cent (2022: HK1 cent) per share	6,662	6,662

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.

Notes to the Financial Statements

14 Property, plant and equipment

	Buildings HK\$'000	Leasehold improvements HK\$'000	Machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Year ended 30 April 2022						
Opening net book amount	319,603	7,842	2,510	12,714	2,084	344,753
Exchange differences	(972)	–	(24)	(3)	(6)	(1,005)
Additions	2,029	4,236	659	11,205	702	18,831
Disposal (Note 28 (b))	–	(44)	–	(7)	(68)	(119)
Depreciation	(14,773)	(6,448)	(410)	(7,615)	(891)	(30,137)
Reversal of impairment	–	138	–	–	–	138
Closing net book amount	305,887	5,724	2,735	16,294	1,821	332,461
At 30 April 2022						
Cost	442,435	94,761	336,373	134,455	19,049	1,027,073
Accumulated depreciation and impairment	(136,548)	(89,037)	(333,638)	(118,161)	(17,228)	(694,612)
Net book amount	305,887	5,724	2,735	16,294	1,821	332,461
Year ended 30 April 2023						
Opening net book amount	305,887	5,724	2,735	16,294	1,821	332,461
Exchange differences	(2,728)	–	(41)	(8)	(24)	(2,801)
Additions	5,265	3,939	400	5,397	537	15,538
Depreciation	(16,843)	(4,297)	(334)	(6,073)	(828)	(28,375)
Reversal of/(provision for) impairment	–	39	(1,280)	–	–	(1,241)
Closing net book amount	291,581	5,405	1,480	15,610	1,506	315,582
At 30 April 2023						
Cost	443,554	94,291	160,333	136,405	19,053	853,636
Accumulated depreciation and impairment	(151,973)	(88,886)	(158,853)	(120,795)	(17,547)	(538,054)
Net book amount	291,581	5,405	1,480	15,610	1,506	315,582

During the year, depreciation expense of approximately HK\$4,043,000 (2022: HK\$4,608,000), HK\$9,000,000 (2022: HK\$12,741,000) and HK\$15,332,000 (2022: HK\$12,788,000) was charged to cost of sales, selling and distribution expenses and general and administrative expenses respectively.

Buildings with an aggregate carrying amount of approximately HK\$225,967,000 as at 30 April 2023 (2022: HK\$239,957,000) were pledged against certain of the Group's borrowings (Note 30).

Notes to the Financial Statements

14 Property, plant and equipment *(continued)*

The Group performed assessment on impairment of leasehold improvements and right-of-use assets of its retail stores by considering the recoverable amount of such assets at store level. As at 30 April 2023, no provision of impairment was included in the net book value of leasehold improvements and right-of-use assets.

As at 30 April 2022, an accumulated provision for impairment of approximately HK\$39,000 and HK\$358,000 was included in the net book value of leasehold improvements and right-of-use assets, respectively.

During the year, the Group performed impairment assessment on the machinery of the electronic component manufacturing business. The Group considers each individual production plant as a separately identifiable cash-generating unit. Key inputs to the determination of the recoverable amount includes revenue growth and gross profit margin. An impairment charges of approximately HK\$1,280,000 was recognised in cost of sales. The discount rate adopted in the impairment assessments is determined based on the market's weighted average cost of capital of the Group.

15 Leases

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2023 HK\$'000	2022 HK\$'000
Right-of-use assets		
Properties leases	220,208	204,625
Land use right	14,783	15,545
	234,991	220,170
Lease liabilities		
Current	135,190	123,540
Non-current	92,930	85,559
	228,120	209,099

Addition to the right-of-use assets during the year was approximately HK\$182,531,000 (2022: HK\$175,039,000).

Notes to the Financial Statements

15 Leases (continued)

(ii) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	2023 HK\$'000	2022 HK\$'000
Depreciation of right-of-use assets		
– Properties leases	159,725	157,522
– Land use rights	500	528
(Reversal of)/provision for impairment of right-of-use assets (Note 8)	(358)	152
Interest on lease liabilities (Note 10)	12,645	10,602
Gain on lease modification (Note 7)	217	3,143
Expenses relating to short-term leases and variable lease payments (Note 8)	11,135	9,371

The total cash outflow for leases in 2023 was HK\$176,707,000 (2022: HK\$179,931,000).

(iii) The Group's leasing activities and how these are accounted for

The Group leases various lands, offices, warehouses and retail stores. Lease of lands are generally made for 50 years while the rental contracts for properties leases are typically made for fixed periods of 1 to 5 years. Lease terms for properties leases are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets in relation to properties leases may not be used as security for borrowing purposes.

