

Sincere Watch (Hong Kong) Limited

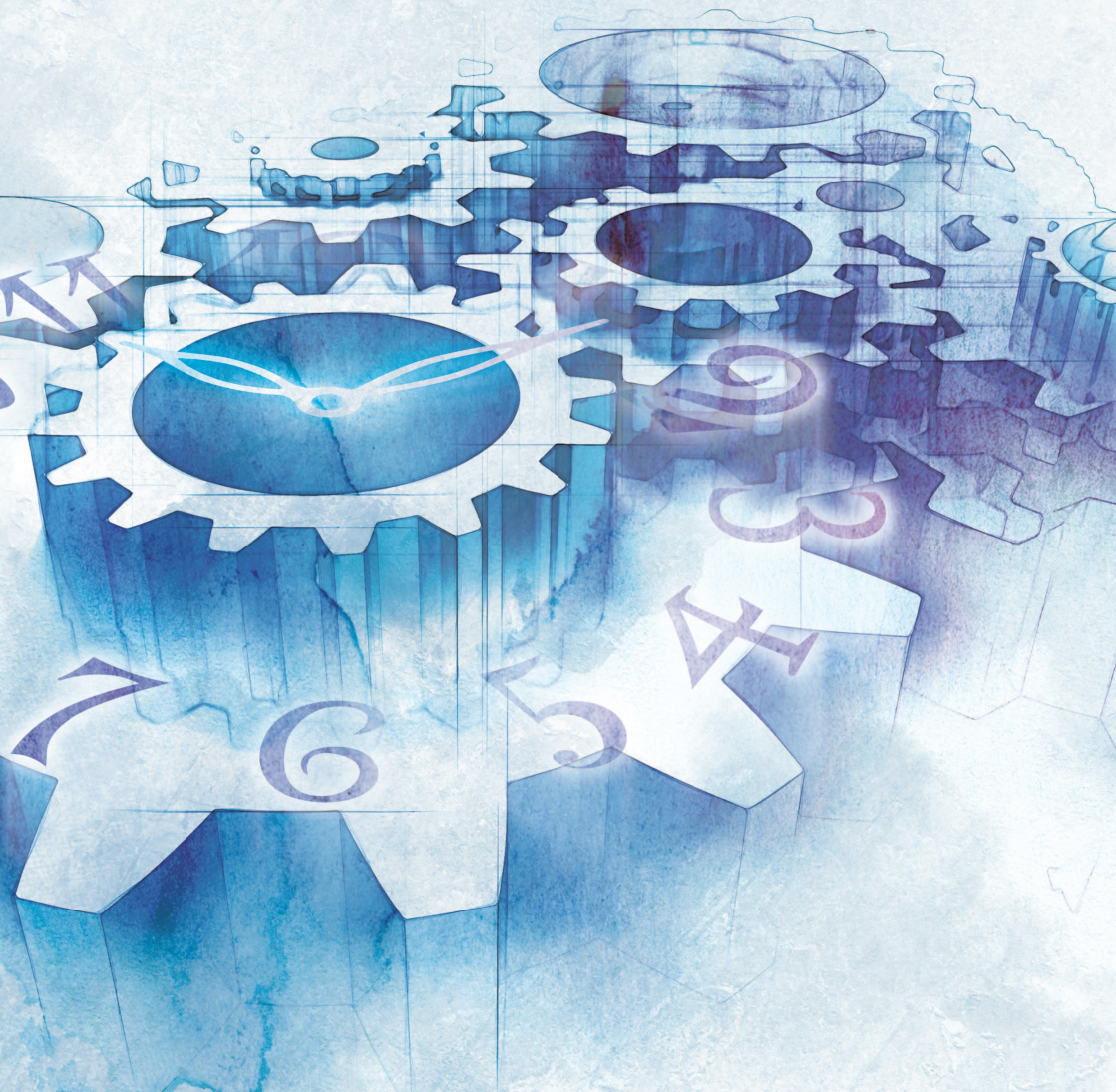
Stock Code 股份代號 : 00444

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Interim Report 中期報告

2021



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. ZHANG Xiaoliang (*Chairman and Chief Executive Officer*)*

Mr. CHU, Kingston Chun Ho (*Vice Chairman*)*

Mrs. CHU Yuet Wah*

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

Mr. ZHANG Xiaoliang (*Chairman*)
(appointed on 1 December 2021)

Mrs. CHU Yuet Wah*

Mr. CHU, Kingston Chun Ho
(ceased on 1 December 2021)

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>

* Re-designated with effect from 1 December 2021

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Sincere Watch (Hong Kong) Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2021 (“H1 FY2022”) together with the unaudited comparative figures for the corresponding six months ended 30 September 2020 (“H1 FY2021”).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group’s revenue from continuing operations in H1 FY2022 increased by 38.2% from HK\$49.8 million to HK\$68.8 million over the same period last year. The increase was the result of the gradual improving market sentiment.

Gross profit from continuing operations in H1 FY2022 increased by thirty-one-fold from HK\$0.8 million to HK\$25.1 million over the same period last year. Gross margin increased from 1.6% to 36.4% due to increased markup and reduced provision of slow-moving inventories during the period.

Other income and net gains and losses in H1 FY2022 was net losses of HK\$0.8 million as compared to net gains of HK\$20.6 million in H1 FY2021. The decrease was driven by significant decrease in one off rent concession and government subsidies received in H1 FY2021 of HK\$18.9 million to HK\$0.3 million in H1 FY2022.

Selling and distribution costs decreased by 15.4% from HK\$20.4 million in H1 FY2021 to HK\$17.2 million in H1 FY2022 mainly due to the reduction in depreciation expenses of right-of-use assets.

General and administrative expenses increased by 5.4% from HK\$28.1 million in H1 FY2021 to HK\$29.6 million in H1 FY2022 mainly due to the non-recurrence of costs saving measurement applied in H1 FY2021.

