

SINCERE WATCH

(Hong Kong) Limited

2022

中期
INTERIM REPORT 報告



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)

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-executive Director

Mrs. CHU Yuet Wah[#]

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*)
Mrs. CHU Yuet Wah
Mr. YU Zhenxin

COMPANY SECRETARY

Mr. CHAN Kwong Leung, Eric

AUTHORISED REPRESENTATIVES

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

[#] Re-designated from Executive Director to Non-executive Director with effect from 26 September 2022

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
17/F, Far East Finance Centre
16 Harcourt Road
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>

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Sincere Watch (Hong Kong) Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2022 (“H1 FY2023”) together with the unaudited comparative figures for the corresponding six months ended 30 September 2021 (“H1 FY2022”).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group’s revenue in H1 FY2023 decreased by 33.9% from HK\$68.8 million to HK\$45.5 million over the same period last year. The decrease was mainly due to lockdown policy and COVID-19 prevention measures in Mainland China.

Gross profit in H1 FY2023 decreased by 45.8% from HK\$25.1 million to HK\$13.6 million over the same period last year. Gross margin decreased from 36.4% to 29.9% due to decrease in revenue and the global pandemic of the COVID-19 during the period.

Other income and net gains and losses in H1 FY2023 were net gains of HK\$2.9 million as compared to net losses of HK\$0.8 million in H1 FY2022. The improvement was driven by significant increase in one-off rent concession and government subsidies received in H1 FY2023 of HK\$0.8 million and HK\$1.5 million respectively.

Selling and distribution costs decreased by 25.3% from HK\$17.2 million in H1 FY2022 to HK\$12.9 million in H1 FY2023 mainly due to the reduction in depreciation expenses of right-of-use assets.

General and administrative expenses increased by 29.9% from HK\$29.6 million in H1 FY2022 to HK\$38.5 million in H1 FY2023 mainly due to the increase in professional fees and staff costs.

Finance costs increased by 2.1% from HK\$9.8 million in H1 FY2022 to HK\$10.0 million in H1 FY2023 mainly due to the increase in the total loan and borrowing.

Loss attributable to owners of the Company in H1 FY2023 was HK\$47.4 million as compared to HK\$32.3 million in H1 FY2022.

Loss per share attributable to owners of the Company was 0.78 HK cent in H1 FY2023 (H1 FY2022: 0.54 HK cent). Net asset value per share was 7.5 HK cents as at 30 September 2022 against 9.0 HK cents as at 31 March 2022.

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 47 retail points of sales and 12 boutiques, making a total of 59 points (59 as at 31 March 2022).

Other than the 5 boutiques operated by the Group, the remaining 54 watch retail outlets are operated by 27 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 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

16–19 June 2022

FRANCK MULLER Hangzhou Tower Event

FRANCK MULLER unveiled the new concept boutique in Hangzhou Tower, a prime shopping location in the landmark of Hangzhou City 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 colorful popcorn stand was displayed at the shop front together with complimentary summer drinks for clients to enjoy while welcoming them for a horological journey at the new FRANCK MULLER boutique.

30 July 2022

Chinese Valentine's Day — Shenyang Mix C Boutique

To celebrate the Qixi Festival, VIPs were invited to attend this special event hosted at Shenyang Mix C Mall VIP lounge. Guests were pleased to kick off the event with watch presentation to reveal the latest collection, followed by a DIY Aroma Plaster workshop to customize the scents that suits their own taste.

Hong Kong

5–7, 11–14 May 2022

Exclusive Premium Skincare and Floral Workshop

To tie-in with Mother's Day, esteemed guests were invited to the FRANCK MULLER flagship boutique in Central to reveal the latest Vanguard Aqua Bleu and Cintrée Curvex Two-tone Collection. Guests were pleased to customize their own preserve roses with dazzled iconic numerals, followed by a prestige hand massage by premium skincare brand, AMOREPACIFIC to experience the reactivation of clock gene. Guests enjoyed a splendid afternoon tea while admiring the latest fascinating ladies' collection.

