

Sincere Watch (Hong Kong) Limited

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

Interim Report 中期報告

2019



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 54
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 2019 (“H1 FY2020”) decreased by 31.3% from HK\$225,795,000 to HK\$155,227,000 when compared with the corresponding period of last year (“H1 FY2019”).
- Gross margin decreased from 39.7% to 35.2%. Gross profit for the six months ended 30 September 2019 decreased from HK\$89,737,000 to HK\$54,698,000.
- Loss for the six months ended 30 September 2019 decreased to HK\$59,479,000 (H1 FY2019: HK\$65,299,000). The loss for H1 FY2020 is mainly attributable to much weakened market sentiment during the period.
- Loss per share was 1.0 HK cents in H1 FY2020 (H1 FY2019: 1.1 HK cents).
- The Board has resolved not to pay interim dividend for H1 FY2020 (H1 FY2019: 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 2019 together with the unaudited comparative figures for the corresponding six months ended 30 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group’s revenue for the six months ended 30 September 2019 decreased from HK\$225.8 million to HK\$155.2 million by 31.3% over the same period last year.

Gross profit decreased from HK\$89.7 million to HK\$54.7 million by 39% over the same period last year. Gross margin decreased from 39.7% to 35.2% in H1 FY2020 as a result of promotion offers.

Selling and distribution costs and general and administrative expenses decreased by 6.0% and 9.2% respectively in H1 FY2020. Main factors for the decreases are lower staff costs and lower expenditure on rent.

There was HK\$29.7 million impairment loss on property, plant and equipment in H1 FY2020. Excluding realised and unrealised exchange differences, change in fair value of investment properties, change in fair value of financial assets at fair value through profit or loss and change in fair value of derivative financial instruments, the Group’s loss before taxation was HK\$76.5 million, against HK\$9.9 million for H1 FY2019.

Realised foreign exchange gain of the Group decreased from HK\$1.5 million to HK\$0.2 million in H1 FY2020. Unrealised foreign exchange loss was comparable to the same period last year at HK\$7.9 million. HK\$0.4 million loss on change in fair value of derivative financial instruments was recorded in H1 FY2020 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.

As performance of the Group’s financial assets at fair value through profit or loss improved over the same period last year from a loss of HK\$42.8 million to a gain of HK\$30.7 million, net loss for H1 FY2020 was kept at HK\$59.5 million, against HK\$65.3 million for H1 FY2019.

Loss per share was 1.0 HK cents in H1 FY2020 (H1 FY2019: 1.1 HK cents). Net asset value per share was 15.8 HK cents as at 30 September 2019 against 17.6 HK cents as at 31 March 2019.

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\$130.8 million, which accounted for 84.2% of the Group's total revenue, in H1 FY2020.

Hong Kong

Hong Kong continues to be one of the Group's major markets, taking up 42.3% of the Group's revenue for the six months ended 30 September 2019. Revenue in this market decreased by 40.7% to HK\$65.7 million in H1 FY2020.

Mainland China and Macau

Mainland China and Macau accounted for about 41.9% of the Group's revenue for H1 FY2020. Revenue in this region showed a decrease of 16.3% from HK\$77.8 million to HK\$65.1 million when compared with the same period last year.

Other locations

Revenue from other locations decreased by 41.8% from HK\$23.2 million to HK\$13.5 million in H1 FY2020.

Property investment

Mainland China

Rental income of HK\$10.9 million (H1 FY2019: HK\$14.0 million) was recognised for H1 FY2020 from the Group's investment properties located in Beijing. The decrease in rental income was due to vacancy during the period.

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 12 boutiques, making a total of 61 points (62 as at the end of March 2019).

Other than the 10 boutiques run by the Group, the remaining 51 watch retail outlets are run by 24 independent watch dealers throughout our key markets such as 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. This included several unique events in our key markets with the aims of increasing brand exposure and extending brand networking.

Hong Kong

3–7 September 2019

World Brand Piazza 2019

Prince Jewellery & Watch Company gathered 13 world renowned watch brands and successfully hosted the 10th edition of World Brand Piazza at the Hong Kong Watch & Clock Fair. A dedicated exhibition area was honoured to FRANCK MULLER to display the latest novelties. The highlight models including the Rainbow Invisible Setting Tourbillon, a ground-breaking bejewelled masterpiece that boasts of a highly complex baguette diamond setting on an in-house tourbillon movement.

