Sincere Watch (Hong Kong) Limited

Interim Report 2018 中期報告

(Incorporated in the Cayman Islands with limited liability) Stock Code 股份代號 : 00444

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mrs. CHU Yuet Wah *(Chairman)*
Mr. ZHANG Xiaoliang *(Deputy Chairman and Chief Executive Officer)*
Mr. CHU, Kingston Chun Ho
Mr. YANG Guangqiang
Mr. AN Muzong

Independent Non-executive Directors

Ms. LO Miu Sheung, Betty
Mr. YU Zhenxin
Mr. ZONG Hao
Mr. CHIU Sin Nang, Kenny

AUDIT COMMITTEE

Mr. CHIU Sin Nang, Kenny *(Chairman)*
Ms. LO Miu Sheung, Betty
Mr. YU Zhenxin
Mr. ZONG Hao

REMUNERATION COMMITTEE

Mr. YU Zhenxin *(Chairman)*
Ms. LO Miu Sheung, Betty
Mr. CHIU Sin Nang, Kenny

NOMINATION COMMITTEE

Ms. LO Miu Sheung, Betty *(Chairman)*
Mr. CHIU Sin Nang, Kenny
Mr. YU Zhenxin

INVESTMENT COMMITTEE

Mrs. CHU Yuet Wah *(Chairman)*
Mr. CHU, Kingston Chun Ho
Mr. YU Zhenxin

COMPANY SECRETARY

Mr. CHAN Kwong Leung, Eric

AUTHORISED REPRESENTATIVES

Mr. CHU, Kingston Chun Ho
Mr. CHAN Kwong Leung, Eric

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Offices Nos. 6101–6103
61st Floor, The Center
99 Queen's Road Central
Hong Kong

AUDITOR

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

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

STOCK CODE

00444

WEBSITE

http://www.sincerewatch.com.hk

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 September 2018 ("H1 FY2019") increased by 40.4% from HK$160,862,000 to HK$225,795,000 when compared with the corresponding period of last year ("H1 FY2018").

- Gross margin increased from 30.7% to 39.7%. Gross profit for the six months ended 30 September 2018 increased from HK$49,349,000 to HK$89,737,000.

- Loss for the six months ended 30 September 2018 increased to HK$65,299,000 (H1 FY2018: HK$51,955,000), mainly due to increased fair value loss of investments in equity instruments, the effects of which being immediately recognised in profit or loss in accordance with the requirements of Hong Kong Financial Reporting Standard 9 newly adopted in this period.

- Loss per share was 1.1 HK cents in H1 FY2019 (H1 FY2018: 1.0 HK cents).

- The Board has resolved not to pay interim dividend for H1 FY2019 (H1 FY2018: Nil).

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Sincere Watch (Hong Kong) Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2018 together with the unaudited comparative figures for the corresponding six months ended 30 September 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue for the six months ended 30 September 2018 increased from HK$160.9 million to HK$225.8 million by 40.4% over the same period last year.

Gross profit increased from HK$49.3 million to HK$89.7 million by 81.9% over the same period last year. The gross margin increased from 30.7% to 39.7% mainly due to the better inventory management in H1 FY2019.

Selling and distribution costs in H1 FY2019 remained comparable to the same period last year. General and administrative expenses increased over the same period last year mainly due to the increase in staff costs and professional fees.

Realised exchange gain amounting to HK$1.5 million was recorded by the Group in H1 FY2019 whereas realised exchange loss of HK$2.7 million was recorded in the same period last year. HK$1.8 million fair value gain on derivative financial instruments was recorded in H1 FY2018 when compared to HK$5.4 million loss in H1 FY2019.

Unrealised exchange difference arose from trade payables denominated in foreign currencies, which were translated at the exchange rates prevailing at the balance sheet dates and any differences in valuation were then recognised in the income statement as unrealised gains or losses. Unrealised exchange loss of HK$8.0 million was recorded in H1 FY2019 while unrealised exchange gain of HK$2.1 million was recorded in H1 FY2018.

Excluding the realised and unrealised exchange differences, the change in fair value of investment properties, the change in fair value of financial assets at fair value through profit or loss and the change in fair value of derivative financial instruments, the Group's loss before taxation was HK$9.9 million, against HK$52.8 million for H1 FY2018.

In H1 FY2019, applying Hong Kong Financial Reporting Standard ("HKFRS") 9, the Group recognised HK$42.8 million net fair value loss for financial assets at fair value through profit or loss, of which HK$44.0 million fair value loss related to investments in equity instruments. In H1 FY2018, according to the requirements of Hong Kong Accounting Standard ("HKAS") 39, fair value changes of the Group's investments in equity instruments classified as available-for-sale investments did not affect profit or loss, except for a HK$3.7 million gain recognised on disposal and a HK$17.8 million loss on impairment.

Net loss for H1 FY2019 was HK$65.3 million against HK$52.0 million in the same period of the last financial year, mainly due to fair value loss on investments in equity instruments which was recognised immediately through profit or loss as required by HKFRS 9.

Loss per share was 1.1 HK cents in H1 FY2019 against 1.0 HK cents in H1 FY2018. Net asset value per share was 18.4 HK cents as at 30 September 2018 against 21.4 HK cents as at 31 March 2018.

Performance by business operations and geographical markets

Watch distribution and dining business

Hong Kong, Mainland China and Macau remained the key revenue drivers, contributing together HK$188.5 million which accounted for 83.5% of the Group's total revenue in H1 FY2019.

Hong Kong

Hong Kong continues to be the Group's major market, taking up 49.0% of the Group's revenue for the six months ended 30 September 2018. Sales in this market improved by 14.4% from H1 FY2018 to HK$110.7 million in H1 FY2019.

Mainland China and Macau

Mainland China and Macau accounted for about 34.4% of the Group's revenue in H1 FY2019. Sales in this region showed an increase of 57.0% from HK$49.5 million to HK$77.8 million compared with the same period last year.

Other Asian locations

Revenue from other Asian territories (i.e. Taiwan, Korea and Singapore) improved from HK$6.4 million in the previous corresponding period to HK$23.2 million in H1 FY2019. Sales in H1 FY2019 of the new boutique added in Korea in December 2017 amounted to HK$5.7 million, equivalent to 24.6% of the segment's revenue.

Property investment

Mainland China

Rental income of HK$14.0 million (H1 FY2018: HK$8.2 million) was recognised for H1 FY2019 from the Group's investment properties located in the PRC. During the period under review, the Group acquired the entire issued share capital of Allied Champion Development Limited (the "Acquisition"), which indirectly owns an investment property in Beijing. Completion of the Acquisition took place on 30 April 2018. Details of the Acquisition were disclosed in the announcements of the Company dated 13 February 2018 and 30 April 2018 and the circular of the Company dated 6 April 2018.

BUSINESS REVIEW

The Group is the sole distributor of FRANCK MULLER watches and accessories in Hong Kong, Macau, Taiwan and Mainland China. The Group also represents five other luxury brands — de GRISOGONO, CVSTOS, Pierre Kunz, European Company Watch and Backes & Strauss.

Distribution network and market penetration

The Group has established its distribution network with 49 retail points of sales and 11 boutiques, making a total of 60 points (60 as at the end of March 2018).

Other than the 10 boutiques run by the Group, the remaining 50 watch retail outlets in the regions are run by 22 independent watch dealers throughout our key markets in Hong Kong, Macau, Taiwan and Mainland China.