Finance costs increased by 156.4% from HK\$3.8 million in H1 FY2021 to HK\$9.8 million in H1 FY2022 mainly due the increase in the total loan and borrowing.

Income tax expense of HK\$0.6 million was recorded in H1 FY2022 while income tax credit was recorded in H1 FY2021 of HK\$14.6 million. The change was driven by the reduction in one off deferred income tax credit recorded in H1 FY2021.

Loss from continuing operations and discontinued operation in H1 FY2022 were HK\$32.3 million and HK\$Nil respectively, as compared to HK\$73.7 million and HK\$0.9 million respectively in H1 FY2021.

Loss per share was 0.54 HK cent in H1 FY2022 (H1 FY2021: 1.23 HK cents). Net asset value per share was 11.1 HK cents as at 30 September 2021 against 12.0 HK cents as at 31 March 2021.

BUSINESS REVIEW

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

Distribution network and market penetration

The Group has established its distribution network with 46 retail points of sales and 12 boutiques, making a total of 58 points (61 as at 31 March 2021).

Other than the 7 boutiques operated by the Group, the remaining 51 watch retail outlets are operated by 24 independent watch dealers throughout our key markets including Hong Kong, Macau, Taiwan and Mainland China.

Brand enhancement activities

The Group aims not only to create but also to sustain brand value among our discerning customers. As such, we have undertaken a number of brand enhancement activities to reinforce the brand leadership with premium 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.

Mainland China

15 April 2021

FRANCK MULLER Xiamen Boutique Opening

FRANCK MULLER unveiled the new concept boutique in The MixC Xiamen, a prime location in the heart of Xiamen City, Fujian Province, with excellent visibility and accessibility. Upholding the brand's pioneering design aesthetics, the concept boutique strives to lead guests to delve deeper into the world of Haute Horlogerie. A branded cart was displayed at the boutique facade to offer a complimentary summer cocktail to clients and welcomed them for a horological journey at the brand new FRANCK MULLER boutique.

Hong Kong

21–22 April 2021

Exclusive Fragrance & Wine Pairing Workshop

Esteemed guests were invited to the new concept FRANCK MULLER boutique in Central to reveal the latest Vanguard Lady collection with a unique olfactory journey of luxury fragrance and wine pairing crafted by renowned French perfume house, Goutal. Guests enjoyed a splendid afternoon tea while admiring the latest bejeweled Vanguard Lady Heart Skeleton timepieces with 7 superimposed hearts positioned throughout the dial over a skeletonized mechanical movement.

23–25 June 2021

FRANCK MULLER Private VIP Afternoon Tea

Together with a bespoke fine jewellery and exotic leather goods brand partners, FRANCK MULLER invited guests to reveal the luxury Swiss timepieces by FRANCK MULLER. The co-hosted event tributes to clients with refined taste who appreciate fine craftsmanship, excellent quality and unique customization.

29 June 2021

FRANCK MULLER Whisky Tasting Night

To celebrate the 18th anniversary of Crazy Hours collection, FRANCK MULLER announced its exclusive partnership with The Glenrothes, the exceptional Speyside single malt whisky brand. In line with the common incessant pursuit of craftsmanship in the respective fields and manufacturing capabilities. Guests were invited to the exclusive whisky tasting event, while revealing the iconic Crazy Hours collection. The emotional complication shows time in unconventional manner with the brand's signature numerals laid out in non-sequential order.

8–12 September 2021

World Brand Piazza 2021

Prince Jewellery & Watch Company gathered 12 world renowned watch brands and successfully hosted the 11th 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. FRANCK MULLER presents the hero piece as the Vanguard 7 Days Power Reserve in Sapphire Case, an in-house crafted mechanical treasure with the perfectly hand-polished rainbow bridges reveal not only the movement but also a second counter at 6 o'clock.

September 2021

Miss Hong Kong Pageant 2021

FRANCK MULLER is pleased to be one of the official sponsors for Miss Hong Kong Pageant 2021. The brand has contributed its refined luxury timepieces as prizes to the 5 winners including Miss Hong Kong, 1st runner up, 2nd runner up, Miss Photogenic and Miss Friendship. The prize presentation was held at FRANCK MULLER Central boutique, the new Miss Hong Kong 2021, Miss Sabrina Mendes was presented with the latest bejewelled Vanguard Lady with diamonds, the distinctive and feminine numbers perfectly complements the luxury sport and bold design of the case.

Performance by business operations and geographical markets

Watch distribution

Hong Kong, Mainland China and Macau remained the key revenue drivers, contributing together HK\$59.3 million, which accounted for 86.2% of the Group's total revenue, in H1 FY2022.

Mainland China and Macau

Mainland China and Macau have taken over Hong Kong as the Group's major markets and contributed 67.6% of the Group's revenue in H1 FY2022. Revenue in this region was HK\$46.5 million in H1 FY2022 as compared to HK\$20 million in the same period last year.

Hong Kong

Hong Kong contributed 18.6% of the Group's revenue in H1 FY2022. Revenue in this region decreased by 34.9% from HK\$19.7 million to HK\$12.8 million in H1 FY2022.

Other locations

Revenue from other locations decreased by 15.9% from HK\$5.8 million to HK\$4.9 million in H1 FY2022.

Property investment

Revenue from investment properties was derived from two properties located in the Mainland China. Their rental income increased from HK\$4.3 million in H1 FY2021 to HK\$4.6 million in H1 FY2022 as a result of changes of foreign exchange rates.

PROSPECTS

The COVID-19 pandemic that broke out in early 2020 has seriously affected the global economy. It is still affecting the business and economic activities worldwide until the spread of COVID-19 can be effectively contained. The COVID-19 has increased uncertainty to the Group in respect of its future operating performance which currently is difficult to predict. The Group will keep continuous attention on the change of situation, make timely response and adjustments in the future and control the risk matters.