Macau

August–September 2019

DFS Four Seasons Luxury Timepiece Exhibition

An exclusive 2 months of FRANCK MULLER exhibition displayed at the Advocacy Zone, Four Seasons Macau to introduce and highlight the latest 2019 Vanguard Crazy Hours Collection. Over 1,100 sq. feet of exhibition booth presented more than 30 luxury timepieces was created to provide a journey for clients to unveil the novelties, as well as the story of the brand with its most iconic collection. The Crazy Hours has taken away the monotony of time telling by offering a unique reading of time, showing hour numerals in the most unconventional order.

China

13 June 2019

FRANCK MULLER Nanjing West Road Boutique Opening

The renowned Swiss luxury watchmaker acclaimed for its exquisite craftsmanship, FRANCK MULLER, unveiled its new boutique on Nanjing West Road in Shanghai. To celebrate the remarkable moment, FRANCK MULLER held a grand opening reception and invited the brand's Asia-Pacific Ambassador Julian Cheung Chi-lam to join Mr. Nicholas Rudaz, Chief Operation Officer of FRANCK MULLER Group, Mr. Kingston Chu, Executive Director of FRANCK MULLER Asia and prestigious guests to officiate the ribbon cutting ceremony of the new boutique. Situated in the most prosperous commercial hub in Shanghai, the boutique is infused with the brand's essence and the panache of its timepieces, a splendid epitome to FRANCK MULLER's continuous quest for exceptional aesthetics.

PROSPECTS

In April 2019, a wholly-owned subsidiary of the Company (the “Purchaser”) entered into a memorandum of understanding with potential vendors (the “Vendors”) in relation to the possible acquisition of 51% equity interest in an Australian entity principally engaged in international film sales, distribution and production (the “Possible Acquisition”). As at the date of this report, the Vendors and the Purchaser were in the final stage of negotiation of the terms and conditions in relation to the transaction contemplated under the Possible Acquisition. Further details were disclosed in the Company’s voluntary announcements dated 12 April 2019, 12 August 2019 and 11 November 2019.

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

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 September 2019, the Group maintained a cash and bank balance of HK\$65.8 million when compared with its cash and bank balances of HK\$81.8 million as at 31 March 2019. Gearing ratio (debt divided by equity) was 15.4% at 30 September 2019. The Group has no outstanding bank loan.

At 30 September 2019, details of the Group’s investments in equity instruments were as below:

Stock code	Stock name	At 30 September 2019		H1 FY2020	
		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	1,323	(147)	-
3886	Town Health International Medical Group Ltd.	6,600,000	2,614	(13)	-
376	Yunfeng Financial Group Ltd.	-	-	(1,089)	-
2066	Shengjing Bank Co., Ltd. — H Shares	-	-	620	-
8172	Lajin Entertainment Network Group Ltd.	-	-	(206)	-
627	Fullsun International Holdings Group Co., Ltd.	12,065,000	5,429	(1,365)	-
663	King Stone Energy Group Ltd.	317,410,000	31,741	-	(5,007)
1076	Imperial Pacific International Holdings Ltd.	60,480,000	9,677	31,908	-
Total			50,784	29,708	(5,007)

These investments were listed securities which were measured at fair value. As at 30 September 2019, investments in equity instruments amounted to HK\$50.8 million.

During the period under review, the Group's portfolio of equity instruments was able to contribute a net fair value gain. A net fair value gain of HK\$29.7 million was recognised in the statement of profit or loss while a net loss of HK\$5.0 million was charged to the statement of other comprehensive income.

It was noted that the trading in the shares of Tech Pro Technology Development Limited and Town Health International Medical Group Limited has been suspended since 9:00 a.m. on 9 November 2017 and 9:00 a.m. on 27 November 2017 respectively. Details of the suspensions could be found in the announcement made by Tech Pro Technology Development Limited on 9 November 2017 and the announcement made by Town Health International Medical Group Limited 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 investments in equity instruments 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\$383.2 million as at 31 March 2019 to HK\$168.7 million as at 30 September 2019. Net assets stood at HK\$955.4 million as at 30 September 2019 as compared to HK\$1,061.7 million as at 31 March 2019. 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 2019, the total number of issued shares of the Company was 6,043,950,000. There was no change in the capital structure of the Company during the six months ended 30 September 2019.