Brand enhancement activities

The Group aims not only to create but also sustain brand value among our discerning customers. As such, we have undertaken a number of brand enhancement activities to reinforce the brand leadership with product imagery and focused product placements in relevant media.

The Group has also consistently embarked on niche marketing initiatives to build its image and desirability as one of the leading international watch brands. These included unique events in our key markets with the aims of increasing brand exposure and extending brand networking.

To celebrate Mother's Day this year, clients were invited to the FRANCK MULLER boutiques in Hong Kong for a splendid afternoon tea to discover the Crazy Hours 15th Anniversary Asia Exclusive alongside with the latest Vanguard novelties. A preserved floral arrangement was given as an exclusive gift upon any purchase of timepieces during the event period.

In September 2018, Prince Jewellery & Watch Company gathered 13 notable watch brands and successfully hosted the 9th edition of World Brand Piazza at the Hong Kong Watch & Clock Fair. A dedicated exhibition area was honoured to FRANCK MULLER to display the first to be seen Vanguard 2018 novelties. The highlight models including the Vanguard Yachting S6 Skeleton, a meticulous skeletonized design inspired by the seafaring yacht; alongside with the Vanguard Lady Gravity, a skeletonized tourbillon tribute to the ladies who appreciate the high-end watchmaking.

PROSPECTS

In April 2018, the Group further expanded its property investment business in China through acquisition of an investment property situated in a prime location in Beijing. Apart from their potential for capital growth, the investment properties held by the Group are a source of stable rental income.

The Group will continue its efforts in exploring appropriate investment opportunities in order to diversify its sources of income.

The watch distribution business is facing many challenges, and the Group will continue to look for ways to enhance its business.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 September 2018, the Group maintained cash and bank balances of HK$93.7 million when compared with its cash and bank balances of HK$194.0 million as at 31 March 2018. In April 2018, upon completion of the Acquisition, HK$45.0 million was paid in cash while a zero-coupon promissory note with principal amount of HK$150 million maturing in 2 years was issued to the vendor as partial settlement of the consideration for the Acquisition. At 30 September 2018, the Group's gearing ratio (debt divided by equity) was 12.8%. The Group has no outstanding bank loan.

At 30 September 2018, details of the Group's investments in equity instruments were as below:

		At 30 September 2018		H1 FY2019	
Stock Code	**Stock Name**	**No. of shares held**	**Fair value** *HK$'000*	**Change in fair value recognised in statement of profit or loss** *HK$'000*	**Change in fair value recognised in statement of other comprehensive income** *HK$'000*
3823	Tech Pro Technology Development Ltd.	36,760,000	1,985	74	–
938	Man Sang International Ltd.	20,000,000	9,600	500	–
3886	Town Health International Medical Group Ltd.	6,600,000	3,901	271	–
376	Yunfeng Financial Group Ltd.	1,196,000	4,784	(239)	–
2066	Shengjing Bank Co., Ltd. — H Shares	500,000	1,870	(1,060)	–
8172	Lajin Entertainment Network Group Ltd.	18,800,000	3,854	(2,726)	–
36	Far East Holdings International Ltd.	–	–	(8,563)	–
627	Fullsun International Holdings Group Co., Ltd.	15,845,000	12,834	(11,238)	–
663	King Stone Energy Group Ltd.	350,000,000	50,400	–	(12,600)
1003	Huanxi Media Group Ltd.	13,760,000	23,254	(2,890)	–
1622	Redco Properties Group Ltd.	3,000,000	11,940	(6,932)	–
1076	Imperial Pacific International Holdings Ltd.	337,980,000	21,969	(11,154)	–
Total			146,391	(43,957)	(12,600)

These investments were listed securities measured at fair value. As at 30 September 2018, investments in equity instruments amounted to HK$146.4 million.

In H1 FY2019, a net fair value loss of HK$44.0 million was charged to profit or loss directly while HK$12.6 million was charged to other comprehensive income to reflect the overall decrease in fair value of the investments in equity instruments.

During the period under review, the Hong Kong equity market experienced fluctuations with various composite indices showing negative returns. The performance of the Group's investments in equity instruments had been in line with market performance.

It was noted that the trading in the shares of Tech Pro Technology Development Limited and Town Health International Medical Group Limited have remained suspended since 9:00 a.m. on 9 November 2017 and 9:00 a.m. on 27 November 2017 respectively.

The Directors will continue to monitor the performance of the above investments, and will assess and then adjust the investment strategies in the future so as to minimise the negative impact of any under-performing investment on the overall return of the investment portfolio of the Group. The performance of the equity investments will be affected by the degree of volatility in the Hong Kong stock market and subject to other external factors that may affect their values.

The Group's net current assets decreased from HK$544.8 million as at 31 March 2018 to HK$442.5 million as at 30 September 2018. Total net assets increased to HK$1,111.9 million as at 30 September 2018 from HK$1,068.5 million at 31 March 2018. The Directors believe that the Group's existing financial resources are sufficient to fulfil its commitments and current working capital requirements.

CAPITAL STRUCTURE AND FOREIGN EXCHANGE EXPOSURE

As at 30 September 2018, the total number of issued shares of the Company was 6,043,950,000. During the period ended 30 September 2018, 1,061,950,000 new shares were allotted and issued by the Company as partial settlement of the consideration for the Acquisition.

The Group recorded a realised exchange gain of HK$1.5 million in H1 FY2019 compared with HK$2.7 million loss in H1 FY2018. In addition, the Group booked an unrealised exchange loss of HK$8.0 million in H1 FY2019 against HK$2.1 million gain in H1 FY2018. There was a HK$5.4 million loss on change in fair value of derivative financial instruments recorded in H1 FY2019 while HK$1.8 million gain was booked in H1 FY2018.

The Group pursued a prudent policy on financial risk management and the management of foreign currencies and interest rate. The Group continues to benefit from favourable payment terms from its suppliers that may result in unrealised gains or losses from time to time in applying HKAS 21 "The Effects of Changes in Foreign Exchange Rates".

CHARGE ON ASSETS

The Group did not have any material charge on its assets as at 30 September 2018 (31 March 2018: No material charge).

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2018 (31 March 2018: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2018, the Group's work force stood at 166 including Directors (31 March 2018: 173). Employees were paid at market rates with discretionary bonus and medical benefits and covered under the mandatory provident fund scheme. The Company has adopted a share option scheme which aims to provide incentive or rewards to staff.

The Group is constantly reviewing its staff remuneration to ensure that it stays competitive with market practice.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

At 30 September 2018, the interests or short positions 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 under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of Director	Capacity	Number of shares held (long position)	Approximate percentage of the Company's issued shares
Chu Yuet Wah	Beneficial owner	265,000,000	4.38%
	Interest of controlled corporation *(Note)*	325,920,000	5.39%

Note: These 325,920,000 shares were held by Sincere Watch Limited, which was wholly-owned by Be Bright Limited and Be Bright Limited was wholly-owned by Mrs. Chu Yuet Wah. Accordingly, Mrs. Chu Yuet Wah was deemed to be interested in these 325,920,000 shares of the Company by virtue of the SFO.