(iv) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occur.

(v) Extension options

Extension options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension held are exercisable by both the Group and the respective lessor.

Notes to the Financial Statements

16 Investment properties

	2023 HK\$'000	2022 HK\$'000
At the beginning of the year	21,408	22,493
Net fair value loss (Note 7)	(1,057)	(962)
Exchange difference	(441)	(123)
At the end of the year	19,910	21,408

The period of leases whereby the Group leases out its investment properties under operating leases ranges from 1 to 2 years.

Investment properties with an aggregate carrying amount of approximately HK\$11,090,000 as at 30 April 2023 (2022: HK\$11,330,000) were pledged against certain of the Group's borrowings (Note 30).

The consolidated income statement includes rental income from investment property of HK\$1,062,000 (2022: HK\$917,000) and related direct operating expenses of approximately HK\$118,000 (2022: HK\$118,000).

The Group's investment properties were valued at 30 April 2023 by Castores Magi (Hong Kong) Limited, independent professionally qualified valuer who holds recognised relevant professional qualifications and have relevant experience in respect of the investment properties valued. The revaluation gains or losses are included in 'Other (losses)/gains, net' in the consolidated income statement (Note 7).

The Group reviews the valuation performed by independent valuers for financial reporting purposes. Discussion of valuation process and results are held between management and independent qualified valuers once a year for financial reporting purposes.

Notes to the Financial Statements

16 Investment properties (continued)

The following table analyses the fair value hierarchy of the investment properties.

Description	Fair value measurements at 30 April 2023 using		
	Quoted prices in active markets for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000
Recurring fair value measurements:			
Investment properties	–	–	19,910

Description	Fair value measurements at 30 April 2022 using		
	Quoted prices in active markets for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000
Recurring fair value measurements:			
Investment properties	–	–	21,408

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the year.

Fair value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

The investment properties were revalued on an open market basis. Fair value of the investment properties is derived from comparing the properties to be valued directly with other comparable properties in close proximity, which have recently transacted or offered. However, given the heterogeneous nature of the properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration. The most significant impact into this valuation approach is price per square feet.

There was no change to the valuation technique with that of prior year.

Notes to the Financial Statements

16 Investment properties (continued)

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 30 April 2023 (HK\$'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Shop – HK	5,120	Market comparable	Price per square feet	HK\$11,130 per square feet	The higher the price per square feet, the higher the fair value
Residential building – HK	5,970	Market comparable	Price per square feet	HK\$8,677 per square feet	The higher the price per square feet, the higher the fair value
Commercial building – PRC	8,820	Market comparable	Price per square meter	RMB23,329 per square meter	The higher the price per square meter, the higher the fair value
	19,910				

Description	Fair value at 30 April 2022 (HK\$'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Shop – HK	5,090	Market comparable	Price per square feet	HK\$11,065 per square feet	The higher the price per square feet, the higher the fair value
Residential building – HK	6,240	Market comparable	Price per square feet	HK\$9,070 per square feet	The higher the price per square feet, the higher the fair value
Commercial building – PRC	10,078	Market comparable	Price per square meter	RMB34,260 per square meter	The higher the price per square meter, the higher the fair value
	21,408				

Notes to the Financial Statements

17 Financial assets at fair value through other comprehensive income

	2023 HK\$'000	2022 HK\$'000
Equity securities listed in Hong Kong – Financial asset at fair value through other comprehensive income	106	164

18 Deposits, prepayments and other receivables

	2023 HK\$'000	2022 HK\$'000
Prepayments and deposits for purchase of inventories	6,159	20,774
Rental deposits and prepaid rent	63,609	63,205
Deposits paid for acquisition of property, plant and equipment	1,039	–
Other deposits and other receivables	3,759	5,266
	74,566	89,245
Less: Non-current portion		
Deposits paid for acquisition of property, plant and equipment	(1,039)	–
Rental deposits	(34,389)	(31,719)
	39,138	57,526

The carrying amounts of the Group's deposits, prepayments and other receivables are denominated in the following currencies:

	2023 HK\$'000	2022 HK\$'000
Hong Kong dollars	67,673	66,942
Euro	1,039	9,679
RMB	1,221	2,397
Japanese Yen	3,459	3,624
United States dollars	741	4,942
Other currencies	433	1,661
	74,566	89,245

Notes to the Financial Statements

18 Deposits, prepayments and other receivables *(continued)*

As at 30 April 2023 and 2022, the carrying amounts of deposits and other receivables approximated their fair values.

As at 30 April 2023, financial assets at amortised cost of HK\$68,858,000 (2022: HK\$70,054,000) was included in deposits and other receivables.