Going forward, the Group will move to further strengthen its distribution network in Hong Kong, Macau and Mainland China including opening up of new dealers shops, as well as explore new markets in other Asian countries. In addition, the Group will review the tenancy situation including occupancy and rental level of our investment properties in the Mainland China so as to improve the rental yield.

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 2021, the Group maintained the cash and bank balances of HK\$128.2 million when compared with its cash and bank balances of HK\$90.8 million as at 31 March 2021. Gearing ratio (net debt divided by total equity) was 26.0% at 30 September 2021 (31 March 2021: 24.1%). The Group has outstanding bank borrowing at the amount of HK\$187.8 million.

At 30 September 2021, details of the Group's investments in equity instruments were as below:

Stock code	Stock name	At 30 September 2021		H1 FY2022	
		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	1,507	-	-
3886	Town Health International Medical Group Ltd.	-	-	1,452	-
627	Fullsun International Holdings Group Co., Ltd.	12,065,000	241	-	-
663	King Stone Energy Group Ltd.	317,020,000	14,266	-	(35,189)
Total			16,014	1,452	(35,189)

These investments were listed and delisted securities which were measured at fair value. As at 30 September 2021, investments in equity instruments amounted to approximately HK\$16.0 million.

During the period under review, a net fair value gain of approximately HK\$1.5 million was recognised in the statement of profit or loss while a net fair value loss of approximately HK\$35.2 million was recognised in the statement of other comprehensive income.

It was noted that trading in the shares of Tech Pro Technology Development Limited and Fullsun International Holdings Group Co., Limited has been suspended since 9:00 a.m. on 9 November 2017 and 9:00 a.m. on 29 March 2021 respectively, details of which are referred to in the announcement made by Tech Pro Technology Development Limited on 9 November 2017 and the announcement made by Fullsun International Holdings Group Co., Limited on 29 March 2021 respectively. It was further noted that the shares of Tech Pro Technology Development Limited was delisted starting from 9:00 a.m. on 2 March 2020, details of which are referred to in the announcement issued by the Stock Exchange on 26 February 2020 on its official website.

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\$265.4 million as at 31 March 2021 to HK\$234.3 million as at 30 September 2021. Net assets reduced to at HK\$668.4 million as at 30 September 2021 as compared to HK\$725.6 million as at 31 March 2021. 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 2021, the total number of issued shares of the Company was 6,043,950,000 (31 March 2021: 6,043,950,000). There was no change in the capital structure of the Company during the six months ended 30 September 2021.

The Group recorded a realised exchange gain of HK\$0.1 million in H1 FY2022 as compared with HK\$0.1 million in H1 FY2021. In addition, the Group recognised an unrealised exchange loss of HK\$0.3 million in H1 FY2022 against a gain of HK\$2.9 million in H1 FY2021.

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

As at 30 September 2021, (i) investment property at fair value of RMB484.3 million (equivalent to HK\$584.8 million), (ii) certain account receivables of rental income generated from the pledged investment properties, (iii) pledged bank deposit of RMB12.0 million (equivalent to HK\$14.5 million), (iv) restricted bank deposit of RMB3.1 million (equivalent to HK\$3.8 million) and (v) entire equity interest of a subsidiary of the Company were pledged to a bank as collateral for the Group's banking facility of outstanding balance of bank borrowing of RMB155.5 million (equivalent to HK\$187.8 million) (31 March 2021: RMB78.5 million (equivalent to HK\$93.1 million)).

CAPITAL COMMITMENT

As at 30 September 2021, the Group had contracted, but not provided for capital expenditure commitment of HK\$0.4 million (31 March 2021: HK\$4.7 million) in respect of acquisition of property, plant and equipment.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2021 (31 March 2021: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2021, the Group's work force stood at 113 including Directors (31 March 2021: 117). 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 EXECUTIVES' INTERESTS IN SHARES

As at 30 September 2021, the interests or short positions of the Directors and chief executives 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 Be Bright Limited, which 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, as at 30 September 2021, none of the Directors nor chief executives 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 executives, 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 2021.

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 motivate the eligible participants to optimise their performance efficiency for the benefit of the Group, and to attract and retain or otherwise maintain an on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth and value of 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 2021. No share option has been granted since the adoption of the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2021, the following persons (other than the interests disclosed above in respect of the Directors or chief executives 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 shareholders	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	2,087,230,000	34.53%
Shipsape Investments Limited	Interest of controlled corporation (<i>Note 1</i>)	2,087,230,000	34.53%
Sun Hung Kai & Co. Limited	Interest of controlled corporation (<i>Note 1</i>)	2,087,230,000	34.53%
Allied Group Limited	Interest of controlled corporation (<i>Note 1</i>)	2,087,230,000	34.53%
Lee Seng Hui	Interest of controlled corporation (<i>Note 1</i>)	2,087,230,000	34.53%
Lee Su Hwei	Interest of controlled corporation (<i>Note 1</i>)	2,087,230,000	34.53%
Lee Seng Huang	Interest of controlled corporation (<i>Note 1</i>)	2,087,230,000	34.53%
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%
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%

Name of shareholders	Capacity	Number of shares held (long position)	Approximate percentage of the Company's issued shares
Bai Ning	Interest of controlled corporation (<i>Note 4</i>)	550,960,000	9.12%
Be Bright Limited	Beneficial owner	325,920,000	5.39%

Notes:

1. Sun Hung Kai Structured Finance Limited was a wholly-owned subsidiary of Shipshape Investments Limited, which was in turn wholly owned by Sun Hung Kai & Co. Limited. Sun Hung Kai & Co. Limited was owned as to approximately 72.97% by Allied Group Limited via its subsidiaries. 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 74.96% of the total number of issued shares of Allied Group Limited (inclusive of Lee Seng Hui's personal interests) as at 30 September 2021. Accordingly, all these parties were deemed to have interests in the shares in which Sun Hung Kai Structured Finance Limited was interested.
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.

Save as disclosed above, as at 30 September 2021, 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 purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2021.

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 during the six months ended 30 September 2021.

