

SINCERE WATCH

(Hong Kong) Limited

2023 中期
INTERIM REPORT 報告

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code 股份代號：00444



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. ZHANG Xiaoliang (*Chairman and Chief Executive Officer*)
Mr. YANG Guangqiang
Mr. AN Muzong

Independent Non-executive Directors

Mr. YU Zhenxin
Mr. ZONG Hao
Mr. CHENG Sing Kau Colman
Mr. HONG Sze Lung

AUDIT COMMITTEE

Mr. HONG Sze Lung (*Chairman*)
Mr. ZONG Hao
Mr. YU Zhenxin
Mr. CHENG Sing Kau Colman

REMUNERATION COMMITTEE

Mr. YU Zhenxin (*Chairman*)
Mr. ZONG Hao
Mr. AN Muzong

NOMINATION COMMITTEE

Mr. ZONG Hao (*Chairman*)
Mr. YU Zhenxin
Mr. AN Muzong

INVESTMENT COMMITTEE

Mr. ZHANG Xiaoliang (*Chairman*)
Mr. YU Zhenxin
Mr. AN Muzong

COMPANY SECRETARY

Mr. CHAN Kwong Leung, Eric

AUTHORISED REPRESENTATIVES

Mr. AN Muzong
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

Unit 2016–2018, 20/F
China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

AUDITOR

CL Partners CPA Limited
3203A-05, Tower 2
Lippo Centre, Admiralty
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 2023 (“H1 FY2024”) together with the unaudited comparative figures for the corresponding six months ended 30 September 2022 (“H1 FY2023”).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group’s revenue in H1 FY2024 increased by 98.1% from HK\$45.5 million to HK\$90.1 million over the same period last year. The increase was mainly due to Mainland China, Hong Kong and Macau governments lifted all pandemic preventive measures to stimulate local consumption in early 2023.

Gross profit in H1 FY2024 increased by 1.6% from HK\$13.6 million to HK\$13.8 million over the same period last year. Gross margin decreased from 29.9% to 15.3% due to intensified pricing competition in the luxury watch market during the period.

Other income and net gains and losses in H1 FY2024 were net gains of HK\$10.7 million as compared to net gains of HK\$2.9 million in H1 FY2023. The increase was mainly due to gain on early termination of leases and forfeiture of deposits received in H1 FY2024.

Selling and distribution costs decreased by 50.2% from HK\$12.9 million in H1 FY2023 to HK\$6.4 million in H1 FY2024 mainly due to the reduction in depreciation expenses of right-of-use assets.

General and administrative expenses increased by 38.3% from HK\$38.5 million in H1 FY2023 to HK\$53.2 million in H1 FY2024 mainly due to the increase in legal and professional fees related to Arbitration and staff costs.

Finance costs decreased by 10.9% from HK\$10.0 million in H1 FY2023 to HK\$8.9 million in H1 FY2024 mainly due to partial repayment of loan from a shareholder.

Loss attributable to owners of the Company in H1 FY2024 was HK\$56.0 million as compared to HK\$47.4 million in H1 FY2023.

Loss per share attributable to owners of the Company was 0.93 HK cent in H1 FY2024 (H1 FY2023: 0.78 HK cent). Net asset value per share was 2.9 HK cents as at 30 September 2023 against 4.0 HK cents as at 31 March 2023.

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 49 retail points of sales and 11 boutiques, making a total of 60 points (61 as at 31 March 2023).

Other than the 5 boutiques operated by the Group, the remaining 55 watch retail outlets are operated by 26 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.

Hong Kong

5–9 September 2023

World Brand Piazza 2023

Prince Jewellery & Watch Company gathered 12 world renowned watch brands and successfully hosted the 13th 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. A selection of FRANCK MULLER's iconic series have been exhibited, including the Vanguard Racing Skeleton and Vanguard Heart Skeleton, while CVSTOS unveiled the latest Metropolitan Chrono Skeleton perfectly symbolizes the watchmaking know-how and combine the utility of its performance with the beauty of its design.