19 Deferred income tax

Deferred tax is calculated on temporary differences under the liability method using tax rates enacted or substantively enacted by the end of the reporting period in the respective jurisdictions.

The movements of the net deferred tax (liabilities)/assets are as follows:

	2023 HK\$'000	2022 HK\$'000
At the beginning of the year	(2,345)	(1,286)
Credited/(charged) to consolidated income statement (Note 11)	588	(1,059)
At the end of the year	(1,757)	(2,345)

Movements of the deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred tax assets	Decelerated depreciation						Total	
	allowance		Provisions		Tax losses			
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
At the beginning of the year	4,435	5,230	181	136	399	399	5,015	5,765
Credited/(charged) to consolidated income statement	655	(795)	57	45	-	-	712	(750)
At the end of the year	5,090	4,435	238	181	399	399	5,727	5,015

Notes to the Financial Statements

19 Deferred income tax (continued)

	Accelerated depreciation allowance	
	2023 HK\$'000	2022 HK\$'000
Deferred tax liabilities		
At the beginning of the year	7,360	7,051
Charged to consolidated income statement	124	309
At the end of the year	7,484	7,360

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	2023 HK\$'000	2022 HK\$'000
Deferred income tax assets		
– to be recovered within 12 months	2,147	601
– to be recovered after more than 12 months	3,580	4,414
	5,727	5,015
Deferred income tax liabilities		
– to be settled within 12 months	–	–
– to be settled after more than 12 months	(7,484)	(7,360)
	(7,484)	(7,360)
Deferred tax liabilities, net	(1,757)	(2,345)

Deferred tax assets are recognised for tax losses carry-forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 30 April 2023, the Group has tax losses of approximately HK\$66,443,000 (2022: HK\$83,180,000) for which no deferred tax asset is recognised. These tax losses are subject to approval by the tax authorities of places of operation of the Company and the subsidiaries. Unrecognised tax losses of HK\$1,824,000 (2022: HK\$1,824,000) have no expiry date, the remaining losses will expire at variable dates up to and including 2027.

Notes to the Financial Statements

19 Deferred income tax (continued)

Pursuant to the Corporate Income Tax Law and its implementation rules, effective from 1 January 2008, certain non-resident enterprises (for instance, those without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC whose relevant income is not effectively connected with the establishment or a places of business in PRC) are subject to withholding tax at the rate of 5% or 10% on various types of passive income such as dividend derived from sources within the PRC.

The Group is subject to withholding tax on distributions of profits generated after 31 December 2007 from the Group's foreign-invested enterprises in the PRC. As all of the Group's foreign-invested enterprises are directly and wholly owned by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax. Deferred tax liabilities of HK\$331,000 (2022: HK\$217,000) have not been provided for as there are no expected dividends to be distributed from the Group's foreign-invested enterprises in the foreseeable future in respect of the profits generated after 31 December 2007.

20 Inventories

	2023 HK\$'000	2022 HK\$'000
Retail business		
– Merchandise	127,399	102,212
Electronic components manufacturing		
– Raw materials	7,101	10,578
– Work-in-progress	3,031	3,901
– Finished goods	6,751	9,373
	144,282	126,064

The cost of inventories recognised as expense and included in “cost of sales” amounted to approximately HK\$1,025,763,000 (2022: HK\$1,299,361,000) (Note 8).

As at 30 April 2023, there is no inventory pledged as collateral (2022: inventories amounted to HK\$4,938,000 were pledged as collateral for the Group's import and trust receipt loans) (Note 30).

Notes to the Financial Statements

21 Accounts receivable

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

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

	2023 HK\$'000	2022 HK\$'000
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	6,267	6,948
Less: loss allowance	(5,417)	(5,110)
	14,447	24,800

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).

The Group's credit risk control and the analysis of concentration of credit risk are disclosed in Note 3.1(b).

Notes to the Financial Statements

21 Accounts receivable (continued)

Movements on the loss allowance are as follows:

	2023 HK\$'000	2022 HK\$'000
At the beginning of the year	5,110	5,046
Increase in loss allowance recognised in the profit or loss during the year	307	64
At the end of the year	5,417	5,110

The creation and release of loss allowance have been included in general and administrative expenses in the consolidated income statement (Note 8).