Save as disclosed above, none of the Directors nor chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code and none of the Directors or chief executive, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the six months ended 30 September 2018.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to a resolution passed at the annual general meeting of the Company held on 26 August 2016. The purpose of the Share Option Scheme is to enable the Company to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group. Details of the Share Option Scheme are set out in the published annual report of the Company for the year ended 31 March 2018. No share option has been granted since the adoption of the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2018, the following persons (other than the interests disclosed above in respect of the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company, were as follows:

Name of shareholder	Capacity	Number of shares held (long position)	Approximate percentage of the Company's issued shares
Sky League Limited	Beneficial owner	1,294,370,000	21.42%
Wang Fang	Interest of controlled corporation *(Note 1)*	1,294,370,000	21.42%
Allied Crown Investment Limited	Beneficial owner	1,061,950,000	17.57%
Cui Tao	Interest of controlled corporation *(Note 2)*	1,061,950,000	17.57%
Sun Hung Kai Structured Finance Limited	Person having a security interest in shares	1,061,950,000	17.57%
Shipshape Investments Limited	Interest of controlled corporation *(Note 3)*	1,061,950,000	17.57%
Sun Hung Kai & Co. Limited	Interest of controlled corporation *(Note 3)*	1,061,950,000	17.57%
Allied Properties (H.K.) Limited	Interest of controlled corporation *(Note 3)*	1,061,950,000	17.57%
Allied Group Limited	Interest of controlled corporation *(Note 3)*	1,061,950,000	17.57%
Lee Seng Hui	Interest of controlled corporation *(Note 3)*	1,061,950,000	17.57%
Lee Su Hwei	Interest of controlled corporation *(Note 3)*	1,061,950,000	17.57%

Name of shareholder	Capacity	Number of shares held (long position)	Approximate percentage of the Company's issued shares
Lee Seng Huang	Interest of controlled corporation *(Note 3)*	1,061,950,000	17.57%
Brilliant World Limited	Beneficial owner	550,960,000	9.12%
Bai Ning	Interest of controlled corporation *(Note 4)*	550,960,000	9.12%
Sincere Watch Limited	Beneficial owner	325,920,000	5.39%
Be Bright Limited	Interest of controlled corporation *(Note 5)*	325,920,000	5.39%

Notes:

1. These 1,294,370,000 shares were held by Sky League Limited, which was wholly-owned by Wang Fang. Accordingly, Wang Fang was deemed to be interested in these 1,294,370,000 shares of the Company by virtue of the SFO.

2. These 1,061,950,000 shares were held by Allied Crown Investment Limited, which was wholly-owned by Cui Tao. Accordingly, Cui Tao was deemed to be interested in these 1,061,950,000 shares of the Company by virtue of the SFO.

3. Sun Hung Kai Structured Finance Limited was a wholly-owned subsidiary of Shipshape Investments Limited, a wholly-owned subsidiary of Sun Hung Kai & Co. Limited, which in turn was a non wholly-owned subsidiary of Allied Properties (H.K.) Limited. Allied Properties (H.K.) Limited was a non wholly-owned subsidiary of Allied Group Limited in which Lee Seng Hui, Lee Su Hwei and Lee Seng Huang were the trustees of Lee and Lee Trust, being a discretionary trust. The Lee and Lee Trust controlled approximately 74.95% of the total number of issued shares of Allied Group Limited (inclusive of Lee Seng Hui's personal interests) as at 30 September 2018. Accordingly, all these parties were deemed to have the same long position as Sun Hung Kai Structured Finance Limited.

4. These 550,960,000 shares were held by Brilliant World Limited, which was wholly-owned by Bai Ning. Accordingly, Bai Ning was deemed to be interested in these 550,960,000 shares of the Company by virtue of the SFO.

5. These 325,920,000 shares were held by Sincere Watch Limited, which was wholly-owned by Be Bright Limited. Accordingly, Be Bright Limited was deemed to be interested in these 325,920,000 shares of the Company by virtue of the SFO.

Save as disclosed above, as at 30 September 2018, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares of the Company during the six months ended 30 September 2018.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2018.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 September 2018 have not been audited, but have been reviewed by the Group's independent auditor, BDO Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee has also reviewed the Group's unaudited financial statements for the six months ended 30 September 2018.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to the disclosure requirements under Rule 13.51B(1) of the Listing Rules, the change in information of the Directors are set out below:

Mrs. Chu Yuet Wah was appointed as a Vice President of the Belt and Road General Chamber of Commerce on 17 April 2018.

By Order of the Board
Sincere Watch (Hong Kong) Limited
Chu Yuet Wah
Chairman

Hong Kong, 29 November 2018

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF SINCERE WATCH (HONG KONG) LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 15 to 58 which comprise the condensed consolidated statement of financial position of Sincere Watch (Hong Kong) Limited and its subsidiaries (collectively referred to as the "Group") as of 30 September 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed consolidated financial statements"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements is not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited
Certified Public Accountants
Lee Ka Leung, Daniel
Practising Certificate no. P01220
Hong Kong

29 November 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

		For the six months ended 30 September	
		2018	2017
	Notes	**HK$'000**	HK$'000
		(unaudited)	(unaudited)
Revenue	6	**225,795**	160,862
Cost of sales		**(136,058)**	(111,513)
Gross profit		**89,737**	49,349
Other income		**963**	2,273
Gain on disposal of available-for-sale investments		**–**	3,648
Impairment of available-for-sale investments		**–**	(17,818)
Provision for impairment loss on property, plant and equipment		**(2,326)**	(486)
Selling and distribution costs		**(43,379)**	(42,832)
General and administrative expenses		**(52,803)**	(46,914)
Finance costs		**(2,091)**	–
Loss before taxation, exchange gain/(loss), fair value change of investment properties and financial assets at fair value through profit or loss and (loss)/gain on fair value change of derivative financial instruments		**(9,899)**	(52,780)
Realised exchange gain/(loss)		**1,453**	(2,670)
Unrealised exchange (loss)/gain		**(7,954)**	2,061
Fair value change of investment properties	12	**130**	47
Fair value change of financial assets at fair value through profit or loss		**(42,836)**	–
(Loss)/gain on fair value change of derivative financial instruments		**(5,376)**	1,813
Loss before taxation		**(64,482)**	(51,529)
Income tax expense	7	**(817)**	(426)
Loss for the period	8	**(65,299)**	(51,955)

	Notes	For the six months ended 30 September 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Other comprehensive (expense)/income, net of tax			
Items that will not be reclassified to profit or loss			
— Change in fair value of equity instruments at fair value through other comprehensive income		**(12,600)**	–
Items that may be subsequently reclassified to profit or loss			
— Exchange differences arising from translation of foreign operations		**(62,557)**	11,607
— Fair value loss on available-for-sale investments		**–**	(2,287)
— Release of investments revaluation reserve to profit or loss upon disposal of available-for-sale investments		**–**	(3,648)
— Release of investments revaluation reserve to profit or loss for impairment loss on available-for-sale investments		**–**	8,080
Other comprehensive (expense)/income for the period		**(75,157)**	13,752
Total comprehensive expenses for the period		**(140,456)**	(38,203)
Loss per share — basic and diluted	10	**(1.1) HK cents**	(1.0) HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	**30 September 2018 HK$'000 (unaudited)**	31 March 2018 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	11	**2,954**	5,121
Investment properties	12	**711,805**	375,857
Available-for-sale investments	13	**–**	63,000
Financial assets at fair value through profit or loss	14	**48,071**	46,950
Financial assets at fair value through other comprehensive income	15	**50,400**	–
Deposit paid for acquisition of subsidiary		**–**	35,000
		813,230	525,928
Current assets			
Inventories		**421,218**	379,949
Trade and other receivables	16	**91,750**	74,073
Amounts due from related parties	18	**202**	204
Derivative financial instruments		**–**	1,360
Available-for-sale investments	13	**–**	136,788
Financial assets at fair value through profit or loss	14	**95,991**	–
Bank balances and cash		**93,679**	194,027
		702,840	786,401
Current liabilities			
Trade and other payables	17	**255,048**	235,669
Amounts due to related parties	18	**440**	3,359
Derivative financial instruments		**3,342**	1,556
Taxation payable		**1,476**	1,066
		260,306	241,650
Net current assets		**442,534**	544,751
Total assets less current liabilities		**1,255,764**	1,070,679