The Group recorded a realised exchange gain of HK\$0.2 million in H1 FY2020 compared with HK\$1.5 million in H1 FY2019. In addition, the Group booked an unrealised exchange loss of HK\$7.9 million in H1 FY2020 against a loss of HK\$8.0 million in H1 FY2019. There was a loss of HK\$0.4 million on fair value change of derivative financial instruments recorded in H1 FY2020 against a loss of HK\$5.4 million in H1 FY2019.

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 Hong Kong Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates".

CHARGE ON ASSETS

The Group did not have any charge on its assets as at 30 September 2019 (31 March 2019: Nil).

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2019 (31 March 2019: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2019, the Group's work force stood at 156 including Directors (31 March 2019: 167). Employees were paid at market rates with discretionary bonus and medical benefits, and were 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 2019, 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 (<i>Note</i>)	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 2019.

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 2019. No share option has been granted since the adoption of the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2019, 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
Sun Hung Kai Structured Finance Limited	Person having a security interest in shares	2,078,490,000	34.39%
Shipsape Investments Limited	Interest of controlled corporation (<i>Note 1</i>)	2,078,490,000	34.39%
Sun Hung Kai & Co. Limited	Interest of controlled corporation (<i>Note 1</i>)	2,078,490,000	34.39%
Allied Properties (H.K.) Limited	Interest of controlled corporation (<i>Note 1</i>)	2,078,490,000	34.39%
Allied Group Limited	Interest of controlled corporation (<i>Note 1</i>)	2,078,490,000	34.39%
Lee Seng Hui	Interest of controlled corporation (<i>Note 1</i>)	2,078,490,000	34.39%
Lee Su Hwei	Interest of controlled corporation (<i>Note 1</i>)	2,078,490,000	34.39%
Lee Seng Huang	Interest of controlled corporation (<i>Note 1</i>)	2,078,490,000	34.39%
Sky League Limited	Beneficial owner	1,294,370,000	21.42%
Wang Fang	Interest of controlled corporation (<i>Note 2</i>)	1,294,370,000	21.42%
Allied Crown Investment Limited	Beneficial owner	1,061,950,000	17.57%

Name of shareholder	Capacity	Number of shares held (long position)	Approximate percentage of the Company's issued shares
Asia Gate Holdings Co., Ltd.	Interest of controlled corporation (<i>Note 3</i>)	1,061,950,000	17.57%
Brilliant World Limited	Beneficial owner	550,960,000	9.12%
Bai Ning	Interest of controlled corporation (<i>Note 4</i>)	550,960,000	9.12%
Sincere Watch Limited	Beneficial owner	325,920,000	5.39%
Be Bright Limited	Interest of controlled corporation (<i>Note 5</i>)	325,920,000	5.39%

Notes:

1. 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. 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 2019. Accordingly, all these parties were deemed to have the same long position as Sun Hung Kai Structured Finance Limited.
2. 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.
3. These 1,061,950,000 shares were held by Allied Crown Investment Limited, which was wholly owned by Asia Gate Holdings Co., Ltd.. Accordingly, Asia Gate Holdings Co., Ltd. was deemed to be interested in these 1,061,950,000 shares of the Company by virtue of the SFO.
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 2019, 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 2019.

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 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 2019.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 September 2019 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 2019.

CHANGES IN INFORMATION OF DIRECTORS

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

1. The monthly salary of Mr. Zhang Xiaoliang was adjusted from HK\$420,000 to HK\$210,000 with effect from 1 April 2019.
2. Mr. Chiu Sin Nang, Kenny was elected as an independent non-executive director of Kingston Financial Group Limited, a company listed on the Main Board of the Stock Exchange, with effect from 29 August 2019.

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

Hong Kong, 28 November 2019

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 50, which comprises 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 2019 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

28 November 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	Notes	For the six months ended 30 September	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	5	155,227	225,795
Cost of sales		(100,529)	(136,058)
Gross profit		54,698	89,737
Other income		678	963
Impairment loss on property, plant and equipment		(29,706)	(2,326)
Selling and distribution costs		(40,757)	(43,379)
General and administrative expenses		(47,943)	(52,803)
Expected credit losses on financial assets		(7,779)	–
Finance costs		(5,730)	(2,091)
Loss before taxation, exchange gain/(loss), fair value change of investment properties, financial assets at fair value through profit or loss and derivative financial instruments		(76,539)	(9,899)
Realised exchange gain		194	1,453
Unrealised exchange loss		(7,887)	(7,954)
Fair value change of investment properties	11	(5,076)	130
Fair value change of financial assets at fair value through profit or loss		30,723	(42,836)
Fair value change of derivative financial instruments		(394)	(5,376)
Loss before taxation		(58,979)	(64,482)
Income tax expense	6	(500)	(817)
Loss for the period	7	(59,479)	(65,299)