The carrying amounts of the Group's accounts receivable are denominated in the following currencies:

	2023 HK\$'000	2022 HK\$'000
Hong Kong dollars	4,055	9,966
RMB	3,045	3,720
United States dollars	7,347	10,789
Other currencies	–	325
	14,447	24,800

Notes to the Financial Statements

22 Pledged bank balances and cash and cash equivalents

	2023 HK\$'000	2022 HK\$'000
Pledged bank balances (<i>Note a</i>)	21,440	21,440
Cash and cash equivalents (<i>Note b</i>)	86,022	78,731
	107,462	100,171
Maximum exposure to credit risk	97,374	91,004

The pledged bank balances and cash and cash equivalents are denominated in the following currencies:

	2023 HK\$'000	2022 HK\$'000
Hong Kong dollars	88,899	84,048
RMB	11,201	11,272
United States dollars	4,092	2,808
Other currencies	3,270	2,043
	107,462	100,171

Notes:

- (a) As at 30 April 2023, the Group's bank balances of approximately HK\$21,440,000 (2022: HK\$21,440,000) were pledged as collateral for the Group's borrowings (Note 30). As at 30 April 2023, the pledged bank balances had maturities ranging from three months to one year and carried a weighted average interest rate of 4.6% (2022: 3.0%) per annum.
- (b) The conversion of RMB denominated balances into foreign currencies and repatriation of RMB out of China is subject to the rules and regulations of foreign exchange promulgated by the government of the Mainland China. As at 30 April 2023, the Group's cash and cash equivalents amounting to HK\$8,852,000 (2022: HK\$10,426,000) were denominated in RMB and deposited with banks in the PRC.

Notes to the Financial Statements

23 Share capital

	2023		2022	
	Number of Shares	Share capital HK\$'000	Number of shares	Share capital HK\$'000
Authorised:				
Shares of HK\$0.10 each	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid:				
Shares of HK\$0.10 each				
At the beginning and the end of the year	666,190,798	66,619	666,190,798	66,619

24 Reserves

	Share premium	Capital redemption reserve	Capital reserve (note a)	Investment revaluation reserve	Property revaluation reserve (note b)	Statutory reserves (note c)	Exchange reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May 2022	25,075	5,042	13,934	26	7,450	19,632	87,288	274,587	433,034
Dividend	-	-	-	-	-	-	-	(6,662)	(6,662)
Currency translation differences	-	-	-	-	-	-	(8,955)	-	(8,955)
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	(58)	-	-	-	-	(58)
Profit for the year	-	-	-	-	-	-	-	49,565	49,565
At 30 April 2023	25,075	5,042	13,934	(32)	7,450	19,632	78,333	317,490	466,924

Notes to the Financial Statements

24 Reserves (continued)

	Share premium	Capital redemption reserve	Capital reserve (note a)	Investment revaluation reserve	Property revaluation reserve (note b)	Statutory reserves (note c)	Exchange reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May 2021	25,075	5,042	13,934	111	7,450	19,632	89,806	240,699	401,749
Dividend	-	-	-	-	-	-	-	(5,996)	(5,996)
Currency translation differences	-	-	-	-	-	-	(2,518)	-	(2,518)
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	(85)	-	-	-	-	(85)
Profit for the year	-	-	-	-	-	-	-	39,884	39,884
At 30 April 2022	25,075	5,042	13,934	26	7,450	19,632	87,288	274,587	433,034

Notes:

- (a) Capital reserve represents the difference between the nominal value of the Company's shares issued and the combined share capital of the subsidiaries acquired through an exchange of shares pursuant to the reorganisation in 1999.
- (b) Property revaluation reserve represents revaluation surplus arising from the fair value change of land and buildings at the time of transfer from properties, plant and equipment to investment properties.
- (c) In accordance with the laws and regulations of Mainland China, the Group's subsidiaries in Mainland China are required to set aside certain portion of their retained earnings to a statutory reserve account and a corporate development reserve account. The statutory reserve account can only be used to make up losses incurred or increase registered capital while the corporate development reserve account can be used for expansion of the production and operation or increase registered capital of respective subsidiaries in Mainland China. The percentage of appropriation is determined by the board of directors of respective subsidiaries in Mainland China.