	Notes	**30 September 2018 HK$'000 (unaudited)**	31 March 2018 HK$'000 (audited)
Non-current liabilities			
Long term liabilities	19	**141,882**	–
Deferred tax liabilities		**2,010**	2,166
		143,892	2,166
Net assets		**1,111,872**	1,068,513
Capital and reserves			
Share capital	20	**120,879**	99,640
Reserves		**990,993**	968,873
Total equity		**1,111,872**	1,068,513

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Share capital HK$'000	Share premium HK$'000	Available-for-sale investment reserve HK$'000	FVOCI reserve HK$'000	Special reserve HK$'000 *(Note)*	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2017 (audited)	99,640	800,932	36,489	–	801	(16,333)	180,162	1,101,691
Exchange difference arising from translation of foreign operations	–	–	–	–	–	11,607	–	11,607
Fair value gain on available-for-sale investments	–	–	(2,287)	–	–	–	–	(2,287)
Release to profit or loss upon disposal of available-for-sale investments	–	–	(3,648)	–	–	–	–	(3,648)
Release to profit or loss for impairment loss on available-for-sale investments	–	–	8,080	–	–	–	–	8,080
Loss for the period	–	–	–	–	–	–	(51,955)	(51,955)
Total comprehensive expenses for the period	–	–	2,145	–	–	11,607	(51,955)	(38,203)
As 30 September 2017 (unaudited)	99,640	800,932	38,634	–	801	(4,726)	128,207	1,063,488
At 1 April 2018 as original presented (audited)	**99,640**	**800,932**	**30,892**	**–**	**801**	**16,058**	**120,190**	**1,068,513**
Initial application of HKFRS 15 *(note 3)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Initial application of HKFRS 9 *(note 3)*	**–**	**–**	**(30,892)**	**14,350**	**–**	**–**	**16,497**	**(45)**
Restated balances at 1 April 2018	**99,640**	**800,932**	**–**	**14,350**	**801**	**16,058**	**136,687**	**1,068,468**
Exchange difference arising from translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(62,557)**	**–**	**(62,557)**
Fair value loss on financial assets at fair value through other comprehensive income	**–**	**–**	**–**	**(12,600)**	**–**	**–**	**–**	**(12,600)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(65,299)**	**(65,299)**
Total comprehensive expenses for the period	**–**	**–**	**–**	**(12,600)**	**–**	**(62,557)**	**(65,299)**	**(140,456)**
Placing of shares *(note 20)*	**21,239**	**162,621**	**–**	**–**	**–**	**–**	**–**	**183,860**
At 30 September 2018 (unaudited)	**120,879**	**963,553**	**–**	**1,750**	**801**	**(46,499)**	**71,388**	**1,111,872**

Note: The special reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the reorganisation during its listing in The Stock Exchange of Hong Kong Limited in 2005.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	For the six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	**(52,364)**	(35,475)
Investing activities		
Purchase of property, plant and equipment	**(2,737)**	(886)
Purchase of financial assets measured at fair value through profit or loss	**(30,000)**	–
Net cash outflow from purchase of investment properties	**(38,384)**	–
Other long term investment	**–**	(45,313)
Interest received	**565**	1,375
Proceeds from disposal of available-for-sale investments	**–**	40,128
Proceeds from disposal of financial assets measured at fair value through profit or loss	**26,839**	–
Net cash used in investing activities	**(43,717)**	(4,696)
Net decrease in cash and cash equivalents	**(96,081)**	(40,171)
Cash and cash equivalents at beginning of the period	**194,027**	238,807
Effect of foreign exchange rate changes	**(4,267)**	1,065
Cash and cash equivalents at end of the period, represented by bank balances and cash	**93,679**	199,701

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 21 July 2004 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The shares of the Company are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company acts as an investment holding company. The principal activities of the Company and its subsidiaries (collectively, "the Group") are distribution of branded luxury watches, timepieces and accessories in Hong Kong, Macau, Taiwan, Korea and the People's Republic of China (the "PRC"), dining business and property investment.

The interim condensed consolidated financial statements are presented in Hong Kong dollars ("HK$") which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND SIGNIFICANT EVENTS

These interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These interim condensed consolidated financial statements were authorised for issue on 29 November 2018.

These interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2018 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2018. This is the first set of the Group's financial statements in which HKFRS 9 and HKFRS 15 have been adopted. Details of any changes in accounting policies are set out in note 3.

The preparation of these interim condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 5.

2. BASIS OF PREPARATION AND SIGNIFICANT EVENTS — Continued

These interim condensed consolidated financial statements are presented in Hong Kong Dollars, unless otherwise stated. These interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2018 annual financial statements. These interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") and should be read in conjunction with the 2018 consolidated financial statements.

These interim condensed consolidated financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the HKICPA. BDO Limited's independent review report to the Board of Directors is included on pages 13 and 14.

3. CHANGES IN HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 9, Financial Instruments
- HKFRS 15, Revenue from Contracts with Customers
- HK(IFRIC)-Interpretation 22, Foreign Currency Transactions and Advance Considerations
- Amendments to HKFRS 2, Classification and Measurement of Share-based Payment Transactions
- Amendments to HKFRS 4, Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
- Amendments to HKAS 28 included in Annual Improvements to HKFRSs 2014–2016 Cycle, Investments in Associates and Joint Ventures
- Amendments to HKAS 40, Transfers of Investment Property
- Amendments to HKFRS 1 included in Annual Improvements to HKFRSs 2014–2016 Cycle, First-time Adoption of Hong Kong Financial Reporting Standards

3. CHANGES IN HKFRSs — Continued

The impact of the adoption of HKFRS 9 Financial Instruments (see note 3A below) and HKFRS 15 Revenue from Contracts with Customers (see note 3B below) have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2018 did not have any material impact on the group's accounting policies.