21 June 2022

FRANCK MULLER x Yes Watch VIP Dinner

Together with the prestige retail partner Yes Watch and the exceptional Speyside single malt whisky brand, The Glenrothes, FRANCK MULLER hosted a VIP dinner at the Central flagship boutique to unveil the latest Vanguard Aqua Bleu Collection. The esteemed guests enjoyed a scrumptious menu prepared by The Mandarin Oriental, while revealing the latest timepiece collection. The co-hosted event tributes to clients with refined taste who appreciate exceptional quality and fine craftsmanship.

8–12 September 2022

World Brand Piazza 2022

Prince Jewellery & Watch Company gathered 12 world renowned watch brands and successfully hosted the 12th edition of World Brand Piazza at the Hong Kong Watch & Clock Fair. Dedicated exhibition areas were honoured to FRANCK MULLER and CVSTOS to display the latest novelties. FRANCK MULLER presented the hero piece, The Skafander, bestowed with a tonneau-shaped case as well as an innovative solution to adjust the dive bezel, while CVSTOS unveiled Sealiner Sapphire showcased in a sophisticated full sapphire crystal case that combines timeless elegance with visual fascination.

September 2022

2022 Miss Hong Kong Pageant

Once again, FRANCK MULLER is pleased to be one of the official sponsors for Miss Hong Kong Pageant in 2022. The brand has contributed its refined luxury timepieces as prizes to the 6 winners including Miss Hong Kong, 1st runner up, 2nd runner up, Miss Photogenic, Miss International Goodwill and Miss Friendship. The prize presentation was held at FRANCK MULLER Central boutique, the new Miss Hong Kong 2022, Miss Denice Lam was presented with the latest bejewelled Vanguard Lady Heart Skeleton diamond timepiece with 7 superimposed hearts positioned throughout the dial over a skeletonized mechanical movement.

Performance by business operations and geographical markets

Watch distribution

Hong Kong, Mainland China and Macau remained the key revenue drivers, contributing together HK\$33.0 million, which accounted for 72.6% of the Group's total revenue, in H1 FY2023.

Hong Kong

Hong Kong was the Group's major market and contributed 44.4% of the Group's revenue in H1 FY2023. Revenue in this region increased by 57.5% from HK\$12.8 million in H1 FY2022 to HK\$20.2 million in H1 FY2023.

Mainland China and Macau

Mainland China and Macau contributed 28.3% of the Group's revenue in H1 FY2023. Revenue in this region was HK\$12.9 million in H1 FY2023 as compared to HK\$46.5 million in H1 FY2022.

Other locations

Revenue from other locations increased by 47.9% from HK\$4.9 million in H1 FY2022 to HK\$7.3 million in H1 FY2023.

Property investment

Revenue from investment properties was derived from two properties located in the Mainland China. Their rental income increased from HK\$4.6 million in H1 FY2022 to HK\$5.2 million in H1 FY2023 due to increase in occupancy rate.

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 2022, the Group maintained the cash and bank balances of HK\$37.8 million when compared with its cash and bank balances of HK\$89.7 million as at 31 March 2022. Gearing ratio (net debt divided by total equity) was 63.2% at 30 September 2022 (31 March 2022: 54.1%). The Group has outstanding bank borrowing at the amount of HK\$159.6 million.

At 30 September 2022, details of the Group's investments in equity instruments were as below:

Stock code	Stock name	At 30 September 2022		H1 FY2023	
		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	-	-
627	Fullsun International Holdings Group Co., Ltd.	12,065,000	121	(24)	-
663	King Stone Energy Group Ltd.	31,702,000	8,718	-	824
Total			10,162	(24)	824

These investments were listed and delisted securities which were measured at fair value. As at 30 September 2022, investments in equity instruments amounted to approximately HK\$10.2 million.