	Notes	For the six months ended	
		2019	2018
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
— Fair value change of financial assets at fair value through other comprehensive income		(5,007)	(12,600)
Items that may be subsequently reclassified to profit or loss			
— Exchange differences arising from translation of foreign operations		(41,867)	(62,557)
Other comprehensive income for the period		(46,874)	(75,157)
Total comprehensive income for the period		(106,353)	(140,456)
Loss per share — basic and diluted	9	(1.0) HK cents	(1.1) HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	84,607	6,381
Investment properties	11	678,199	728,544
Financial assets at fair value through profit or loss	12	50,227	49,213
Financial assets at fair value through other comprehensive income	13	31,741	40,250
Deferred tax assets		46	–
		844,820	824,388
Current assets			
Inventories		391,535	436,239
Trade and other receivables	14	54,709	63,763
Amounts due from related parties	16	192	202
Financial assets at fair value through profit or loss	12	19,043	40,410
Taxation recoverable		63	–
Bank balances and cash		65,818	81,776
		531,360	622,390
Current liabilities			
Trade and other payables	15	153,455	228,071
Contract liabilities		1,366	2,346
Lease liabilities		57,172	–
Note payable	17	146,965	–
Amounts due to related parties	16	2,357	4,325
Derivative financial instruments		129	2,345
Taxation payable		1,255	2,110
		362,699	239,197
Net current assets		168,661	383,193
Total assets less current liabilities		1,013,481	1,207,581

		30 September 2019	31 March 2019
	Notes	HK\$'000 (unaudited)	HK\$'000 (audited)
<hr/>			
Non-current liabilities			
Note payable	17	–	144,394
Lease liabilities		56,555	–
Deferred tax liabilities		1,562	1,470
		58,117	145,864
Net assets		955,364	1,061,717
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Capital and reserves			
Share capital	18	120,879	120,879
Reserves		834,485	940,838
Total equity		955,364	1,061,717

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Share capital	Share premium	Available-for-sale investment reserve	FVOCI reserve	Special reserve	Translation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2018 as originally presented (audited)	99,640	800,932	30,892	-	801	16,058	120,190	1,068,513
Initial application of HKFRS 15	-	-	-	-	-	-	-	-
Initial application of HKFRS 9	-	-	(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 on translation of foreign operations	-	-	-	-	-	(62,557)	-	(62,557)
Fair value change of financial assets at FVOCI	-	-	-	(12,600)	-	-	-	(12,600)
Loss for the period	-	-	-	-	-	-	(65,299)	(65,299)
Total comprehensive income for the period	-	-	-	(12,600)	-	(62,557)	(65,299)	(140,456)
Placing of shares	21,239	162,621	-	-	-	-	-	183,860
As 30 September 2018 (unaudited)	120,879	963,553	-	1,750	801	(46,499)	71,388	1,111,872
At 1 April 2019 (audited)	120,879	963,553	-	(8,400)	801	(28,972)	13,856	1,061,717
Exchange difference on translation of foreign operations	-	-	-	-	-	(41,867)	-	(41,867)
Fair value change of financial assets at FVOCI	-	-	-	(5,007)	-	-	-	(5,007)
Loss for the period	-	-	-	-	-	-	(59,479)	(59,479)
Total comprehensive income for the period	-	-	-	(5,007)	-	(41,867)	(59,479)	(106,353)
At 30 September 2019 (unaudited)	120,879	963,553	-	(13,407)	801	(70,839)	(45,623)	955,364

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 2019

	For the six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(45,832)	(52,364)
Investing activities		
Purchase of property, plant and equipment	(911)	(2,737)
Purchase of financial assets measured at fair value through profit or loss	–	(30,000)
Net cash outflow from purchase of investment properties	–	(38,384)
Interest received	298	565
Proceeds from disposal of financial assets	54,579	26,839
Net cash generated from/(used in) investing activities	53,966	(43,717)
Financing activities		
Repayment of principal portion of lease liabilities	(19,714)	–
Interest paid	(2,808)	–
Net cash used in financing activities	(22,522)	–
Net decrease in cash and cash equivalents	(14,388)	(96,081)
Cash and cash equivalents at beginning of the period	81,776	194,027
Effect of foreign exchange rate changes	(1,570)	(4,267)
Cash and cash equivalents at end of the period, represented by bank balances and cash	65,818	93,679

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 28 November 2019.

These interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2019 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 April 2019. This is the first set of the Group’s financial statements in which Hong Kong Financial Reporting Standard 16 Leases (“HKFRS 16”) has 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 4.

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 2019 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 2019 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 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features with Negative Compensation
- Amendments to HKAS 19, Plan amendment, curtailment or settlement
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Annual Improvements to HKFRSs 2015–2017 Cycle:
 - Amendments to HKFRS 3, Business Combinations
 - Amendments to HKFRS 11, Joint Arrangements
 - Amendments to HKAS 12, Income Taxes
 - Amendments to HKAS 23, Borrowing Costs

3. CHANGES IN HKFRSs — Continued

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 April 2019 did not have any significant impact on the Group's accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases (“HKAS 17”), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets under property, plant and equipment (“right-of-use assets”) and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach where the comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

3. CHANGES IN HKFRSs — Continued

(i) Impact of the adoption of HKFRS 16 — Continued

The impact of transition to HKFRS 16 on statement of financial position as of 31 March 2019 to that of 1 April 2019 are summarised as follows (increase/(decrease)):

	HK\$'000 (Unaudited)
Statement of financial position as at 1 April 2019	
Right-of-use assets presented in property, plant and equipment	98,360
Lease liabilities (current)	44,898
Lease liabilities (non-current)	55,714
Accrued lease liabilities relating to rent free period at 1 April 2019	(2,252)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 April 2019:

	HK\$'000 (Unaudited)
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitments as at 31 March 2019	125,396
Weighted average incremental borrowing rate as at 1 April 2019	7.1%
Discounted operating lease commitments as at 1 April 2019	117,367
Less: Commitments relating to those leases with a remaining lease term ending on or before 31 March 2020	<u>(16,755)</u>
Lease liabilities as at 1 April 2019	<u>100,612</u>

3. CHANGES IN HKFRSs — Continued

(ii) New definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for leases which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

3. CHANGES IN HKFRSs — Continued

(iii) Accounting as a lessee — Continued

Right-of-use assets

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

3. CHANGES IN HKFRSs — Continued

(iv) Accounting as a lessor

The Group has leased out its investment properties to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these interim condensed consolidated financial statements.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidated statement of financial position immediately before 1 April 2019. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019.

For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 April 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics and (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application on 1 April 2019 and accounted for those leases as short-term leases.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these 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 2019 annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 16 as described in note 3.

5. 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, 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.

5. SEGMENT INFORMATION — Continued

(a) Segment revenue and results — Continued

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 2019

	Watch distribution and dining business				Property investment	Consolidated HK\$'000 (unaudited)
	Mainland		Other locations HK\$'000 (unaudited)	Subtotal HK\$'000 (unaudited)	Mainland China HK\$'000 (unaudited)	
	Hong Kong HK\$'000 (unaudited)	China and Macau HK\$'000 (unaudited)				
REVENUE						
External sales	65,684	65,087	13,526	144,297	10,930	155,227
RESULT						
Segment results	10,581	28,839	4,348	43,768	10,930	54,698
Realised exchange gain						194
Unrealised exchange loss						(7,887)
Fair value change of investment properties						(5,076)
Fair value change of financial assets at FVTPL						30,329
Impairment loss on property, plant and equipment						(29,706)
Unallocated expenses						(102,209)
Unallocated income						678
Loss before taxation						(58,979)

5. SEGMENT INFORMATION — Continued
(a) Segment revenue and results — Continued

For the six months ended 30 September 2018

	Watch distribution and dining business				Property investment	
	Mainland		Other locations	Subtotal	Mainland	
	Hong Kong	China and Macau			China	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
REVENUE						
External sales	110,735	77,767	23,249	211,751	14,044	225,795
RESULT						
Segment results	29,592	37,648	8,453	75,693	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)
Impairment loss on property, plant and equipment						(2,326)
Unallocated expenses						(98,273)
Unallocated income						963
Loss before taxation						(64,482)

5. SEGMENT INFORMATION — Continued

(b) Disaggregation of revenue

In the following table, revenue from watch distribution and dining business segment 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 respective reportable segment.