A. HKFRS 9 Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the interim condensed consolidated financial statements.

3. CHANGES IN HKFRSs — Continued

A. HKFRS 9 Financial Instruments ("HKFRS 9") — Continued

(i) Classification and measurement of financial instruments — Continued

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of reserves, and retained profits as of 1 April 2018 as follows (increase/(decrease)):

	HK$'000
Retained profits	
Retained profits as at 31 March 2018	120,190
Increase in expected credit losses ("ECLs") in trade receivables and contract assets *(note 3A(ii)* below*)*	(45)
Increase in ECLs in debt instrument at fair value through other comprehensive income *(note 3A(ii)* below*)*	–
Increase in ECLs in debt instruments at amortised cost *(note 3A(ii)* below*)*	–
Reclassify investments from available-for-sale at fair value to FVTPL *(note 3A(i)* below*)*	16,542
Restated retained profits as at 1 April 2018	136,687
Available-for-sale investment reserve	
Reserves balances at 31 March 2018	30,892
Reclassify investments from available-for-sale at fair value to FVOCI *(note 3A(i)* below*)*	(14,350)
Reclassify investments from available-for-sale at fair value to FVTPL *(note 3A(i)* below*)*	(16,542)
Restated reserves balance as at 1 April 2018	–
FVOCI reserve	
Reserves balances at 31 March 2018	–
Reclassify investments from available-for-sale at fair value to FVOCI *(note 3A(i)* below*)*	14,350
Restated reserves balance as at 1 April 2018	14,350

3. CHANGES IN HKFRSs — Continued

A. HKFRS 9 Financial Instruments ("HKFRS 9") — Continued

(i) Classification and measurement of financial instruments — Continued

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) financial assets at FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

3. CHANGES IN HKFRSs — Continued

A. HKFRS 9 Financial Instruments ("HKFRS 9") — Continued

(i) Classification and measurement of financial instruments — Continued

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. CHANGES IN HKFRSs — Continued

A. HKFRS 9 Financial Instruments ("HKFRS 9") — Continued

(i) Classification and measurement of financial instruments — Continued

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt investments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity investments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

3. CHANGES IN HKFRSs — Continued

A. HKFRS 9 Financial Instruments ("HKFRS 9") — Continued

(i) Classification and measurement of financial instruments — Continued

(a) As of 1 April 2018, certain investment in listed equity investments were reclassified from available-for-sale investments to financial assets at FVTPL. The Group intends to hold these listed equity investments for trading as they were acquired principally for the purpose of sale in the near term. The Group has designated such listed equity investments at the date of initial application as measured at FVTPL. As at 1 April 2018, there is no difference between the previous carrying amount and fair value.

(b) In addition to (a) above, certain investment in listed equity investments were reclassified from available-for-sale investments to financial assets at FVOCI. The Group intends to hold these equity investments for long term strategic purposes. Under HKFRS 9, the Group has designated these equity investments at the date of initial application as measured at FVOCI. As a result, financial assets with a fair value of HK$63,000,000 were reclassified from available-for-sale investments at fair value to FVOCI and fair value gains of HK$14,350,000 were reclassified from the available-for-sale investment reserve to the FVOCI reserve on 1 April 2018.

3. CHANGES IN HKFRSs — Continued

A. HKFRS 9 Financial Instruments ("HKFRS 9") — Continued

(i) *Classification and measurement of financial instruments — Continued*

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 April 2018 under HKAS 39	Carrying amount as at 1 April 2018 under HKFRS 9
			HK$'000	HK$'000
Derivatives financial instruments	Held-for-trading	FVTPL	1,360	1,360
Listed equity investments	Available-for-sale (at fair value) *(note 3A(i)(a))*	FVTPL	136,788	136,788
Listed equity investments	Available-for-sale (at fair value) *(note 3A(i)(b))*	FVOCI	63,000	63,000
Amounts due from related parties	Loans and receivables	Amortised cost	204	204
Trade and other receivables	Loans and receivables	Amortised cost	74,073	74,028
Cash and cash equivalents	Loans and receivables	Amortised cost	194,027	194,027

(ii) *Impairment of financial assets*

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognised ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

3. CHANGES IN HKFRSs — Continued

A. HKFRS 9 Financial Instruments ("HKFRS 9") — Continued

(ii) Impairment of financial assets — Continued

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets measured at amortised cost, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

3. CHANGES IN HKFRSs — Continued

A. HKFRS 9 Financial Instruments ("HKFRS 9") — Continued

(ii) Impairment of financial assets — Continued

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the assets.

Impact of the ECL model

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade receivables. To measure the ECLs, these trade receivables have been grouped based on shared credit risk characteristics and the days past due. The increase in loss allowance for trade receivables upon the transition to HKFRS 9 as of 1 April 2018 was HK$41,000. No additional impairment for these receivables during the six months period ended 30 September 2018 is recognised as the amount of additional impairment measured under the ECLs model is insignificant.

Other receivables has low credit risk and the increase in loss allowance for other receivables upon the transition to HKFRS 9 as of 1 April 2018 was HK$4,000. No additional impairment for these receivables during the six months period ended 30 September 2018 is recognised as the amount of additional impairment measured under the ECLs model is insignificant.

Other financial assets at amortised cost of the Group included amounts due from related parties. No additional impairment for amounts due from related parties as at 1 April 2018 and during the six months period ended 30 September 2018 is recognised as the amount of additional impairment measured under the ECLs model is insignificant.

3. CHANGES IN HKFRSs — Continued

A. HKFRS 9 Financial Instruments ("HKFRS 9") — Continued

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the consolidated statement of financial position on 1 April 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained profits and reserves as at 1 April 2018. Accordingly, the information presented for the year ended 31 March 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

- The designation of certain investments in equity investments not held for trading as at FVOCI.

B. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits at the date of initial application (that is, 1 April 2018). As a result, the financial information presented for the year ended 31 March 2018 has not been restated.

3. CHANGES IN HKFRSs — Continued

B. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") — Continued

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or services in the contract. HKFRS 15 identifies 3 situations in which control of the promised goods or services is regarded as being transferred over time:

(a) when the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

(b) when the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) when the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15, the entity recognises revenue for the sale of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

3. CHANGES IN HKFRSs — Continued

B. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") — Continued

Nature of the goods, satisfaction of performance obligations and payments

(i) Watch distribution

The Group is the sole distributor of FRANCK MULLER watches and accessories in Hong Kong, Macau, Taiwan and Mainland China. Sales are recognised when control of the products has been transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped or transported to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. There is generally only one performance obligation in the contract. The adoption of HKFRS 15 did not result in significant impact on the Group's accounting policies.

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. Invoices are usually payable within 30 days.

(ii) Property investment

The Group owns two investment properties in Mainland China which generate rental income. Revenue from leasing of properties continues to be accounted for in accordance with HKAS 17 "Leases" and fall into the exception of applying HKFRS 15.

(iii) Dining business

The Group operates restaurants in Hong Kong for dining segment revenue. The adoption of HKFRS 15 did not result in significant changes to the Group's accounting policies regarding the recognition of the dining segment revenue or significant impact on the Group's interim condensed consolidated financial statements.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. Based on the assessment of the Group, the adoption of HKFRS 15 from 1 April 2018 has results in changes in accounting policies of the Group, however, it does not have significant impact on the timing and amounts of revenue recognition of the Group, and no adjustment to the opening balance of equity at 1 April 2018 have been made. However, additional disclosures have been presented for the current accounting period in note 6 of the interim condensed consolidated financial statements as a result of adoption of HKFRS 15.

4. NEW/REVISED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The following new/revised HKFRSs, potentially relevant to the Group's interim condensed consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRS 16	Leases[1]
HK(IFRIC)–Interpretation 23	Uncertainty over Income Tax Treatments[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 19	Employee Benefits[1]
Amendments to HKFRS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 10 and HKAS 28	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after 1 January 2019

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

As at 30 September 2018, the Group's total future minimum lease payments under non-cancellable operating lease of HK$155,037,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding lease liability in respect of all the leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirement may result changes in measurement, presentation and disclosure as indicated above.