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 2021.

AUDIT COMMITTEE

The Audit Committee consists of four independent non-executive Directors, namely Mr. Chiu Sin Nang, Kenny (the chairman of the Audit Committee), Ms. Lo Miu Sheung, Betty, Mr. Yu Zhenxin and Mr. Zong Hao. It is responsible for reviewing and overseeing the financial reporting system, risk management and internal control systems of the Company and providing advice and comments to the Board.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2021.

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. Mrs. Chu Yuet Wah will cease to act as (i) the Chairman of the Company, and (ii) the chairman of the Investment Committee of the Company, with effect from 1 December 2021. She will remain an Executive Director and a member of the Investment Committee of the Company.
2. Mr. Zhang Xiaoliang, an Executive Director and the Chief Executive Officer of the Company, will be (i) re-designated from the Deputy Chairman to the Chairman of the Company, and (ii) appointed as a member and the chairman of the Investment Committee of the Company, with effect from 1 December 2021.
3. Mr. Chu Kingston Chun Ho, an Executive Director, will (i) be appointed as the Vice Chairman of the Company, and (ii) cease to be a member of the Investment Committee of the Company, with effect from 1 December 2021.

By Order of the Board

Sincere Watch (Hong Kong) Limited

Zhang Xiaoliang

Deputy Chairman and Chief Executive Officer

Hong Kong, 26 November 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	Notes	For the six months ended 30 September	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Continuing operations			
Revenue	5	68,808	49,843
Cost of sales		(43,739)	(49,058)
Gross profit		25,069	785
Other income and net gains and losses	6	(781)	20,631
Provision for impairment on property, plant and equipment		(340)	(1,874)
Selling and distribution costs		(17,231)	(20,375)
General and administrative expenses (Provision for)/reversal of expected credit losses on financial assets		(29,612)	(28,101)
Finance costs		(322)	94
		(9,778)	(3,813)
Loss before taxation, exchange gain/(loss), fair value change of investment properties and financial assets at fair value through profit or loss		(32,995)	(32,653)
Realised exchange gain		83	104
Unrealised exchange (loss)/gain		(317)	2,932
Fair value change of investment properties	12	-	(59,317)
Fair value change of financial assets at fair value through profit or loss ("FVTPL")		1,452	649
Loss before taxation		(31,777)	(88,285)
Income tax (expense)/credit	7	(570)	14,596
Loss for the period from continuing operations	8	(32,347)	(73,689)
Discontinued operation			
Loss for the period from discontinued operation	8	-	(924)
Loss for the period		(32,347)	(74,613)

		For the six months ended	
		30 September	
		2021	2020
Notes		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 (“FVOCI”)	(35,189)	6,340
Items that may be subsequently reclassified to profit or loss			
	— Exchange differences on translation of foreign operations	10,283	25,967
Other comprehensive income for the period		(24,906)	32,307
Total comprehensive income for the period		(57,253)	(42,306)
Loss per share from continuing and discontinued operations			
	— basic and diluted	(0.54) HK cent	(1.23) HK cents
10			
Loss per share from continuing operations			
	— basic and diluted	(0.54) HK cent	(1.22) HK cents
10			

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	Notes	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	49,538	53,440
Investment properties	12	584,841	574,622
Financial assets at FVOCI	14	14,266	49,455
Other receivables	15	6,688	11,068
Deferred tax assets		94	94
		655,427	688,679
Current assets			
Inventories		296,952	307,336
Trade and other receivables	15	39,830	57,234
Financial assets at FVTPL	13	1,748	4,256
Pledged and restricted bank deposits		18,284	17,720
Bank balances and cash		128,214	90,802
		485,028	477,348
Current liabilities			
Trade and other payables	16	95,933	92,061
Contract liabilities		5,170	1,123
Lease liabilities		27,861	31,504
Bank borrowing	17	7,246	7,119
Note payable	18	23,376	–
Loan from a shareholder		91,000	80,000
Taxation payable		123	120
		250,709	211,927
Net current assets		234,319	265,421
Total assets less current liabilities		889,746	954,100

		30 September 2021	31 March 2021
	Notes	HK\$'000 (unaudited)	HK\$'000 (audited)
<hr/>			
Non-current liabilities			
Bank borrowing	17	180,536	86,021
Note payable	18	–	92,832
Lease liabilities		40,818	49,602
		221,354	228,455
		668,392	725,645
Net assets			
Capital and reserves			
Share capital	19	120,879	120,879
Reserves		547,513	604,766
Total equity		668,392	725,645

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Share capital HK\$'000	Share premium HK\$'000	FVOCI reserve HK\$'000	Special reserve HK\$'000 (Note)	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2020 (audited)	120,879	963,553	(26,947)	801	(71,180)	(129,501)	857,605
Exchange differences on translation of foreign operations	-	-	-	-	25,967	-	25,967
Fair value change of financial assets at FVOCI	-	-	6,340	-	-	-	6,340
Loss for the period	-	-	-	-	-	(74,613)	(74,613)
Total comprehensive income for the period	-	-	6,340	-	25,967	(74,613)	(42,306)
At 30 September 2020 (unaudited)	120,879	963,553	(20,607)	801	(45,213)	(204,114)	815,299
At 1 April 2021 (audited)	120,879	963,553	5,389	801	(25,176)	(339,801)	725,645
Exchange differences on translation of foreign operations	-	-	-	-	10,283	-	10,283
Fair value change of financial assets at FVOCI	-	-	(35,189)	-	-	-	(35,189)
Loss for the period	-	-	-	-	-	(32,347)	(32,347)
Total comprehensive income for the period	-	-	(35,189)	-	10,283	(32,347)	(57,253)
At 30 September 2021 (unaudited)	120,879	963,553	(29,800)	801	(14,893)	(372,148)	668,392