For the six months ended 30 September 2019

	Watch distribution HK\$'000 (unaudited)	Dining business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Primary geographical markets			
Hong Kong	64,882	802	65,684
Mainland China and Macau	65,087	–	65,087
Other locations	13,526	–	13,526
	143,495	802	144,297
Major products and services			
Wholesales of watch	73,020	–	73,020
Retail sales of watch	66,824	–	66,824
Repair of watch	3,651	–	3,651
Food and beverage	–	802	802
	143,495	802	144,297
Timing of revenue recognition			
At a point in time	143,495	802	144,297
Transferred over time	–	–	–
	143,495	802	144,297

5. 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)	Total HK\$'000 (unaudited)
<hr/>			
Primary geographical markets			
Hong Kong	108,871	1,864	110,735
Mainland China and Macau	77,767	–	77,767
Other locations	23,249	–	23,249
	<hr/>	<hr/>	<hr/>
	209,887	1,864	211,751
<hr/>			
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
	<hr/>	<hr/>	<hr/>
	209,887	1,864	211,751
<hr/>			
Timing of revenue recognition			
At a point in time	209,887	1,864	211,751
Transferred over time	–	–	–
	<hr/>	<hr/>	<hr/>
	209,887	1,864	211,751
<hr/>			

6. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<hr/>		
The charge comprises:		
Current tax		
Hong Kong profits tax	–	–
Other jurisdictions	(356)	(784)
	<hr/>	<hr/>
	(356)	(784)
Deferred tax		
Current period	(180)	(33)
Reversal	36	–
	<hr/>	<hr/>
	(500)	(817)
<hr/>		

6. INCOME TAX EXPENSE — Continued

Hong Kong Profits Tax is calculated at 16.5% (30 September 2018: 16.5%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. LOSS FOR THE PERIOD

	For the six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Directors' remuneration	5,719	9,025
Other staff costs	22,121	25,743
Other staff's retirement benefits scheme contributions	502	554
Total staff costs	28,342	35,322
Depreciation of property, plant and equipment	24,402	2,414
Minimum lease payments in respect of rented premises	–	35,729
Interest on lease liabilities	3,159	–
Short-term leases expenses	13,487	–
Variable lease payments	416	–
Impairment loss on property, plant and equipment	29,706	2,326
Expected credit losses on financial assets	7,779	–
Cost of inventories recognised as an expense (including write-down of inventories HK\$9,576,000 (2018: HK\$6,623,000))	100,529	136,058
and after crediting:		
Interest income	298	565

8. DIVIDEND

The directors of the Company have decided not to declare the payment of any interim dividend for the six months ended 30 September 2019 (30 September 2018: Nil).

No final dividend for the year ended 31 March 2019 was declared and paid during the period (31 March 2018: Nil).

9. 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	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the purpose of basic and diluted earnings per share	(59,479)	(65,299)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	6,043,950,000	5,875,662,842

Diluted loss per share for the six months ended 30 September 2019 and 2018 are the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group entered into a lease for a shop with right-of-use assets amounted to approximately HK\$33,092,000 (30 September 2018: Nil) recognised.

During the period, additions to the Group's property, plant and equipment amounted to approximately HK\$911,000 (30 September 2018: HK\$2,737,000) which mainly included the additions to leasehold improvements amounting to approximately HK\$814,000 (30 September 2018: HK\$2,489,000) for renovation of shops.

The Group performed an impairment assessment on property, plant and equipment in accordance with the accounting policy on impairment of non-financial assets. Based on the assessment, an impairment loss of HK\$29,706,000 (30 September 2018: HK\$2,326,000) was recognised and charged to the interim condensed consolidated statement of profit or loss and other comprehensive income for the 6 months period ended 30 September 2019. 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 8.6%.

Right-of-use assets amounted to HK\$79,772,000 and other property, plant and equipment amounted to HK\$4,835,000 were recognised as at 30 September 2019.

11. INVESTMENT PROPERTIES

	HK\$'000
At 1 April 2018	375,857
Addition	401,441
Fair value change	(1,735)
Exchange realignment	(47,019)
At 31 March 2019 (audited)	728,544
Fair value change	(5,076)
Exchange realignment	(45,269)
At 30 September 2019 (unaudited)	(678,199)

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.

11. INVESTMENT PROPERTIES — Continued

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).

The fair value of the Group's investment properties as at 30 September 2019 has been derived from the valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL") on 13 November 2019. 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 2019 is determined by using the Income Approach (31 March 2019: 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 2019 and 31 March 2019.