5. USE OF JUDGEMENTS AND ESTIMATES

In preparing this interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2018 annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 9 and HKFRS 15 as described in note 3.

6. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the Executive Directors of the Company, who are the chief operating decision maker, that are used to allocate resources and assess performance, which are analysed based on business and geographic locations of the revenue. The Group has two business operations, which are the distribution of branded luxury watches, timepieces and accessories, dining business and property investment.

(a) Segment revenue and results

Segment results represent the profit before taxation earned by each segment and excluding unallocated other income and unallocated expenses. Unallocated expenses mainly included directors' salaries, staff costs, depreciation, rental expenses, commissions paid to staff and suppliers, advertising and promotion expenses, impairment losses, and other centralised administrative cost. This is the measure reported to the Executive Directors for the purpose of resource allocation and assessment of segment performance.

The following tables set out information about the business and geographical locations of the Group's revenue from external customers.

For the six months ended 30 September 2018

	Watch distribution and dining business			Property investment	
	Hong Kong HK$'000 (unaudited)	Mainland China and Macau HK$'000 (unaudited)	Other Asian locations HK$'000 (unaudited)	Mainland China HK$'000 (unaudited)	Consolidated HK$'000 (unaudited)
REVENUE					
External sales	**110,735**	**77,767**	**23,249**	**14,044**	**225,795**
RESULT					
Segment results	**29,592**	**37,648**	**8,453**	**14,044**	**89,737**
Realised exchange gain					**1,453**
Unrealised exchange loss					**(7,954)**
Fair value change of investment properties					**130**
Fair value change of financial assets at FVTPL					**(48,212)**
Unallocated expenses					**(100,599)**
Unallocated income					**963**
Loss before taxation					**(64,482)**

6. SEGMENT INFORMATION — Continued

(a) Segment revenue and results — Continued

For the six months ended 30 September 2017

	Watch distribution and dining business			Property investment	
	Hong Kong HK$'000 (unaudited)	Mainland China and Macau HK$'000 (unaudited)	Other Asian locations HK$'000 (unaudited)	Mainland China HK$'000 (unaudited)	Consolidated HK$'000 (unaudited)
REVENUE					
External sales	96,771	49,521	6,394	8,176	160,862
RESULT					
Segment results	13,677	25,139	2,357	8,176	49,349
Realised exchange loss					(2,670)
Unrealised exchange gain					2,061
Fair value change of investment properties					47
Gain on fair value change of derivative financial instruments					1,813
Unallocated expenses					(108,050)
Unallocated income					5,921
Loss before taxation					(51,529)

(b) Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical markets, major products and service lines and timing on revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

6. SEGMENT INFORMATION — Continued

(b) Disaggregation of revenue — Continued

For the six months ended 30 September 2018

	Watch distribution HK$'000 (unaudited)	Dining business HK$'000 (unaudited)	Property investment HK$'000 (unaudited)	Total HK$'000 (unaudited)
Primary geographical markets				
Hong Kong	**108,871**	**1,864**	**–**	**110,735**
Mainland China and Macau	**77,767**	**–**	**14,044**	**91,811**
Other Asian locations	**23,249**	**–**	**–**	**23,249**
	209,887	**1,864**	**14,044**	**225,795**
Major products and services				
Wholesales of watch	**108,498**	**–**	**–**	**108,498**
Retail sales of watch	**98,001**	**–**	**–**	**98,001**
Repair of watch	**3,388**	**–**	**–**	**3,388**
Food and beverage	**–**	**1,864**	**–**	**1,864**
Rental income	**–**	**–**	**14,044**	**14,044**
	209,887	**1,864**	**14,044**	**225,795**
Timing of revenue recognition				
At a point in time	**209,887**	**1,864**	**14,044**	**225,795**
Transferred over time	**–**	**–**	**–**	**–**
	209,887	**1,864**	**14,044**	**225,795**

6. SEGMENT INFORMATION — Continued

(b) Disaggregation of revenue — Continued

For the six months ended 30 September 2017

	Watch distribution HK$'000 (unaudited)	Dining business HK$'000 (unaudited)	Property investment HK$'000 (unaudited)	Total HK$'000 (unaudited)
Primary geographical markets				
Hong Kong	94,665	2,106	–	96,771
Mainland China and Macau	49,521	–	8,176	57,697
Other Asian locations	6,394	–	–	6,394
	150,580	2,106	8,176	160,862
Major products and services				
Wholesales of watch	76,000	–	–	76,000
Retail sales of watch	69,973	–	–	69,973
Repair of watch	4,607	–	–	4,607
Food and beverage	–	2,106	–	2,106
Rental income	–	–	8,176	8,176
	150,580	2,106	8,176	160,862
Timing of revenue recognition				
At a point in time	150,580	2,106	8,176	160,862
Transferred over time	–	–	–	–
	150,580	2,106	8,176	160,862

7. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
The charge comprises:		
Current tax		
Hong Kong profits tax	**–**	–
Other jurisdictions	**(784)**	(415)
	(784)	(415)
Deferred tax		
Current period	**(33)**	(11)
Reversal	**–**	–
	(817)	(426)

Hong Kong profits tax is calculated at 16.5% (30 September 2017: 16.5%) of the estimated assessable profits for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. LOSS FOR THE PERIOD

	For the six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Directors' remuneration	**9,025**	9,556
Other staff costs	**25,743**	17,905
Other staff's retirement benefits scheme contributions	**554**	450
Total staff costs	**35,322**	27,911
Depreciation of property, plant and equipment	**2,414**	3,225
Minimum lease payments in respect of rented premises	**35,729**	35,702
Cost of inventories recognised as an expense (including write-down of inventories HK$6,623,000 (2017: HK$15,931,000))	**136,058**	111,513
and after crediting:		
Interest income	**565**	1,922

9. DIVIDEND

The directors of the Company have decided not to declare the payment of any interim dividend for the six months ended 30 September 2018 (30 September 2017: Nil).

No final dividend for the year ended 31 March 2018 was declared and paid during the period (31 March 2017: Nil).

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Loss for the purpose of basic and diluted loss per share	**(65,299)**	(51,955)

	For the six months ended 30 September	
	2018	2017
	Number of shares	Number of shares
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**5,875,662,842**	4,982,000,000

Diluted loss per share for the six months ended 30 September 2018 and 2017 are the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the period.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, additions to the Group's property, plant and equipment amounted to approximately HK$2,737,000 (30 September 2017: HK$886,000) which mainly included the additions to leasehold improvements amounting to approximately HK$2,489,000 (30 September 2017: HK$632,000) for renovation of shops.

The Group performed an impairment assessment on property, plant and equipment of the Group's watches segments, in accordance with the accounting policy on impairment of non-financial assets. Based on the assessment, an impairment loss of HK$2,326,000 (30 September 2017: HK$486,000) was recognised and charged to the condensed consolidated statement of profit or loss and other comprehensive income for the 6-month period ended 30 September 2018. The recoverable amounts of these property, plant and equipment using value in use calculation were determined by the discounted cash flows generated from each segment based on a management budget plan and a pre-tax discount rate of 10%.

12. INVESTMENT PROPERTIES

	HK$'000
At 1 April 2017	338,489
Fair value change	614
Exchange realignment	36,754
At 31 March 2018 (audited)	375,857
Additions	401,441
Fair value change	130
Exchange realignment	(65,623)
At 30 September 2018 (unaudited)	711,805

The Group's investment properties are measured using the fair value model and are leased to third parties under operating leases to earn rental income.