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 2021

	For the six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash generated from/(used in) operating activities	32,731	(5,649)
Investing activities		
Purchase of property, plant and equipment	(5,115)	(11,204)
Interest received	133	159
Proceeds from disposal of financial assets measured at FVTPL	3,960	–
Proceeds from disposal of property, plant and equipment	–	85
Increase in pledged and restricted bank deposits	(311)	–
Net cash used in investing activities	(1,333)	(10,960)
Financing activities		
Proceeds from short-term loan from a shareholder	11,000	27,000
Proceeds from bank borrowing	96,608	–
Repayment of bank borrowing	(3,623)	–
Repayment of note payable	(72,000)	–
Repayment of principal portion of lease liabilities	(18,245)	(9,634)
Interest paid	(8,705)	(3,170)
Net cash generated from financing activities	5,035	14,196
Net increase/(decrease) in cash and cash equivalents	36,433	(2,413)
Cash and cash equivalents at beginning of the period	90,802	43,616
Effect of foreign exchange rate changes	979	3,234
Cash and cash equivalents at end of the period, represented by bank balances and cash	128,214	44,437

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. These interim condensed consolidated financial statements were authorised for issue on 26 November 2021.

These interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2021 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 2021.

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.

These interim condensed consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), 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 2021 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 2021 consolidated financial statements.

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:

- Amendments to HKFRS 16, COVID-19 Related Rent Concessions
- Amendments to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021
- Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2

The adoption of these new/revised HKFRSs has no significant impact on the Group's unaudited interim condensed consolidated financial statements.

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 2021 annual financial statements.

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. The Group has two business operations, being the watch distribution and dining business, and property investment, which are for the analysis based on the geographical locations of the sales. The Group ceased dining business during the year ended 31 March 2020 and reclassified as discontinued operation for the periods ended 30 September 2021 and 2020.

(a) Segment revenue and results

Segment results represent the loss before taxation by each segment and excluding fair value change of investment properties and financial assets at FVTPL, provision for impairment on property, plant and equipment, unallocated expenses and unallocated income. Unallocated expenses mainly included depreciation of property, plant and equipment, finance costs and expected credit losses on financial assets. 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 2021

	Continuing operations						Discontinued operation		
	Watch distribution			Sub-total	Property investment	Unallocated	Dining business		
	Mainland		Other locations		Mainland		Sub-total	Hong Kong	Total
	Hong Kong	China and Macau		China	Hong Kong	Total			
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000		
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)		
REVENUE									
External sales	12,808	46,491	4,904	64,203	4,605	-	68,808	-	68,808
RESULT									
Segment results	(22,192)	(4,755)	(2,947)	(29,894)	(6,075)	3,861	(32,108)	-	(32,108)
Fair value change of financial assets at FVTPL							1,452	-	1,452
Provision for impairment on property, plant and equipment							(340)	-	(340)
Unallocated expenses							(1,931)	-	(1,931)
Unallocated income							1,150	-	1,150
Loss before taxation							(31,777)	-	(31,777)
Income tax expense							(570)	-	(570)
Loss for the period							(32,347)	-	(32,347)

5. SEGMENT INFORMATION — Continued

(a) Segment revenue and results — Continued

For the six months ended 30 September 2020

	Continuing operations						Discontinued operation		Total
	Watch distribution			Property investment	Unallocated	Dining business			
	Mainland		Other locations	Sub-total	Mainland China	Sub-total	Hong Kong		
	Hong Kong	Macau					Hong Kong	Total	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
REVENUE									
External sales	19,674	20,046	5,828	45,548	4,295	-	49,843	-	49,843
RESULT									
Segment results	(18,783)	(2,507)	795	(20,495)	819	(5,475)	(25,151)	(924)	(26,075)
Fair value change of investment properties							(59,317)	-	(59,317)
Fair value change of financial assets at FVTPL							649	-	649
Provision for impairment on property, plant and equipment							(1,874)	-	(1,874)
Unallocated expenses							(23,223)	-	(23,223)
Unallocated income							20,631	-	20,631
Loss before taxation							(88,285)	(924)	(89,209)
Income tax credit							14,596	-	14,596
Loss for the period							(73,689)	(924)	(74,613)

Note: The dining business has been reclassified as discontinued operation for the periods ended 30 September 2021 and 2020.

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 2021

	Continuing operations			Discontinued operation	Total HK\$'000 (unaudited)
	Watch distribution HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Sub-total HK\$'000 (unaudited)	Dining business HK\$'000 (unaudited)	
Primary geographical markets					
Hong Kong	12,808	-	12,808	-	12,808
Mainland China and Macau	46,491	4,605	51,096	-	51,096
Other locations	4,904	-	4,904	-	4,904
	64,203	4,605	68,808	-	68,808
Major products and services					
Wholesales of watch	31,118	-	31,118	-	31,118
Retail sales of watch	30,531	-	30,531	-	30,531
Repair of watch	2,554	-	2,554	-	2,554
Food and beverage	-	-	-	-	-
Rental income	-	4,605	4,605	-	4,605
	64,203	4,605	68,808	-	68,808
Timing of revenue recognition					
At a point in time	64,203	4,605	68,808	-	68,808
Transferred over time	-	-	-	-	-
	64,203	4,605	68,808	-	68,808

5. SEGMENT INFORMATION — Continued

(b) Disaggregation of revenue — Continued

For the six months ended 30 September 2020

	Continuing operations			Discontinued operation	Total HK\$'000 (unaudited)
	Watch distribution HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Sub-total HK\$'000 (unaudited)	Dining business HK\$'000 (unaudited)	
Primary geographical markets					
Hong Kong	19,674	-	19,674	-	19,674
Mainland China and Macau	20,046	4,295	24,341	-	24,341
Other locations	5,828	-	5,828	-	5,828
	45,548	4,295	49,843	-	49,843
Major products and services					
Wholesales of watch	33,729	-	33,729	-	33,729
Retail sales of watch	10,776	-	10,776	-	10,776
Repair of watch	1,043	-	1,043	-	1,043
Food and beverage	-	-	-	-	-
Rental income	-	4,295	4,295	-	4,295
	45,548	4,295	49,843	-	49,843
Timing of revenue recognition					
At a point in time	45,548	4,295	49,843	-	49,843
Transferred over time	-	-	-	-	-
	45,548	4,295	49,843	-	49,843

6. OTHER INCOME AND OTHER NET GAINS AND LOSSES

	For the six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations		
Interest income	133	159
Regional branding support income	–	67
Rent concession (Note (a))	199	15,707
Gain on disposal of fixed assets	–	85
Loss on derecognition of note payable	(1,931)	–
Government subsidy	121	3,148
Overprovision of reinstatement cost	303	670
Others	394	795
	(781)	20,631

Note:

- (a) Rent concession represents the change in lease payment arising from COVID-19-related rent concession of HK\$199,000 (2020: HK\$15,707,000).