Notes to the Financial Statements

25 Borrowings

	2023 HK\$'000	2022 HK\$'000
Import and trust receipt loans	–	4,938
Term loans	3,517	13,448
Total borrowings	3,517	18,386
Less: Non-current portion	(2,554)	(3,483)
	963	14,903

As at 30 April 2023, the Group has no bank borrowings contractually due for repayment after one year contain a repayable on demand clause and is classified as current liabilities (2022: same). The maturity of borrowings based on scheduled repayment dates is analysed as follows:

	2023 HK\$'000	2022 HK\$'000
Within one year	963	14,903
Between one and two years	1,016	965
Between two and five years	1,538	2,518
	3,517	18,386

As at 30 April 2023 and 2022, the ranges of effective interest rates of loans of major currencies were as follows:

	2023		2022	
	HK\$ %	US\$ %	HK\$ %	US\$ %
Borrowings	5.37	–	2.49-2.60	3.16-3.48

Notes to the Financial Statements

25 Borrowings (continued)

The carrying amounts of borrowings approximate their fair values and are denominated in the following currencies:

	2023 HK\$'000	2022 HK\$'000
Hong Kong dollars	3,517	13,448
United States dollars	–	4,068
Others	–	870
	3,517	18,386

The Group has complied with the financial covenants of its borrowing facilities during the 2023 and 2022 reporting period. Details of the Group's bank facilities and pledges of assets are set out in Note 30.

26 Accounts payable

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

	2023 HK\$'000	2022 HK\$'000
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	249	136
	70,752	95,695

The carrying amounts of the Group's accounts payable are denominated in the following currencies:

	2023 HK\$'000	2022 HK\$'000
Hong Kong dollars	19,650	29,347
United States dollars	17,498	33,506
Japanese Yen	23,238	21,729
RMB	3,856	7,385
Other currencies	6,510	3,728
	70,752	95,695

Notes to the Financial Statements

27 Accruals and other payables

	2023 HK\$'000	2022 HK\$'000
Contract liabilities	2,127	2,252
Salaries and other staff welfare payable	30,216	30,099
Rental and store utilities payable	973	700
Provision for long service payments	250	–
Provision for reinstatement cost	16,826	17,429
Other taxes payable	240	1,223
Interest payable	18	86
Accrual for auditor's remuneration	3,463	2,894
Other accrued expenses	12,078	14,127
	66,191	68,810
Less: Non-current portion		
Provision for reinstatement cost	(9,551)	(9,780)
Provision for long service payments	(250)	–
	56,390	59,030

Financial liabilities at amortised cost of approximately HK\$16,532,000 (2022: HK\$16,194,000) was included in accruals and other payables as at 30 April 2023.

Movements on the provision for reinstatement cost are as follows:

	2023 HK\$'000	2022 HK\$'000
At the beginning of the year	17,429	15,006
Provision for reinstatement cost	725	3,553
Utilisation of provision for reinstatement cost	(1,328)	(1,130)
At the end of the year	16,826	17,429

Notes to the Financial Statements

28 Notes to the consolidated statement of cash flows

(a) Cash generated from operations

	2023 HK\$'000	2022 HK\$'000
Profit for the year	49,565	39,884
Adjustments for:		
– Income tax expense	8,348	13,801
– Interest income	(705)	(99)
– Interest expense	13,354	13,543
– Gain on lease modification	(217)	(3,143)
– Depreciation of right-of-use assets	160,225	158,050
– Depreciation of property, plant and equipment	28,375	30,137
– Net gain on disposal of property, plant and equipment	(50)	(23)
– Provision for impairment loss on financial assets	307	64
– (Reversal of)/provision for impairment of right-of-use assets	(358)	152
– Fair value losses on investment properties	1,057	962
– Net provision for/(reversal of) impairment loss on property, plant and equipment	1,241	(138)
– Provision for impairment of inventories	2,308	105
– Provision for long service payments	250	–
– Exchange difference	(4,957)	(1,467)
	258,743	251,828
Changes in working capital:		
– (Increase)/decrease in inventories	(20,526)	67,993
– Decrease/(increase) in accounts receivable	10,046	(3,370)
– Decrease/(increase) in prepayments, deposits and other receivables	13,668	(2,882)
– Decrease in accounts payable	(24,943)	(11,006)
– (Decrease)/increase in accruals and other payables	(3,526)	4,553
Cash generated from operations	233,462	307,116

Notes to the Financial Statements

28 Notes to the consolidated statement of cash flows (continued)

- (b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprises:

	2023 HK\$'000	2022 HK\$'000
Net book value (Note 14)	–	119
Net gain on disposal of property, plant and equipment (Note 7)	50	23
Proceeds from disposal of property, plant and equipment	50	142

- (c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	2023 HK\$'000	2022 HK\$'000
Cash and cash equivalents	86,022	78,731
Pledged bank balances	21,440	21,440
Borrowings	(3,517)	(18,386)
Interest payables	(18)	(86)
Lease liabilities	(228,120)	(209,099)
Net debt	(124,193)	(127,400)

Notes to the Financial Statements

28 Notes to the consolidated statement of cash flows (continued)

(c) Net debt reconciliation (continued)