During the six months ended 30 September 2018, the Group acquired a target group with investment properties situated in the PRC at a consideration of HK$350 million. As at completion of acquisition on 30 April 2018, the fair value of investment properties was RMB323,873,000 (equivalent to HK$401,441,000).

12. INVESTMENT PROPERTIES — Continued

The fair value of the Group's investment properties as at 30 September 2018 has been derived from the valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL") on 13 November 2018. JLL is an independent qualified professional valuer. It has appropriate qualifications and recent experiences in the valuation of properties in the PRC.

The valuation of the investment properties as at 30 September 2018 is determined by using the Income Approach (31 March 2018: Income Approach), by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

The fair value of acquired investment properties of the Group is Level 3 recurring fair value measurement as at 30 September 2018 and 31 March 2018.

There was no transfer into or out of level 3 during the period. A reconciliation of the opening and closing level 3 fair value balance is provided below:

	HK$'000
At 1 April 2017 (level 3 recurring fair value)	338,489
Change in fair value recognised in profit or loss	614
Exchange realignment	36,754
At 31 March 2018 (audited) (level 3 recurring fair value)	375,857
Acquired during the year	401,441
Change in fair value recognised in profit or loss	130
Exchange realignment	(65,623)
At 30 September 2018 (unaudited) (level 3 recurring fair value)	711,805

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

12. INVESTMENT PROPERTIES — Continued

At 30 September 2018

Properties	Location	Fair value hierarchy	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Units A and A1 of Level 1 and the entire floor of Level 2 of HP Tower	Beijing, the PRC	Level 3	Income Approach	Current Daily Rent	RMB8.08 per square metre ("psm") to RMB19.57 psm	The higher the current daily rent, the higher the fair value
				Daily Market Rent	RMB10.00 psm to RMB20.67 psm	The higher the daily market rent, the higher the fair value
				Term Yield	4.5% to 5.5%	The higher the term yield, the lower the fair value
				Reversionary Yield	5%	The higher the reversionary yield, the lower the fair value
Dong Shan Shu, Building 1	Beijing, the PRC	Level 3	Income Approach	Current Daily Rent	RMB9.48 psm	The higher the current daily rent, the higher the fair value
				Daily Market Rent	RMB20.00 psm	The higher the daily market rent, the higher the fair value
				Term Yield	4.5%	The higher the term yield, the lower the fair value
				Reversionary Yield	5%	The higher the reversionary yield, the lower the fair value

12. INVESTMENT PROPERTIES — Continued

At 31 March 2018

Properties	Location	Fair value hierarchy	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Units A and A1 of Level 1 and the entire floor of Level 2 of HP Tower	Beijing, the PRC	Level 3	Income Approach	Current Daily Rent	RMB8.07 psm to RMB19.57 psm	The higher the current daily rent, the higher the fair value
				Daily Market Rent	RMB9.9 psm to RMB20.51 psm	The higher the daily market rent, the higher the fair value
				Term Yield	4.5%	The higher the term yield, the lower the fair value
				Reversionary Yield	5%	The higher the reversionary yield, the lower the fair value

The fair value measurement is based on the highest and best use of the investment properties, which does not differ from their actual use.

Rental income of HK$14,044,000 was recognised during the period ended 30 September 2018 (30 September 2017: HK$8,176,000).

13. AVAILABLE-FOR-SALE INVESTMENTS

	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
Listed equity securities in Hong Kong	–	199,788
Classified as		
Non-current asset	–	63,000
Current asset	–	136,788
	–	199,788

Under HKFRS 9, the investments are reclassified as financial assets at FVTPL and financial assets at FVOCI as stated in notes 14 and 15 respectively.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	**30 September 2018 HK$'000 (unaudited)**	31 March 2018 HK$'000 (audited)
Other long term investment	(a)	**48,071**	46,950
Listed equity securities in Hong Kong	(b)	**95,991**	–
Classified as			
Non-current asset		**48,071**	46,950
Current asset		**95,991**	–
		144,062	46,950

Notes:

(a) On 23 May 2017, the Group entered into a cooperation agreement ("Cooperation Agreement") with Aquamen Entertainment LLC ("Aquamen") to invest HK$45 million in a film project ("Film") being developed by Aquamen. The investment is classified as financial assets at fair value through profit or loss.

Based on the terms of the Cooperation Agreement, Aquamen will return the full amount of the investment amount of HK$45 million to the Group between 31 December 2019 and 31 March 2020. Furthermore, the Group will receive an investment return from Aquamen on or before 30 September 2020 at the higher of proportionate sharing of profit or 15% of the investment amount.

(b) The fair values of listed equity securities are based on quoted market prices, except for certain listed equity securities whose trading on the Stock Exchange has been suspended by the Securities and Futures Commission (the "Suspended Shares"). The fair values of Suspended Shares were determined with reference to the valuations performed by an independent professional valuer.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
Listed equity securities in Hong Kong	**50,400**	–

At 1 April 2018, the Group made an irrevocable election to designate this investment at fair value through other comprehensive income. This option is only applicable to instruments that (i) are not held for trading; (ii) do not give rise on specific dates to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding; and (iii) are not derivatives.

16. TRADE AND OTHER RECEIVABLES

	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
Trade receivables	**40,619**	33,285
Other receivables, deposits and prepayments	**51,131**	40,788
	91,750	74,073

The following is an aged analysis of trade receivables based on the invoice dates at the end of the reporting period:

	HK$'000	HK$'000
Within 30 days	**25,191**	22,831
31–90 days	**15,263**	10,096
91–120 days	**–**	358
Over 120 days	**165**	–
	40,619	33,285

16. TRADE AND OTHER RECEIVABLES — Continued

The Group generally allows a credit period ranging from 30 to 90 days to its trade customers.

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK$165,000 (31 March 2018: HK$358,000) which are past due at the end of the reporting period for which the Group has not provided impairment loss. These relate to a number of customers, default risk of these trade receivables is considered insignificant. Accordingly, no impairment provision is necessary in respect of these receivables.

17. TRADE AND OTHER PAYABLES

	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
Trade payables	**162,720**	139,820
Other payables and accrued charges	**92,328**	95,849
	255,048	235,669

The following is an aged analysis of trade payables based on the invoice dates:

	HK$'000	HK$'000
Within 90 days	**71,455**	76,222
91–365 days	**91,242**	63,595
Over 365 days	**23**	3
	162,720	139,820

18. AMOUNTS DUE FROM/TO RELATED PARTIES

As at 30 September 2018, amounts due from/to related parties were unsecured, non-interest bearing and repayable within 1 year.

19. LONG TERM LIABILITIES

On 13 February 2018, the Group entered into a sale and purchase agreement ("Agreement") with Allied Crown Investment Limited (the "Vendor") to acquire a target group with investment properties. The total consideration was HK$350 million. A promissory note with the principal amount of HK$150 million was issued to the Vendor on the completion date of 30 April 2018 as partial settlement of the consideration for the acquisition.

	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
Note payable	**141,882**	–

Based on the terms of the promissory note, the Group may redeem the promissory note on or before the maturity date on 30 April 2020 if certain criteria are met. The promissory note is unsecured and non-interest bearing. It is measured at amortised cost using the effective interest method.