7. INCOME TAX (EXPENSE)/CREDIT

	For the six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The charge comprises:		
Current tax		
Hong Kong profits tax	–	–
Other jurisdictions	(570)	(234)
	(570)	(234)
Deferred tax		
Current period	–	14,830
Reversal	–	–
	(570)	14,596

Hong Kong Profits Tax is calculated at 16.5% (30 September 2020: 16.5%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. LOSS FOR THE PERIOD

(a) Continuing operations

Loss for the period has been arrived at after charging/(crediting):

	For the six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Directors' remuneration	2,569	2,987
Other staff costs	14,982	12,275
Other staff's retirement benefits scheme contributions	560	305
Total staff costs	18,111	15,567
Depreciation of property, plant and equipment	14,869	19,503
Interest on lease liabilities	2,400	2,408
Short-term leases expenses	530	363
Variable lease payments	388	499
Rent concession	(199)	(15,707)
Provision for impairment of property, plant and equipment	340	1,874
Provision for/(reversal of) expected credit losses on financial assets	322	(94)
Cost of inventories recognised as an expense (including write-down of inventories HK\$4,448,000 (2020: HK\$8,739,000))	43,739	49,218
Government subsidy	(121)	(3,148)
Interest income	(133)	(159)
Direct operating expenses arising from investment property that generated rental income during the period	286	381

8. LOSS FOR THE PERIOD — Continued

(b) Discontinued operation

On 19 January 2020, the Group closed the dining business upon the expiry of its tenancy agreement. The financial performance during the period ended 30 September 2020 are as follows:

	1 April 2020 to 31 May 2020 HK\$'000 (unaudited)
Turnover	–
Expenses	<u>(924)</u>
Loss before taxation	(924)
Income tax expense	<u>–</u>
Loss for the period from discontinued operation	<u>(924)</u>

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 2021 (30 September 2020: Nil).

No final dividend for the year ended 31 March 2021 was declared and paid during the period (31 March 2020: Nil).

10. LOSS PER SHARE

From continuing and discontinued operations

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	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the purpose of basic and diluted earnings per share	(32,347)	(74,613)
Number of shares: Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	6,043,950,000	6,043,950,000

Diluted loss per share for the six months ended 30 September 2021 and 2020 are the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the periods.

From continuing operations

	For the six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the purpose of basic and diluted earnings per share	(32,347)	(73,689)
Number of shares: Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	6,043,950,000	6,043,950,000

10. LOSS PER SHARE — Continued

From discontinued operation

	For the six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the purpose of basic and diluted earnings per share	–	(924)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	6,043,950,000	6,043,950,000

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group entered into leases for shops with right-of-use assets amounted to approximately HK\$6,017,000 (30 September 2020: HK\$13,291,000) recognised.

During the period, additions to the Group's property, plant and equipment amounted to approximately HK\$5,115,000 (30 September 2020: HK\$11,204,000) which mainly included the additions to leasehold improvements amounting to approximately HK\$5,047,000 (30 September 2020: HK\$9,124,000) 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\$340,000 (30 September 2020: HK\$1,874,000) 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 2021. 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 17%.

Right-of-use assets amounted to HK\$37,762,000 (30 September 2020: HK\$42,644,000) and other property, plant and equipment amounted to HK\$11,776,000 (30 September 2020: HK\$11,753,000) were recognised as at 30 September 2021.

12. INVESTMENT PROPERTIES

	HK\$'000
At 1 April 2020	657,318
Fair value change	(133,306)
Exchange realignment	50,610
At 31 March 2021 (audited)	574,622
Fair value change	–
Exchange realignment	10,219
At 30 September 2021 (unaudited)	584,841

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.

The fair value of investment properties of the Group is derived by Level 3 recurring fair value measurement as at 30 September 2021 and 31 March 2021.

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 2020 (Level 3 recurring fair value)	657,318
Change in fair value recognised in profit or loss	(133,306)
Exchange realignment	50,610
At 31 March 2021 (audited) (Level 3 recurring fair value)	574,622
Change in fair value recognised in profit or loss	–
Exchange realignment	10,219
At 30 September 2021 (unaudited) (Level 3 recurring fair value)	584,841

12. INVESTMENT PROPERTIES — Continued

Rental income of HK\$4,605,000 was recognised during the period ended 30 September 2021 (30 September 2020: HK\$4,295,000).

As at 30 September 2021, Group's investment property are pledged to banks to secure bank loans of RMB155,500,000 (equivalent to HK\$187,782,000) to the Group (note 17).

13. FINANCIAL ASSETS AT FVTPL

		30 September 2021	31 March 2021
	Notes	HK\$'000	HK\$'000
		(unaudited)	(audited)
Other long term investment	(a)	–	–
Listed equity securities in Hong Kong			
Listed equity securities in Hong Kong	(b)	–	2,508
Suspended equity securities in Hong Kong	(b)	241	241
Delisted equity securities in Hong Kong	(b)	1,507	1,507
		1,748	4,256
Total financial assets at FVTPL		1,748	4,256
Classified as			
Current assets		1,748	4,256

13. FINANCIAL ASSETS AT FVTPL — Continued

Notes:

- (a) On 23 May 2017, the Group entered into a cooperation agreement (“Cooperation Agreement”) with Aquamen Entertainment LLC (“Aquamen”) and Mr. Zhang Xiaoliang (the “Guarantor”), executive director of the Group to invest HK\$45,000,000 in a film project being developed by Aquamen. The investment is classified as financial assets at FVTPL.