During the period under review, a net fair value loss of approximately HK\$0.02 million was recognised in the statement of profit or loss while a net fair value gain of approximately HK\$0.82 million was recognised in the statement of other comprehensive income.

It was noted that trading in the shares of Tech Pro Technology Development Limited has been suspended since 9:00 a.m. on 9 November 2017, details of which are referred to in the announcement made by Tech Pro Technology Development Limited on 9 November 2017. 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 of Hong Kong Limited (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\$264.2 million as at 31 March 2022 to HK\$162.9 million as at 30 September 2022. Net assets reduced to HK\$451.7 million as at 30 September 2022 as compared to HK\$546.9 million as at 31 March 2022. 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 2022, the total number of issued shares of the Company was 6,043,950,000 (31 March 2022: 6,043,950,000). There was no change in the capital structure of the Company during the six months ended 30 September 2022.

The Group recorded a realised exchange loss of HK\$0.04 million in H1 FY2023 as compared with gain of HK\$0.08 million in H1 FY2022. In addition, the Group recognised an unrealised exchange loss of HK\$1.3 million in H1 FY2023 against a loss of HK\$0.3 million in H1 FY2022.

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 2022, (i) investment property at fair value of RMB422.9 million (equivalent to HK\$466.5 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\$13.2 million), (iv) restricted bank deposit of RMB0.4 million (equivalent to HK\$0.5 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 RMB144.7 million (equivalent to HK\$159.6 million) (31 March 2022: RMB150.1 million (equivalent to HK\$185.4 million)).

CAPITAL COMMITMENT

As at 30 September 2022, the Group had contracted, but not provided for capital expenditure commitment of HK\$4.1 million (31 March 2022: HK\$0.8 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 2022 (31 March 2022: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2022, the Group's work force stood at 113 including Directors (31 March 2022: 123). 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 2022, 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 (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 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 2022, 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 2022.

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 2022. No share option has been granted since the adoption of the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2022, 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%
Shipshape Investments Limited	Interest of controlled corporation (Note 1)	2,087,230,000	34.53%
Sun Hung Kai & Co. Limited	Interest of controlled corporation (Note 1)	2,087,230,000	34.53%
Allied Group Limited	Interest of controlled corporation (Note 1)	2,087,230,000	34.53%
Lee Seng Hui	Interest of controlled corporation (Note 1)	2,087,230,000	34.53%
Lee Su Hwei	Interest of controlled corporation (Note 1)	2,087,230,000	34.53%
Lee Seng Huang	Interest of controlled corporation (Note 1)	2,087,230,000	34.53%
Sky League Limited	Beneficial owner	1,294,370,000	21.42%
Wang Fang	Interest of controlled corporation (Note 2)	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 (Note 3)	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 73.15% 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 74.99% of the total number of issued shares of Allied Group Limited (inclusive of Lee Seng Hui's personal interests) as at 30 September 2022. 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 2022, 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 2022.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all code provisions set out in Part 2 of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the six months ended 30 September 2022, except for the following deviation.

In respect of code provision C.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Since 1 December 2021, Mr. Zhang Xiaoliang has become the Chairman of the Board and the Chief Executive Officer of the Company. The Group has been streamlining its operations, including business development, operation efficiency and financial management to overcome the unfavourable market condition caused by the persistent COVID-19 pandemic. The Board considers that it would be in the best interest of the shareholders of the Company that the roles of the Chairman and the Chief Executive Officer of the Company be combined to enable a strong and dedicated leadership to reposition the Company and implement effective measures to improve shareholders' value especially when the business prospects remain fairly challenging. The Company will review the current structure when and as it becomes appropriate.

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 2022.

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. The Audit Committee 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 2022.

CHANGE IN INFORMATION OF DIRECTOR

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

Mrs. Chu Yuet Wah was re-designated from executive Director to non-executive Director with effect from 26 September 2022.