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 2018 (level 3 recurring fair value)	375,857
Addition	401,441
Change in fair value recognised in profit or loss	(1,735)
Exchange realignment	(47,019)
At 31 March 2019 (audited) (level 3 recurring fair value)	728,544
Change in fair value recognised in profit or loss	(5,076)
Exchange realignment	(45,269)
At 30 September 2019 (unaudited) (level 3 recurring fair value)	678,199

11. INVESTMENT PROPERTIES — Continued

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 categorized (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

At 30 September 2019

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 (“Property A”)	No. 122 Jianguo Road, Chaoyang District, Beijing, the PRC	Level 3	Income Approach	Current Daily Rent	RMB8.29 per square metre (“psm”) to RMB16.80 psm	The higher the current daily rent, the higher the fair value
				Daily Market Rent	RMB10.80 psm to RMB18.90 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
Dong Shan Shu, Building 1 (“Property B”)	No.7 East 4th Ring North Road, Chaoyang District, 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	RMB17.20 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

11. INVESTMENT PROPERTIES — Continued

At 31 March 2019

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	No. 112 Jianguo Road, Chaoyang District, Beijing, the PRC	Level 3	Income Approach	Current Daily Rent	RMB8.29 per square metre ("psm")	The higher the current daily rent, the higher the fair value
				Daily Market Rent	RMB10.5 psm to RMB20.06 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
Dong Shan Shu, Building 1	No. 7 East 4th Ring North Road, Chaoyang District, 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	RMB13.68 psm to RMB21 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. Property A and Property B are used for office and commercial purposes respectively.

Rental income of HK\$10,930,000 was recognised during the period ended 30 September 2019 (30 September 2018: HK\$14,044,000).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Other long term investment	(a)	50,227	49,213
Listed equity securities in Hong Kong	(b)	19,043	40,410
		69,270	89,623
Classified as			
Non-current asset		50,227	49,213
Current asset		19,043	40,410
		69,270	89,623

Notes:

- (a) On 23 May 2017, a wholly owned subsidiary of the Company (“Party A”), Aquamen Entertainment LLC (“Party B”) and Mr. Zhang Xiaoliang (the “Guarantor”) entered into a cooperation agreement (“Cooperation Agreement”), pursuant to which Party A would invest HK\$45 million in a film project being developed by Party B. The investment is classified as financial assets at fair value through profit or loss.

On 30 May 2019, Party A, Party B and the Guarantor entered in to a supplemental agreement (the “Supplemental Agreement”). Based on the terms of the Cooperation Agreement and the Supplemental Agreement, Party B would return the investment amount of HK\$45 million to Party A on or before 31 March 2021. Furthermore, Party A shall receive an investment return from Party B on or before 30 September 2021 at the higher of proportionate sharing of net profit or 20% of the investment amount.

- (b) The fair value of listed equity securities are base 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.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Listed equity securities in Hong Kong	31,741	40,250

At 1 April 2018, the Group made an irrevocable election to designate this investment as financial assets 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.

14. TRADE AND OTHER RECEIVABLES

The Group's trade and other receivables, net of expected credit loss allowances, are as follows:

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Trade receivables	10,138	17,374
Other receivables, deposits and prepayments	44,571	46,389
	54,709	63,763

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	9,294	11,066
31-90 days	844	6,042
91-120 days	-	266
	10,138	17,374

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

14. TRADE AND OTHER RECEIVABLES — Continued

As at 30 September 2019, loss allowances of HK\$12,053,000 were made against the gross amount of trade receivables (31 March 2019: HK\$5,128,000).

As at 30 September 2019, loss allowances of HK\$339,000 were made against the gross amount of other receivables (31 March 2019: HK\$4,000).

15. TRADE AND OTHER PAYABLES

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Trade payables	77,754	138,920
Other payables and accrued charges	75,701	89,151
	153,455	228,071

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

	HK\$'000	HK\$'000
Within 90 days	74,832	47,869
91–365 days	2,560	89,865
Over 365 days	362	1,186
	77,754	138,920

16. AMOUNT DUE FROM/TO RELATED PARTIES

As at 30 September 2019, amounts due from/to related parties were unsecured, non-interest bearing and repayable within 1 year.

17. NOTE PAYABLE

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

17. NOTE PAYABLE — Continued

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Classified as		
Non-current liability	–	144,394
Current liability	146,965	–
	146,965	144,394

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 provided that criteria of redemption amount are met. The promissory note is unsecured and non-interest bearing. It is measured at amortised cost using the effective interest method.