On 30 May 2019, the Group, Aquamen and the Guarantor entered into a supplemental agreement (the “First Supplemental Agreement”). Based on the terms of the Cooperation Agreement and the First Supplemental Agreement, Aquamen will return the full amount of the investment amount of HK\$45,000,000 to the Group on or before 31 March 2021. Furthermore, the Group will receive an investment return from Aquamen on or before 30 September 2021 at the higher of proportionate sharing of net profit or 20% of the investment amount.

On 31 March 2021, the Group, Aquamen and the Guarantor entered into a second supplemental agreement (the “Second Supplemental Agreement”). Based on the terms of the Cooperation Agreement, First Supplemental Agreement and Second Supplemental Agreement, Aquamen will return the full investment amount of HK\$45,000,000 to the Group on or before 30 June 2021. Furthermore, the Group will receive an investment return from Aquamen on or before 30 September 2022 at the higher of proportionate sharing of net profit or 20% of the investment amount.

On 31 March 2021, the Group, Aquamen, the Guarantor and holder of the promissory note entered into a Deed of Assignment. Based on the terms of the Deed of Assignment, the Group agreed to execute the Deed of Assignment and assigned to the holder of the promissory note all its rights, title and interests in relation to other long term investment for partial settlement of the promissory note without recourse (note 18).

- (b) The fair value 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 or delisted by the Stock Exchange (the “Suspended and Delisted Shares”).

The movement in listed equity securities are summarised as follows:

	HK\$'000
As at 1 April 2021 (audited)	4,256
Disposal during the year	(3,960)
Fair value change of financial assets measured at FVTPL	1,452
As at 30 September 2021 (unaudited)	1,748

14. FINANCIAL ASSETS AT FVOCI

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Listed equity securities in Hong Kong	14,266	49,455

15. TRADE AND OTHER RECEIVABLES

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

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Trade receivables	9,725	6,521
Other receivables, deposits and prepayments	36,793	61,781
	46,518	68,302
Classified as		
Non-current assets		
— Other receivables and deposits	6,688	11,068
Current assets		
— Trade receivables	9,725	6,521
— Other receivables, deposits and prepayments	30,105	50,713
	39,830	57,234
	46,518	68,302

15. TRADE AND OTHER RECEIVABLES — Continued

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	9,373	5,777
31–90 days	188	555
Over 90 days	164	189
	9,725	6,521

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

As at 30 September 2021, loss allowances of HK\$12,070,000 were made against the gross amount of trade receivables (31 March 2021: HK\$15,721,000).

As at 30 September 2021, loss allowances of HK\$3,040,000 were made against the gross amount of other receivables (31 March 2021: HK\$2,820,000).

16. TRADE AND OTHER PAYABLES

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Trade payables	25,232	19,794
Other payables and accrued charges	70,701	72,267
	95,933	92,061

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

	HK\$'000	HK\$'000
Within 90 days	6,124	16,610
91–365 days	17,796	629
Over 365 days	1,312	2,555
	25,232	19,794

17. BANK BORROWINGS

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Secured borrowings		
Bank borrowings	187,782	93,140
Classified as:		
Current	7,246	7,119
Non-current	180,536	86,021
	187,782	93,140

As at 30 September 2021, the Group had secured bank borrowings of HK\$187,782,000 (31 March 2021: HK\$93,140,000) and borne interest ranged from 5.5% to 6.05% (31 March 2021: 6.05%).

The banking facility is subject to the fulfilment of covenants relating to financing purpose, if the covenants were breached, the drawn down facilities would become repayable on demand. As at 30 September 2021, none of the covenants relating to bank borrowings had been breached.

The bank borrowings are secured by the followings as at 30 September 2021:

- (i) Group's investment property with carrying amount of HK\$584,841,000 (note 12);
- (ii) Account receivables of rental income generated from the pledged investment properties;
- (iii) Pledged bank deposit of HK\$14,491,000;
- (iv) Restricted bank deposit of HK\$3,793,000;
- (v) Entire equity interest of a subsidiary of the Company; and
- (vi) Personal guarantees given by a director of the Company.

17. BANK BORROWING — Continued

At the end of the reporting period, total current and non-current bank borrowing was scheduled to repay as follows:

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
On demand or within one year	7,246	7,119
More than one year, but not exceeding two years	8,151	7,416
More than two years, but not exceeding five years	124,081	26,400
After five years	48,304	52,205
	187,782	93,140

18. NOTE PAYABLE

The promissory note is unsecured and non-interest bearing and repayable on 30 June 2022. It is measured at amortised cost using the effective interest method of 3.6%.

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Classified as		
Current liability	23,376	–
Non-current liability	–	92,832
	23,376	92,832

On 16 October 2019, the holder of the promissory note entered into a Deed of Assignment with the Company and an independent third party to assign the promissory note to the independent third party with the principal amount and the terms remained the same.

18. NOTE PAYABLE — Continued

On 29 April 2020, the Company obtained a deed of undertaking from the holder of the promissory note who has agreed not to demand for repayment of the promissory note before 31 August 2020. On 18 May 2020, the Company entered into Supplementary Deed of Assignment with the independent third party and the holder of the promissory note to extend the maturity date of the promissory note to 31 August 2020.

On 22 June 2020, the Company obtained a deed of undertaking from the holder of the promissory note who has agreed not to demand for repayment of the promissory note before 30 June 2021.