Performance by business operations and geographical markets

Watch distribution

Hong Kong, Mainland China and Macau remained the key revenue drivers, contributing together HK\$81.1 million, which accounted for 90.0% of the Group's total revenue, in H1 FY2024.

Hong Kong

Hong Kong was the Group's major market and contributed 78.3% of the Group's revenue in H1 FY2024. Revenue in this region increased by 249.6% from HK\$20.2 million in H1 FY2023 to HK\$70.5 million in H1 FY2024.

Mainland China and Macau

Mainland China and Macau contributed 11.7% of the Group's revenue in H1 FY2024. Revenue in this region was HK\$10.6 million in H1 FY2024 as compared to HK\$12.9 million in H1 FY2023.

Other locations

Revenue from other locations decreased by 69.2% from HK\$7.3 million in H1 FY2023 to HK\$2.2 million in H1 FY2024.

Property investment

Revenue from investment properties was derived from two properties located in the Mainland China. Their rental income decreased from HK\$5.2 million in H1 FY2023 to HK\$4.1 million in H1 FY2024 due to decrease in occupancy rate.

PROSPECTS

In 2023, Mainland China, Hong Kong and Macau have opened up their borders, and with the lifting of all pandemic preventive measures and governments' implementation of measures to stimulate local consumption, business and economic activities in Mainland China, Hong Kong and Macau are in the process of recovery. With a robust foundation established over twenty years in watch brand management, the Group is not only equipped to navigate this new landscape but is also expected to play a lead role in the industry's future.

Despite challenges arising from our dispute with Franck Muller, the Group is under normal operation and there is currently nothing which prevents the Group from distributing "Franck Muller" branded watches. Presently, our Company maintains ample inventory to sustain our operations through our current sales channels. Further, our commitment to a seamless supply of goods remains strong.

While our association with the distribution of Franck Muller has always been recognized, future strategies have been devised to expand even further. Mainland China, Hong Kong, Macau, and Taiwan will soon see a stronger presence of our sales network, illustrating our ambition to embrace a diversified brand portfolio. The Group has crafted strategies to expand our horizons, highlighting our resilience. These strategies focus on sourcing premium watch and jewelry brands from Europe. The Group has entered into a memorandum of understanding (the "MOU") with a renowned Swiss watchmaker in October 2023 for distribution rights in certain territories in Mainland China, Hong Kong and Macau. The Group remains to be in negotiation with a group of brand owners/distributors in relation to MOUs for distribution rights with respect to other premium European timepiece brands.

Our partnerships and collaborations with Hainan Duty Free will be more dynamic in the coming years. Through our major subsidiary of the Group, top watch brands will be showcased more prominently in duty-free outlets across China. With local government backing, a broader and more impactful sales strategy will be rolled out, strengthening the visibility and prestige of associated brands.

Moving forward, the Group aims to strengthen its distribution network in Mainland China, Hong Kong and Macau and takes a cautious but proactive approach in its future expansion. This includes forming strategic alliance with major duty-free operators, expanding its watch business with addition of global brands aggressively expanding online sales, fostering deeper collaborations with third party distributors, establishing new dealers' shops and exploring untapped markets in other Asian countries.

Additionally, the Group will assess the occupancy and rental levels of its investment properties in the PRC to enhance rental yield.

Leveraging its more than twenty years of brand management experience in the watch market, professional management team and vast in-market resources, in particular, our Company boasts an extensive retailer network for luxury watches and jewelry within the Greater China market. Our marketing team possesses a wealth of experience in orchestrating marketing events for luxury timepieces. In this era of new media, we actively manage the Instagram, Facebook, and Weibo accounts for the promotion of Franck Muller brands in the Greater China region. Furthermore, our sales team is highly trained, equipped with exceptional knowledge, and proficient in providing top-tier customer service. All in all, the Group is committed to increasing its financial strength, and actively seeking appropriate business opportunities to diversify its income sources aiming to maximise value to its shareholders in the long-run.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 September 2023, the Group maintained the cash and bank balances of HK\$74.2 million when compared with its cash and bank balances of HK\$65.5 million as at 31 March 2023. Gearing ratio (net debt divided by total equity) was 161.5% at 30 September 2023 (31 March 2023: 122.5%). The Group has outstanding loans and borrowings at the amount of HK\$230.8 million.