By Order of the Board
Sincere Watch (Hong Kong) Limited
Zhang Xiaoliang
Chairman and Chief Executive Officer

Hong Kong, 29 November 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	Notes	For the six months ended 30 September	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	5	45,474	68,808
Cost of sales		(31,883)	(43,739)
Gross profit		13,591	25,069
Other income and net gains and losses	6	2,931	(781)
Provision for impairment on property, plant and equipment		–	(340)
Selling and distribution costs		(12,870)	(17,231)
General and administrative expenses		(38,452)	(29,612)
Provision for expected credit losses on financial assets		(1,333)	(322)
Finance costs		(9,987)	(9,778)
Loss before taxation, exchange (loss)/gain, fair value changes of investment properties and financial assets at fair value through profit or loss		(46,120)	(32,995)
Realised exchange (loss)/gain		(41)	83
Unrealised exchange loss		(1,328)	(317)
Fair value change of financial assets at fair value through profit or loss (“FVTPL”)		(24)	1,452
Loss before taxation		(47,513)	(31,777)
Income tax expense	7	(49)	(570)
Loss for the period		(47,562)	(32,347)
Loss for the period attributable to:			
Owners of the Company		(47,374)	(32,347)
Non-controlling interests		(188)	–
		(47,562)	(32,347)

		For the six months ended 30 September	
		2022	2021
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
	Notes		
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”)		824	(35,189)
Items that may be subsequently reclassified to profit or loss			
— Exchange differences on translation of foreign operations		(48,971)	10,283
Other comprehensive income for the period		(48,147)	(24,906)
Total comprehensive income for the period		(95,709)	(57,253)
Total comprehensive income for the period attributable to:			
Owners of the Company		(95,529)	(57,253)
Non-controlling interests		(180)	—
		(95,709)	(57,253)
Loss per share attributable to owners of the Company			
— basic and diluted	10	(0.78) HK cent	(0.54) HK cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	Notes	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	39,533	44,437
Investment properties	12	466,543	522,366
Financial assets at FVOCI	14	8,718	7,894
Other receivables	15	8,217	8,957
Deferred tax assets		94	94
		523,105	583,748
Current assets			
Inventories		258,138	280,810
Trade and other receivables	15	73,683	62,458
Financial assets at FVTPL	13	1,444	1,468
Pledged and restricted bank deposits		13,733	18,524
Bank balances and cash		24,052	71,199
		371,050	434,459
Current liabilities			
Trade and other payables	16	128,517	101,342
Contract liabilities		2,974	1,181
Lease liabilities		22,228	28,135
Bank borrowing	17	12,742	13,649
Note payable	18	24,000	–
Loan from a shareholder		16,077	24,326
Taxation payable		1,576	1,579
		208,114	170,212
Net current assets		162,936	264,247
Total assets less current liabilities		686,041	847,995

		30 September 2022	31 March 2022
	Notes	HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current liabilities			
Bank borrowing	17	146,891	171,755
Note payable	18	–	23,792
Loan from a shareholder		53,454	61,611
Lease liabilities		33,975	43,958
		234,320	301,116
Net assets		451,721	546,879
Capital and reserves			
Share capital	19	120,879	120,879
Reserves		330,471	426,000
Equity attributable to:			
Owners of the Company		451,350	546,879
Non-controlling interests		371	–
Total equity		451,721	546,879