On 31 March 2021, the Group, Aquamen, the Guarantor and holder of the promissory note entered into a Deed of Assignment. Based on the terms of the Deed of Assignment, the Group agreed to execute the Deed of Assignment and assigned to holder of the promissory note all its rights, title and interests in relation to the other long term investment with principal amount of HK\$45,000,000 and related investment return (together classified as financial assets at FVTPL) for partial settlement of the promissory note in the amount of HK\$54,000,000 without recourse.

On 31 March 2021 and after the Deed of Assignment was signed, the Company further obtained a deed of undertaking from the holder of the promissory note who has agreed not to demand for repayment of the promissory note before 30 June 2022. All other terms in the promissory note shall remain valid and in force.

The Deed of Assignment and deed of undertaking are linked arrangement and a gain on modification of note payable amounted to HK\$4,179,000 is recognised in other income and net gains and losses for the year ended 31 March 2021.

On 20 April 2021, the Group and the holder of promissory note entered into a Power of Attorney. Base on the terms of the Power of Attorney, the Group agreed to repay amounting to RMB60,000,000 (equivalent to HK\$72,000,000) for partial repayment of the promissory note. All other terms in the promissory note remain valid and in force. A loss on derecognition of note payable amounted to HK\$1,931,000 is recognised in other income and net gains and losses for the period ended 30 September 2021.

19. 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 2020, 31 March 2021, 1 April 2021 and 30 September 2021		
— Ordinary shares of HK\$0.02 each	6,043,950,000	120,879

20. CAPITAL COMMITMENT

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided	445	4,738

21. FINANCIAL INSTRUMENTS

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

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
Financial assets		
FVTPL		
— Listed equity investments	1,748	4,256
FVOCI		
— Listed equity investments	14,266	49,455
Amortised cost		
— Trade and other receivables	37,109	35,718
— Pledged and restricted bank deposits	18,284	17,720
— Bank balances and cash	128,214	90,802
Financial liabilities		
Amortised cost		
— Trade and other payables	85,575	77,943
— Loan from a shareholder	91,000	80,000
— Bank borrowing	187,782	93,140
— Note payable	23,376	92,832
— Lease liabilities	68,679	81,106

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.

21. FINANCIAL INSTRUMENTS — Continued

(a) **Financial instruments not measured at fair value**

Financial instruments not measured at fair value include pledged and restricted bank deposits, bank balances and cash, trade and other receivables, amounts due from/to related parties, trade and other payables, loan from a shareholder, bank borrowing, note payable and lease 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.

Financial assets at fair value through profit or loss:

The Group's financial assets at FVTPL represent listed equity investments.

The classification of the measurement of listed equity investments as at 30 September 2021 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 or delisted by the Stock Exchange (the "Suspended and Delisted Shares") as disclosed in note 13(b). The fair values of these Suspended and Delisted 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.

21. FINANCIAL INSTRUMENTS — Continued

(b) Financial instruments measured at fair value — Continued

If the share price of delisted shares is 10% higher/lower while all other variables were held constant, the carrying amount of the delisted shares would decrease/increase by approximately HK\$84,000/HK\$Nil as at 30 September 2021.

If the discount for lack of marketability is 10% higher/lower while all other variables were held constant, the carrying amount of the delisted shares would decrease/increase by approximately HK\$24,000 as at 30 September 2021.

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 decrease/increase by approximately HK\$772,000/HK\$Nil as at 30 September 2021.

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\$221,000 as at 30 September 2021.

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).

21. FINANCIAL INSTRUMENTS — Continued

(b) Financial instruments measured at fair value — Continued

	(unaudited)			
	30 September 2021			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at FVTPL				
— Listed equity investments	—	—	—	—
— Suspended Shares	—	—	241	241
— Delisted Shares	—	—	1,507	1,507
Financial assets at FVOCI				
— Listed equity investments	14,266	—	—	14,266

	(audited)			
	31 March 2021			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at FVTPL				
— Listed equity investment	2,508	—	—	2,508
— Suspended Shares	—	—	241	241
— Delisted Shares	—	—	1,507	1,507
Financial assets at FVOCI				
— Listed equity investments	49,455	—	—	49,455

During the six months ended 30 September 2021, there was no transfer between Level 1 and Level 2 fair value hierarchy or transfer into or out of level 3 (31 March 2021: transfers into and out of Level 3).

21. FINANCIAL INSTRUMENTS — Continued

(b) Financial instruments measured at fair value — Continued

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

Suspended and Delisted Shares	Financial assets at FVTPL 30 September 2021 HK\$'000
At 1 April 2021	1,748
— net change in profit or loss (included in fair value change of financial assets at FVTPL)	—
At 30 September 2021	1,748

22. 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	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales to related companies	—	245
Purchases from a related company	—	1,521
Administrative service fee paid to a related company	120	120
Brokerage fee paid to a related company	10	—
Regional branding support income from a related company	—	67
Interest paid to a shareholder	2,472	986
Rental and other related expenses paid to a related company	3,709	3,576

A shareholder of the Company is also a director and shareholder of the related company.

23. RETIREMENT BENEFITS SCHEMES

The Group operates a mandatory provident fund scheme (“MPF Scheme”) for all qualifying employees in Hong Kong under the rules and regulations of the Mandatory Provident Fund Authority. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. Contributions are made based on a percentage of the participating employee relevant income from the Group and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.

The Group also participates a defined contribution plan under the Labor Pension Act (“LPA”) in Taiwan. Under this scheme, the employers are required to make contribution to the scheme at the rates specified in LPA. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

The employees in the Group’s subsidiaries in the PRC and Macau are members of the state-managed retirement benefit schemes operated by the PRC government and the Macau government respectively. Those subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

During the six months period ended 30 September 2021 and 2020 and year ended 31 March 2021, the Group had no forfeited contributions under its retirement benefit schemes in the PRC, Hong Kong, Macau and Taiwan which may be used to reduce the existing level of contributions as described in paragraph 26(2) of Appendix 16 to the Listing Rules.

24. APPROVAL OF UNAUDITED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 26 November 2021.