	Borrowings	Interest payables	Lease liabilities	Cash and cash equivalents	Pledged bank balance	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net debt as at 1 May 2021	(129,760)	(476)	(202,649)	70,362	31,390	(231,133)
Additions	-	-	(165,396)	-	-	(165,396)
Cash flows	111,374	3,331	169,548	8,519	(9,950)	282,822
Interest expense	-	(2,941)	(10,602)	-	-	(13,543)
Other changes	-	-	-	(150)	-	(150)
Net debt as at 30 April 2022	(18,386)	(86)	(209,099)	78,731	21,440	(127,400)
Additions	-	-	(171,948)	-	-	(171,948)
Cash flows	14,869	777	165,572	7,795	-	189,013
Interest expense	-	(709)	(12,645)	-	-	(13,354)
Other changes	-	-	-	(504)	-	(504)
Net debt as at 30 April 2023	(3,517)	(18)	(228,120)	86,022	21,440	(124,193)

29 Commitments

Operating leases – where the Group is the lessor

At 30 April 2023, the Group had future minimum lease payments receivable under non-cancellable operating leases as follows:

	2023	2022
	HK\$'000	HK\$'000
Not later than one year	1,020	908
Later than one year and not later than five years	270	1,085
	1,290	1,993

Notes to the Financial Statements

30 Bank facilities and pledge of assets

As at 30 April 2023, the Group had aggregate bank facilities of approximately HK\$383,817,000 (2022: HK\$393,747,000) for term loans, import and trust receipt loans etc. Unutilised facilities as at the same date amounted to approximately HK\$380,300,000 (2022: HK\$375,361,000), of which approximately HK\$380,300,000 (2022: HK\$375,361,000) is relating to import and trust receipt loans. As at 30 April 2023, these facilities were secured by corporate guarantees executed by the Company and certain of its subsidiaries and the following:

- (a) pledges of the Group's buildings of approximately HK\$225,967,000 (2022: HK\$239,957,000) (Note 14).
- (b) pledges of the Group's investment properties of approximately HK\$11,090,000 (2022: HK\$11,330,000) (Note 16).
- (c) pledges of the Group's bank balances of approximately HK\$21,440,000 (2022: HK\$21,440,000) (Note 22).
- (d) No charges over the Group's inventories held under import and trust receipts loans arrangements (2022: HK\$4,938,000) (Note 20).

In addition, the Group is required to comply with certain restrictive financial covenants imposed by the banks. During the year ended 30 April 2023, the Group has been in compliance with those financial covenants (2022: same).

Notes to the Financial Statements

31 Related party transactions

Related party is a party that is related to the Group if directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with the Group (including the Company or its wholly or non-wholly owned subsidiaries); or the party has an interest in the Group that gives it significant influence over the Group; or the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual who is a member of the key management personnel of the Group or its parent.

Except as otherwise stated, during the year, the Group had the following related party transactions, which were carried out in the normal course of the Group's business at mutually agreed prices:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(a) Rental expense paid to a related company which is owned by certain directors of the Company	663	663
Rental expense paid to a director of the Company	294	294

(b) Key management compensation is as below:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Director's fee, wages and salaries	11,961	10,690
Pension costs - defined contribution plans	490	442
Discretionary bonus	3,180	2,706
	15,631	13,838

Notes to the Financial Statements

32 Statement of financial position and reserve of the Company

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	<i>(a)</i>	241,033	235,322
Current assets			
Amounts due from subsidiaries		6,662	6,662
Tax recoverable		2	2
Cash and cash equivalents		143	94
		6,807	6,758
Total assets		247,840	242,080
EQUITY			
Share capital		66,619	66,619
Reserves	<i>(b)</i>	179,079	170,741
Total equity		245,698	237,360
Current liabilities			
Accruals and other payables		2,142	4,720
Total liabilities		2,142	4,720
Total equity and liabilities		247,840	242,080

Notes to the Financial Statements

32 Statement of financial position and reserve of the Company (continued)

Note (a) Subsidiaries

The following is a list of the subsidiaries as at 30 April 2023 and 2022:

Name	Place of incorporation operation	Principal activities	Particulars of issued share capital/registered capital	Interest held (i)
CEC-Coils Singapore Pte Ltd.	Singapore	Sale of coils and other electronic components	Ordinary US\$1,500,000	100%
北京高雅恒健科技有限公司 (CEC-Technology Beijing Limited) (iii)	Mainland China	Property investment holding	Registered capital US\$750,000	100%
CEC-Technology Limited	Hong Kong	Dormant	Ordinary HK\$10,000	100%
重慶高雅科技有限公司 (Chongqing CEC-Technology Limited) (iii)	Mainland China	Provision of information technology services	Registered capital HK\$2,900,000	100%
Coils Electronic Co., Limited	Hong Kong	Investment holding; manufacture and sale of coils and other electronic components; retail business	Ordinary HK\$2; Non-voting deferred HK\$14,000,000 (ii)	100%
Coils Electronic (Zhong Shan) Co., Ltd. (iii)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital US\$31,366,980	100%
Coils International Holdings Limited	British Virgin Islands	Investment holding	Ordinary US\$10,000	100%
Coils Investment (BVI) Limited	British Virgin Islands	Investment holding	Ordinary US\$1	100%
Coils Property Management Limited	Hong Kong	Property investment holding	Ordinary HK\$200,000	100%
Gaozhou Coils Electronic Co. Ltd. (iii)	Mainland China	Manufacture and sale of coils and other electronic components	Registered capital US\$500,000	100%
Coils Venture Co. Ltd	Hong Kong	Investment holding	Ordinary HK\$10,000	100%
南京國仲磁性材料製品有限公司 (Nanjing Guo Zhong Magnetic Material Co., Ltd.) (iii)	Mainland China	Manufacture and sale of ferrite powder	Registered capital HK\$23,000,000	100%

Notes to the Financial Statements

32 Statement of financial position and reserve of the Company (continued)

Note (a) Subsidiaries (continued)

The following is a list of the subsidiaries as at 30 April 2023 and 2022: (continued)

Name	Place of incorporation operation	Principal activities	Particulars of issued share capital/registered capital	Interest held (i)
Fujian FTA Test Area Xiamen Aren 759 Store Trading Co., Ltd (iii)	Mainland China	Manufacture and sale of coils and other electronic components; trading and wholesale of food and household products	Registered capital HK\$9,567,620	100%
Zhongshan Coils Metalwork Co., Ltd. (iii)	Mainland China	Dormant	Registered capital US\$755,000	100%
Zhongshan CEC-Coils Food Co, Limited (iii)	Mainland China	Manufacture of bottled water	Registered capital US\$1,000,000	100%
Xiamen Guo Zhong Food Co Ltd (iii)	Mainland China	Packaging food	Registered capital US\$500,000	100%
Coils Retail Limited	Hong Kong	Inactive in Hong Kong	Ordinary HK\$10,000	100%

The underlying value of the investments in subsidiaries is, in the opinion of Directors, not less than the carrying value as at 30 April 2023.

As at 30 April 2023, the Company had given guarantees to banks and financial institutions to secure the utilised bank facilities of a subsidiary amounting to approximately HK\$3,517,000 (2022: HK\$18,386,000).

None of the subsidiaries had any loan capital in issue at any time during the year ended 30 April 2023 (2022: Nil).

Notes to the Financial Statements

32 Statement of financial position and reserve of the Company (continued)

Note (a) Subsidiaries (continued)

The following is a list of the subsidiaries as at 30 April 2023 and 2022: (continued)

Notes:

- (i) The shares in Coils International Holdings Limited are held directly by the Company. The shares in other subsidiaries are held indirectly by the Company.
- (ii) The non-voting deferred shares of Coils Electronic Co., Limited are owned by Mr. Lam Wai Chun, Ms. Law Ching Yee and Ka Yan China Development (Holding) Company Limited, the intermediate holding company of the Company. Holders of the non-voting deferred shares have no voting rights, are not entitled to dividends unless the net profit of Coils Electronic Co., Limited exceeds HK\$100,000,000,000,000, and are not entitled to any distributions upon winding up unless a sum of HK\$100,000,000,000,000 has been distributed to the holders of the ordinary shares.
- (iii) 重慶高雅科技有限公司 (Chongqing CEC-Technology Limited) is wholly foreign owned enterprise established in Mainland China to be operated for 45 years up to August 2047.

Coils Electronic (Zhong Shan) Co. Ltd., Zhongshan Coils Metalwork Co., Ltd. And Fujian FTA Test Area Xiamen Area 759 Store Trading Co., Ltd are wholly foreign owned enterprises established in Mainland China to be operated for 25 years up to April 2026, February 2026 and December 2037 respectively.

南京國仲磁性材料製品有限公司 (Nanjing Guo Zhong Magnetic Material Co., Ltd.) is a wholly foreign owned enterprise established in Mainland China to be operated for 30 years up to April 2033.

北京高雅恒健科技有限公司 (CEC-Technology Beijing Limited) is a wholly foreign owned enterprise established in Mainland China to be operated for 20 years up to October 2026.