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	FVOCI reserve	Special reserve	Translation reserve	Accumulated losses		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note)							
At 1 April 2021 (audited)	120,879	963,553	5,389	801	(25,176)	(339,801)	725,645	725,645
Exchange differences on translation of foreign operations	-	-	-	-	10,283	-	10,283	10,283
Fair value change of financial assets at FVOCI	-	-	(35,189)	-	-	-	(35,189)	(35,189)
Loss for the period	-	-	-	-	-	(32,347)	(32,347)	(32,347)
Total comprehensive income for the period	-	-	(35,189)	-	10,283	(32,347)	(57,253)	(57,253)
At 30 September 2021 (unaudited)	120,879	963,553	(29,800)	801	(14,893)	(372,148)	668,392	668,392
At 1 April 2022 (audited)	120,879	963,553	(36,172)	801	(5,562)	(496,620)	546,879	546,879
Capital contribution from non-controlling interests	-	-	-	-	-	-	551	551
Exchange differences on translation of foreign operations	-	-	-	-	(48,979)	-	(48,979)	(48,971)
Fair value change of financial assets at FVOCI	-	-	824	-	-	-	824	824
Loss for the period	-	-	-	-	-	(47,374)	(47,374)	(47,562)
Total comprehensive income for the period	-	-	824	-	(48,979)	(47,374)	(95,529)	(95,709)
At 30 September 2022 (unaudited)	120,879	963,553	(35,348)	801	(54,541)	(543,994)	451,350	451,721

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 (the "Stock Exchange") in 2005.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	For the six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	19,625	32,731
Investing activities		
Purchase of property, plant and equipment	(9,027)	(5,115)
Interest received	106	133
Proceeds from disposal of financial assets measured at FVTPL	–	3,960
Decrease/(increase) in pledged and restricted bank deposits	3,149	(311)
Net cash used in investing activities	(5,772)	(1,333)
Financing activities		
Capital contribution from non-controlling interest	551	–
Proceeds from short-term loan from a shareholder	–	11,000
Repayment of loan from a shareholder	(16,406)	–
Proceeds from bank borrowing	–	96,608
Repayment of bank borrowing	(5,957)	(3,623)
Repayment of note payable	–	(72,000)
Repayment of principal portion of lease liabilities	(17,937)	(18,245)
Interest paid	(8,937)	(8,705)
Net cash (used in)/generated from financing activities	(48,686)	5,035
Net (decrease)/increase in cash and cash equivalents	(34,833)	36,433
Cash and cash equivalents at beginning of the period	71,199	90,802
Effect of foreign exchange rate changes	(12,314)	979
Cash and cash equivalents at end of the period, represented by bank balances and cash	24,052	128,214

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”), and property investment.

The unaudited 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

These unaudited 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 unaudited interim condensed consolidated financial statements were authorised for issue on 29 November 2022.

These unaudited interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2022 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 2022.

The preparation of these unaudited 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.

2. BASIS OF PREPARATION — Continued

These unaudited interim condensed consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated. These unaudited interim condensed consolidated financial statements contain unaudited 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 2022 annual financial statements. These unaudited 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 3, Reference to the Conceptual Framework
- Amendments to HKAS 16, Property, Plant and Equipment — Proceeds before Intended Use
- Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract
- Amendments to HKAS 41, HKFRS 1, HKFRS 9 and HKFRS 16, Annual Improvements to HKFRSs 2018–2020

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 unaudited 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 2022 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 property investment, which are for the analysis based on the geographical locations of the sales.

(a) Segment revenue and results

Segment results represent the loss before taxation by each segment and excluding fair value change of 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.

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 2022

	Watch distribution			Property investment	Unallocated	
	Hong Kong	Mainland China and Macau	Other locations	Sub-total	Mainland China	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
REVENUE						
External sales	20,175	12,855	7,254	40,284	5,190	45,474
RESULT						
Segment results	(13,488)	(15,160)	(55)	(28,703)	(8,890)	(50,420)
Fair value change of financial assets at FVTPL						(24)
Provision for impairment on property, plant and equipment						-
Unallocated expenses						-
Unallocated income						2,931
Loss before taxation						(47,513)
Income tax expense						(49)
Loss for the period						(47,562)