20. SHARE CAPITAL

	Number of Shares	**Share capital** HK$'000
Authorised:		
— Ordinary shares of HK$0.02 each	20,000,000,000	400,000
Issued and fully paid:		
At 1 April 2017, 31 March 2018 and 1 April 2018		
— Ordinary shares of HK$0.02 each	4,982,000,000	99,640
Issue of shares *(Note i)*	1,061,950,000	21,239
At 30 September 2018	6,043,950,000	120,879

Note:

(i) On 13 February 2018, the Company entered into the Agreement to acquire the entire issued share capital of Allied Champion Development Limited. Upon completion of the acquisition on 30 April 2018, 1,061,950,000 new shares were allotted and issued by the Company at the Issue Price of HK$0.113 per share to the Vendor as partial settlement of the consideration for the acquisition.

21. OPERATING LEASE COMMITMENTS

Operating lease — The Group as lessor

At the end of the reporting period, the Group had commitments for future minimum rental receivable under non-cancellable operating leases in respect of commercial properties leased out which fall due as follows:

	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
Within one year	**23,095**	15,039
Later than one year and not more than five years	**27,632**	30,559
	50,727	45,598

Operating lease — The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
Within one year	**74,784**	67,639
Later than one year and not more than five years	**80,253**	81,722
	155,037	149,361

22. FINANCIAL INSTRUMENTS

The following table shows the carrying amount and fair value of financial assets and liabilities:

	30 September 2018 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)
Financial assets		
FVTPL		
— Other long term investment	**48,071**	46,950
— Listed equity investments	**95,991**	199,788
— Derivative financial instruments	**–**	1,360
FVOCI		
— Listed equity investments	**50,400**	–
Amortised cost		
— Cash and cash equivalents	**93,679**	194,027
— Trade and other receivables	**81,156**	100,820
— Amounts due from related parties	**202**	204
Financial liabilities		
Amortised cost		
— Trade and other payables	**242,175**	217,999
— Amounts due to related parties	**440**	3,359
— Long term liabilities	**141,882**	–
FVTPL		
— Derivatives	**3,342**	1,556

22. FINANCIAL INSTRUMENTS — CONTINUED

Fair value measurements of financial instruments

A number of assets and liabilities included in these interim condensed consolidated interim financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilised market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "Fair Value Hierarchy"):

Level 1: Quoted prices in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than Level 1 inputs;

Level 3: Unobservable inputs (I.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include bank balances and cash, trade and other receivables, amounts due from/(to) related parties, trade and other payables and long term liabilities.

(b) Financial instruments measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 1, 2 and level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

22. FINANCIAL INSTRUMENTS — Continued

(b) Financial instruments measured at fair value — Continued

Available-for-sale investments:

The fair values of available-for-sale investments are determined with reference to quoted market prices.

The classification of the measurement of the available-for-sale investments as at 31 March 2018 is determined using the level 1 of fair value hierarchy.

There was no transfer between Level 1 and 2 in the current and prior periods.

Derivative financial instruments:

The Group's derivative financial instruments represent foreign currency forward contracts. The key input to the valuation model includes forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates.

The fair value of derivative financial instruments is calculated using quoted foreign exchange rate where it is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives.

The classification of the measurement of the derivative financial instruments at 30 September 2018 and 31 March 2018 is determined using the level 2 of fair value hierarchy.

There was no transfer between Level 1 and 2 in the current and prior periods.

Financial assets at fair value through profit or loss:

The Group's financial assets at FVTPL represent the investment in the film project and listed equity investments. The fair value of other long term investment in the film project is estimated using a discounted cash flow method, with significant unobservable input including discount rate.

22. FINANCIAL INSTRUMENTS — Continued

(b) Financial instruments measured at fair value — Continued

Significant unobservable input

Discount rate	4.82%

If the discount rate is 1% higher/lower while all other variables were held constant, the carrying amount of the other long term investment would decrease/increase by approximately HK$709,000/HK$727,000 respectively as at 30 September 2018.

The classification of the measurement of other long term investment as at 30 September 2018 is determined using Level 3 of fair value hierarchy.

The classification of the measurement of listed equity investments as at 30 September 2018 is determined using Level 1 of fair value hierarchy, except for certain listed securities, the trading of which on the Stock Exchange has been suspended by the Securities and Future Commission (the "Suspended Shares") as disclosed in note 14(b). The fair values of these Suspended Shares are based on the reference to market comparable companies. The valuation methods are based on assumptions that are not supported by observable market prices or rates. The valuation requires making estimates about the movements of share prices of other comparable companies during the suspension and discount for lack of marketability. Management believes that the estimated fair value resulting from the valuation technique is reasonable, and that it was the most appropriate value at the end of the reporting period.

If the share price of suspended shares is 10% higher/lower while all other variables were held constant, the carrying amount of the suspended shares would increase/decrease by approximately HK$589,000 as at 30 September 2018.

If the discount for lack of marketability is 10% higher/lower while all other variables were held constant, the carrying amount of the suspended shares would decrease/increase by approximately HK$719,000/HK$689,000 respectively as at 30 September 2018.

There were no changes in valuation techniques in the current and prior periods.

22. FINANCIAL INSTRUMENTS — Continued

(b) Financial instruments measured at fair value — Continued

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	(Unaudited) 30 September 2018			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
— Other long term investment	–	–	48,071	48,071
— Listed equity investments	90,106	–	5,885	95,991
Financial assets at FVOCI				
— Listed equity investments	50,400	–	–	50,400
Financial liabilities at FVTPL				
— Derivatives	–	3,342	–	3,342

22. FINANCIAL INSTRUMENTS — Continued

(b) Financial instruments measured at fair value — Continued

	(Audited) 31 March 2018			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
— Other long term investment	–	–	46,950	46,950
— Derivative financial instruments	–	1,360	–	1,360
Available-for-sale investments				
— Listed equity investments	194,246	–	5,542	199,788
Financial liabilities at FVTPL				
— Derivatives	–	1,556	–	1,556

During the six months ended 30 September 2018, there was no transfer between level 1 and level 2 fair value hierarchy (31 March 2018: nil) or transfer into or out of level 3 (31 March 2018: nil).

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

Listed equity investments	**Financial assets at fair value through profit or loss 30 September 2018 HK$'000**
At 1 April 2018	**5,542**
Total gains:	
— in profit or loss (included in fair value change of financial assets at FVTPL)	**343**
At 30 September 2018	**5,885**

22. FINANCIAL INSTRUMENTS — Continued

(b) Financial instruments measured at fair value — Continued

Other long term investment	Financial assets at fair value through profit or loss 30 September 2018 HK$'000
At 1 April 2018	**46,950**
Total gains:	
— in profit or loss (included in fair value change of financial assets at FVTPL)	**1,121**
At 30 September 2018	**48,071**

23. RELATED PARTY TRANSACTIONS

During the period, the Group had the following major transactions with the following related parties:

	For the six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Sales to a related company	**336**	170
Regional branding support income from a related company	**70**	68
Purchases from a related company	**5,097**	5,723
Financial advisory fee paid to a related company	**177**	–
Brokerage fee paid to a related company	**142**	100
Administrative service fee paid to a related company	**120**	120
Printing fees paid to a related company	**–**	196

24. APPROVAL OF UNAUDITED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 29 November 2018.