Zhongshan CEC-Coils Food Co., Limited is a wholly foreign owned enterprise established in Mainland China to be operated for an indefinite period.

Xiamen Guo Zhong Food Co Ltd is a wholly foreign owned enterprise established in Mainland China to be operated for 20 years up to April 2032.

Gaozhou Coils Electronic Co. Ltd. is wholly foreign owned enterprise established in Mainland China to be operated for an indefinite period.

Notes to the Financial Statements

32 Statement of financial position and reserve of the Company (continued)

Note (b) Reserve movement of the Company

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 May 2021	25,075	5,042	131,338	10,282	171,737
Profit for the year	–	–	–	5,000	5,000
Dividend paid	–	–	–	(5,996)	(5,996)
At 30 April and 1 May 2022	25,075	5,042	131,338	9,286	170,741
Profit for the year	–	–	–	15,000	15,000
Dividend paid	–	–	–	(6,662)	(6,662)
At 30 April 2023	25,075	5,042	131,338	17,624	179,079

Contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued and the aggregate net asset value of the subsidiaries acquired through an exchange of shares pursuant to the reorganisation in 1999. Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders subject to the condition that subsequent to the payment of dividend or any distribution, (i) the Company will be able to pay its liabilities as they become due, and (ii) the realisable value of the Company's assets would not be less than the aggregate of its liabilities and its issued share capital and share premium.

Notes to the Financial Statements

33 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules)

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 30 April 2023:

Emoluments paid or receivable in respect of a person's service as a director, whether of the company or its subsidiary undertaking

Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonus HK\$'000	Employer's contribution to a retirement benefit scheme	Total HK\$'000
				HK\$'000	
Executive directors:					
Ms. Tang Fung Kwan (Chief Executive)	-	5,288	1,504	442	7,234
Mr. Lam Kwok Chung	-	4,200	1,504	24	5,728
Mr. Ho Man Lee	-	949	172	24	1,145
Independent non-executive directors:					
Mr. Chan Chiu Ying	540	-	-	-	540
Mr. Goh Gen Cheung	522	-	-	-	522
Ms. Tsui Mei Ling, May	462	-	-	-	462
Total	1,524	10,437	3,180	490	15,631

Notes to the Financial Statements

33 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) (continued)

(a) Directors' and chief executive's emoluments (continued)

For the year ended 30 April 2022:

Emoluments paid or receivable in respect of a person's service as a director, whether of the company or its subsidiary undertaking

Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonus HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
Executive directors:					
Ms. Tang Fung Kwan (Chief Executive)	–	4,822	1,280	394	6,496
Mr. Lam Kwok Chung	–	3,500	1,280	24	4,804
Mr. Ho Man Lee	–	949	146	24	1,119
Independent non-executive directors:					
Mr. Chan Chiu Ying	540	–	–	–	540
Mr. Goh Gen Cheung	497	–	–	–	497
Ms. Tsui Mei Ling, May (note (ii))	164	–	–	–	164
Mr. Au Son Yiu (note (iii))	218	–	–	–	218
Total	1,419	9,271	2,706	442	13,838

Note:

- (i) Salary received by the executive directors include all emoluments paid or receivable in respect of directors' services in connection with the management of the Company and its subsidiary undertaking.
- (ii) Ms. Tsui Mei Ling May was appointed as an independent non-executive director on 24 December 2021.
- (iii) Mr. Au Son Yiu was retired as an independent non-executive director on 29 September 2021.

Notes to the Financial Statements

33 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) *(continued)*

(b) Directors' retirement benefits

Save as disclosed in Note 33(a), no other retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking (2022: Nil).

(c) Directors' termination benefits

Save as disclosed in Note 33(a), no payment was made to directors as compensation for the early termination of the appointment during the year (2022: Nil).

(d) Consideration provided to third parties for making available directors' services

No payment was made to the former employer of directors for making available the services of them as a director of the Company (2022: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year (2022: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 31, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Schedule of Principal Investment Properties

All properties held for investment are under medium-term leases. Major investment properties of the Group are set out below:

Address	Lot No.	Existing use
1. Unit 1012A and 1012B on level 10, No. 8 Caihetang Road, Haidian District, Beijing, The PRC	IV-1-4-82(1)	Office Premises
2. Shop No.33 on Ground Floor, Richland Garden, No. 138 Wu Chui Road, Tuen Mun, New Territories, Hong Kong	Tuen Mun Town Lot No. 333	Shop
3. Flat H on 23rd Floor of Tower 5 of Aegean Coast No.2 Kwun Tsing Road, Tuen Mun, New Territories, Hong Kong	Tuen Mun Town Lot No. 374	Residential