5. SEGMENT INFORMATION — Continued

(a) Segment revenue and results — Continued

For the six months ended 30 September 2021

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

5. SEGMENT INFORMATION — Continued

(b) Disaggregation of revenue

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

For the six months ended 30 September 2022

	Watch distribution HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Primary geographical markets			
Hong Kong	20,175	–	20,175
Mainland China and Macau	12,855	5,190	18,045
Other locations	7,254	–	7,254
	40,284	5,190	45,474
Major products and services			
Wholesales of watch	24,367	–	24,367
Retail sales of watch	14,407	–	14,407
Repair of watch	1,510	–	1,510
Rental income	–	5,190	5,190
	40,284	5,190	45,474
Timing of revenue recognition			
At a point in time	40,284	5,190	45,474
Transferred over time	–	–	–
	40,284	5,190	45,474

5. SEGMENT INFORMATION — Continued

(b) Disaggregation of revenue — Continued

For the six months ended 30 September 2021

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

6. OTHER INCOME AND OTHER NET GAINS AND LOSSES

	For the six months ended 30 September 2022 HK\$'000 (unaudited)		2021 HK\$'000 (unaudited)
Interest income	146		133
Rent concession (Note (a))	845		199
Loss on modification of note payable	—		(1,931)
Government subsidy	1,500		121
Overprovision of reinstatement cost	324		303
Others	116		394
	2,931		(781)

Note:

- (a) Rent concession represents the change in lease payment occurred as a direct consequence of COVID-19-related rent concession of HK\$845,000 (2021: HK\$199,000).

7. INCOME TAX EXPENSE

	For the six months ended 30 September 2022 HK\$'000 (unaudited)		2021 HK\$'000 (unaudited)
The charge comprises:			
Current tax			
Hong Kong profits tax	—		—
Other jurisdictions	(49)		(570)
	(49)		(570)

Hong Kong Profits Tax is calculated at 16.5% (30 September 2021: 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

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

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Directors' remuneration	1,711	2,569
Other staff costs	16,303	14,982
Other staff's retirement benefits scheme contributions	656	560
Total staff costs	18,670	18,111
Depreciation of property, plant and equipment	14,373	14,869
Interest on lease liabilities	2,113	2,400
Short-term leases expenses	57	530
Variable lease payments	198	388
Rent concession	(845)	(199)
Provision for impairment of property, plant and equipment	–	340
Provision for expected credit losses on financial assets	1,333	322
Cost of inventories recognised as an expense (including write-down of inventories HK\$590,000 (2021: HK\$4,448,000))	31,883	43,739
Government subsidy	(1,500)	(121)
Interest income	(146)	(133)
Direct operating expenses arising from investment property that generated rental income during the period	425	286

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 2022 (30 September 2021: Nil).

No final dividend for the year ended 31 March 2022 was declared and paid during the period (31 March 2021: Nil).

10. LOSS PER SHARE

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

	For the six months ended 30 September 2022	
	HK\$'000	2021
	(unaudited)	HK\$'000 (unaudited)
Loss for the purpose of basic and diluted earnings per share	(47,374)	(32,347)
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 2022 and 2021 are the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group entered into new leases for shops and offices with right-of-use assets amounted to approximately HK\$779,000 (30 September 2021: HK\$6,017,000) recognised.

During the period, additions to the Group's property, plant and equipment amounted to approximately HK\$9,027,000 (30 September 2021: HK\$5,115,000) which mainly included the additions to leasehold improvements amounting to approximately HK\$8,335,000 (30 September 2021: HK\$5,047,000) 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\$Nil (30 September 2021: HK\$340,000) was recognised and charged to the unaudited interim condensed consolidated statement of profit or loss and other comprehensive income for the 6 months period ended 30 September 2022. 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\$25,974,000 (31 March 2022: HK\$35,126,000) and other property, plant and equipment amounted to HK\$13,559,000 (31 March 2022: HK\$9,311,000) were recognised as at 30 September 2022.