18. 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 2018		
— Ordinary shares of HK\$0.02 each	4,982,000,000	99,640
Issue of shares (<i>Note</i>)	1,061,950,000	21,239
At 31 March 2019, 1 April 2019 and 30 September 2019		
— Ordinary shares of HK\$0.02 each	6,043,950,000	120,879

Note: 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.

19. 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 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Within one year	9,938	11,859
Later than one year and not more than five years	21,006	24,129
	30,944	35,988

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 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Within one year	4,755	62,793
Later than one year and not more than five years	–	62,603
	4,755	125,396

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has applied HKFRS 16 using the cumulative effect approach. From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the interim condensed consolidated statement of financial position in accordance with the policies set out in note 3.

20. FINANCIAL INSTRUMENTS

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

	30 September 2019 HK\$'000 (unaudited)	31 March 2019 HK\$'000 (audited)
Financial assets		
FVTPL		
— Other long term investment	50,227	49,213
— Listed equity investments	19,043	40,410
FVOCI		
— Listed equity investments	31,741	40,250
Amortised cost		
— Cash and cash equivalents	65,959	81,776
— Trade and other receivables	46,749	46,332
— Amounts due from related parties	192	202
Financial liabilities		
Amortised cost		
— Trade and other payables	151,232	220,494
— Amounts due to related parties	2,357	4,325
— Note payable	146,965	144,394
FVTPL		
— Derivatives financial instruments	129	2,345

20. FINANCIAL INSTRUMENTS — Continued

Fair value measurements of financial instruments

A number of assets and liabilities included in these interim condensed consolidated 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 note payable.

(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.

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.

20. FINANCIAL INSTRUMENTS — Continued

(b) Financial instruments measured at fair value — Continued

Derivative financial instruments: — Continued

The classification of the measurement of the derivative financial instruments at 30 September 2019 and 31 March 2019 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.

Significant unobservable input

Discount rate	4.68%
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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\$750,000/HK\$769,000 respectively as at 30 September 2019.

The classification of the measurement of other long term investment as at 30 September 2019 is determined using Level 3 of fair value hierarchy.

The classification of the measurement of listed equity investments as at 30 September 2019 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 12(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 discounted 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.

20. FINANCIAL INSTRUMENTS — Continued

(b) Financial instruments measured at fair value — Continued

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\$15,000 as at 30 September 2019.

If the enterprise value to revenue multiple 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\$77,000/HK\$82,000 respectively as at 30 September 2019.

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\$610,000/HK\$580,000 respectively as at 30 September 2019.

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

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).

20. FINANCIAL INSTRUMENTS — Continued

(b) Financial instruments measured at fair value — Continued

	(Unaudited)			
	30 September 2019			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at FVTPL				
— Other long term investment	—	—	50,227	50,227
— Listed equity investments	15,106	—	3,937	19,043
Financial assets at FVOCI				
— Listed equity investments	31,741	—	—	31,741
Financial liabilities at FVTPL				
— Derivatives financial instruments	—	129	—	129

	(Audited)			
	31 March 2019			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at FVTPL				
— Other long term investment	—	—	49,213	49,213
— Listed equity investments	36,313	—	4,097	40,410
Financial assets at FVOCI				
— Listed equity investments	40,250	—	—	40,250
Financial liabilities at FVTPL				
— Derivatives financial instruments	—	2,345	—	2,345

20. FINANCIAL INSTRUMENTS — Continued

(b) Financial instruments measured at fair value — Continued

During the six months ended 30 September 2019, there was no transfer between level 1 and level 2 fair value hierarchy (31 March 2019: Nil) or transfer into or out of level 3 (31 March 2019: 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 2019 HK\$'000
At 1 April 2019	4,097
Fair value loss:	
— in profit or loss (included in fair value change of financial assets at FVTPL)	(160)
At 30 September 2019	3,937
Other long term investment	Financial assets at fair value through profit or loss 30 September 2019 HK\$'000
At 1 April 2019	49,213
Fair value gain:	
— in profit or loss (included in fair value change of financial assets at FVTPL)	1,014
At 30 September 2019	50,227

21. 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	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales to a related company	1,196	336
Purchases from related companies	2,513	5,097
Administrative service fee paid to a related company	120	120
Financial advisory fee paid to a related company	179	177
Brokerage fee paid to a related company	137	142
Regional branding support income from a related company	69	70
Rental and other related expenses paid to a related company	4,306	-

22. APPROVAL OF UNAUDITED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 28 November 2019.