12. INVESTMENT PROPERTIES

	HK\$'000
At 1 April 2021	574,622
Fair value change	(74,730)
Exchange realignment	22,474
At 31 March 2022 (audited)	522,366
Fair value change	–
Exchange realignment	(55,823)
At 30 September 2022 (unaudited)	466,543

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 2022 and 31 March 2022.

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 2021 (Level 3 recurring fair value)	574,622
Change in fair value recognised in profit or loss	(74,730)
Exchange realignment	22,474
At 31 March 2022 (audited) (Level 3 recurring fair value)	522,366
Change in fair value recognised in profit or loss	–
Exchange realignment	(55,823)
At 30 September 2022 (unaudited) (Level 3 recurring fair value)	466,543

Rental income of HK\$5,190,000 was recognised during the period ended 30 September 2022 (30 September 2021: HK\$4,605,000).

As at 30 September 2022, Group's investment property are pledged to banks to secure bank loans of RMB144,700,000 (equivalent to HK\$159,633,000) to the Group (note 17).

13. FINANCIAL ASSETS AT FVTPL

		30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
	Notes		
Other long term investment		–	–
Listed equity securities in Hong Kong			
Listed equity securities in Hong Kong	(a)	121	145
Delisted equity securities in Hong Kong	(a)	1,323	1,323
		1,444	1,468
Total financial assets at FVTPL		1,444	1,468
Classified as			
Current assets		1,444	1,468

Note:

- (a) 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 2022 (audited)	1,468
Fair value change of financial assets measured at FVTPL	(24)
As at 30 September 2022 (unaudited)	1,444

14. FINANCIAL ASSETS AT FVOCI

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Listed equity securities in Hong Kong	8,718	7,894

15. TRADE AND OTHER RECEIVABLES

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

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Trade receivables	4,138	19,429
Other receivables, deposits and prepayments	77,762	51,986
	81,900	71,415
Classified as		
Non-current assets		
— Other receivables and deposits	8,217	8,957
Current assets		
— Trade receivables	4,138	19,429
— Other receivables, deposits and prepayments	69,545	43,029
	73,683	62,458
	81,900	71,415

15. TRADE AND OTHER RECEIVABLES — Continued

The following is an aged analysis of trade receivables (net of allowance) based on the invoice dates at the end of the reporting period, which approximate the respective revenue recognition dates:

	HK\$'000	HK\$'000
Within 30 days	2,720	17,510
31–90 days	636	1,274
Over 90 days	782	645
	4,138	19,429

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

As at 30 September 2022, loss allowances of HK\$14,596,000 were made against the gross amount of trade receivables (31 March 2022: HK\$16,787,000).

As at 30 September 2022, loss allowances of HK\$5,091,000 were made against the gross amount of other receivables (31 March 2022: HK\$3,495,000).

16. TRADE AND OTHER PAYABLES

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Trade payables	52,063	31,139
Other payables and accrued charges	76,454	70,203
	128,517	101,342

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

	HK\$'000	HK\$'000
Within 90 days	20,984	13,445
91–365 days	24,338	16,265
Over 365 days	6,741	1,429
	52,063	31,139

17. BANK BORROWINGS

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Secured borrowings		
Bank borrowings	159,633	185,404
Classified as:		
Current	12,742	13,649
Non-current	146,891	171,755
	159,633	185,404

As at 30 September 2022, the Group had secured bank borrowings of HK\$159,633,000 (31 March 2022: HK\$185,404,000) and borne interest ranging from 6.05% to 6.30% (31 March 2022: from 6.05% to 6.30%).

The banking facility is subject to the fulfilment of covenants, if the covenants were breached, the drawn down facilities would become repayable on demand. As at 30 September 2022, none of the covenants relating to bank borrowings had been breached.

The bank borrowings are secured by the followings as at 30 September 2022:

- (i) Group's investment property with carrying amount of HK\$466,543,000 (note 12);
- (ii) Trade receivables of rental income generated from the pledged investment properties;
- (iii) Pledged bank deposit of HK\$13,239,000;
- (iv) Restricted bank deposit of HK\$494,000;
- (v) Entire equity interest of a subsidiary of the Company; and
- (vi) Personal guarantees given by a director of the Company.

17. BANK BORROWINGS — Continued

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

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
On demand or within one year	12,742	13,649
More than one year, but not exceeding two years	85,388	14,576
More than two years, but not exceeding five years	27,028	113,021
After five years	34,475	44,158
	159,633	185,404

18. NOTE PAYABLE

The promissory note is unsecured and non-interest bearing and repayable on 30 June 2023. It is measured at amortised cost using the effective interest method of 3.6%.

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Classified as		
Current liability	24,000	—
Non-current liability	—	23,792
	24,000	23,792

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 was 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 modification of note payable amounted to HK\$1,931,000 was recognised in other income and net gains and losses for the period ended 30 September 2021.

On 30 March 2022, the Company further obtained an extension letter from the holder of the promissory note who has agreed not to demand for repayment of the promissory note before 30 June 2023. All other terms in the promissory note shall remain valid and in force.

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 2021, 31 March 2022, 1 April 2022 and 30 September 2022		
— Ordinary shares of HK\$0.02 each	6,043,950,000	120,879

20. CAPITAL COMMITMENT

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided	4,073	843

21. FINANCIAL INSTRUMENTS

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

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Financial assets		
FVTPL		
— Listed equity investments	1,444	1,468
FVOCI		
— Listed equity investments	8,718	7,894
Amortised cost		
— Trade and other receivables	50,703	55,868
— Bank balances and cash	37,785	89,723
Financial liabilities		
Amortised cost		
— Trade and other payables	126,228	93,766
— Loan from a shareholder	69,531	85,937
— Bank borrowing	159,633	185,404
— Note payable	24,000	23,792
— Lease liabilities	56,203	72,093

Fair value measurements of financial instruments

A number of assets and liabilities included in these unaudited 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 2022 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(a). 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.

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\$625,000/HK\$Nil as at 30 September 2022.

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\$184,000 as at 30 September 2022.

21. 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 decrease/increase by approximately HK\$Nil/HK\$Nil as at 30 September 2022.

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\$Nil as at 30 September 2022.

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).

	(unaudited)			
	30 September 2022			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at FVTPL				
— Listed equity investments	121	—	—	121
— Delisted Shares	—	—	1,323	1,323
Financial assets at FVOCI				
— Listed equity investments	8,718	—	—	8,718

21. FINANCIAL INSTRUMENTS — Continued

(b) Financial instruments measured at fair value — Continued

(audited)				
31 March 2022				
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at FVTPL				
— Listed equity investment	145	—	—	145
— Delisted Shares	—	—	1,323	1,323
Financial assets at FVOCI				
— Listed equity investments	7,894	—	—	7,894

During the six months ended 30 September 2022, there was no transfer between Level 1 and Level 2 fair value hierarchy or transfer into or out of level 3 (31 March 2022: transfers into and out of Level 3).

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

Delisted Shares	Financial assets at FVTPL
	30 September 2022
	HK\$'000
At 1 April 2022	1,323
— net change in profit or loss (included in fair value change of financial assets at FVTPL)	—
At 30 September 2022	1,323

22. RELATED PARTY TRANSACTIONS

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

	Notes	For the six months ended 30 September	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Administrative service fee paid to a related company	(i)	120	120
Brokerage fee paid to a related company	(i)	–	10
Interest paid to a shareholder	(i)	2,323	2,472
Lease payments and other related expenses paid to a related company	(i)	3,803	3,709
Lease payments and other related expenses paid to a related party	(ii)	2,775	2,838

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

(ii) The ultimate beneficial owner of the landlord is a close family member of a shareholder and director of the Company.

23. APPROVAL OF UNAUDITED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 29 November 2022.