At 30 September 2023, details of the Group's investments in equity instruments were as below:

Stock code	Stock name	At 30 September 2023		H1 FY2024	
		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	1,176	-	-
627	Fullsun International Holdings Group Co., Ltd.	120,650	61	(96)	-
663	King Stone Energy Group Ltd.	31,702,000	4,977	-	(3,424)
Total			6,214	(96)	(3,424)

These investments were listed and delisted securities which were measured at fair value. As at 30 September 2023, investments in equity instruments amounted to approximately HK\$6.2 million.

During the period under review, a net fair value loss of approximately HK\$0.1 million was recognised in the statement of profit or loss while a net fair value loss of approximately HK\$3.4 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 increased from HK\$14.3 million as at 31 March 2023 to HK\$32.8 million as at 30 September 2023. Net assets reduced to HK\$173.7 million as at 30 September 2023 as compared to HK\$241.4 million as at 31 March 2023. 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 2023, the total number of issued shares of the Company was 6,043,950,000 (31 March 2023: 6,043,950,000). There was no change in the capital structure of the Company during the six months ended 30 September 2023.

The Group recorded a realised exchange loss of HK\$0.04 million in H1 FY2024 as compared with loss of HK\$0.04 million in H1 FY2023. In addition, the Group recognised an unrealised exchange loss of HK\$11.8 million in H1 FY2024 against a loss of HK\$1.3 million in H1 FY2023.

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 2023, (i) investment property at fair value of RMB158.3 million (equivalent to HK\$170.4 million) was pledged to a bank as collateral for the Group's banking facility of outstanding balance of bank borrowing of RMB70.4 million (equivalent to HK\$75.8 million) and (ii) entire equity interest of subsidiaries of the Company were pledged to third parties as collateral for the Group's loan facility of outstanding balance of other borrowings of RMB144.0 million (equivalent to HK\$155.0 million).

As at 31 March 2023, (i) investment properties at fair value of RMB375.0 million (equivalent to HK\$428.6 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\$13.7 million), (iv) restricted banks deposit of RMB0.3 million (equivalent to HK\$0.3 million), and (v) entire equity interest of a subsidiary of the Company were pledged to banks as collateral for the Group's banking facility of outstanding balance of bank borrowings of RMB138.8 million (equivalent to HK\$158.6 million).

CAPITAL COMMITMENT

As at 30 September 2023, the Group had contracted, but not provided for capital expenditure commitment of HK\$Nil (31 March 2023: HK\$0.6 million) in respect of acquisition of property, plant and equipment.

CONTINGENT LIABILITIES

Except as disclosed in Note 22 to the interim condensed consolidated financial statements set out in this report, the Group had no other material contingent liabilities as at 30 September 2023 and 31 March 2023.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2023, the Group's work force stood at 121 including Directors (31 March 2023: 115). Employees were paid according to their merit, qualifications and competence and 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 2023, none of the Directors nor chief executives of the Company had any interests or short positions 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 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”).

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 2023. No share option has been granted since the adoption of the Share Option Scheme. The number of shares options available for grant under the scheme mandate as at 1 April 2023 and 30 September 2023 was both 415,200,000.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2023, the following persons 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
Sky League Limited	Beneficial owner	1,294,370,000	21.42%
Wang Fang	Interest of controlled corporation (<i>Note 1</i>)	1,294,370,000	21.42%

Name of shareholders	Capacity	Number of shares held (long position)	Approximate percentage of the Company's issued shares
Allied Crown Investment Limited	Beneficial owner	1,061,950,000	17.57%
Asia Gate Holdings Co., Ltd.	Interest of controlled corporation (<i>Note 2</i>)	1,061,950,000	17.57%
Brilliant World Limited	Beneficial owner	550,960,000	9.12%
Bai Ning	Interest of controlled corporation (<i>Note 3</i>)	550,960,000	9.12%
Chu Yuet Wah	Beneficial owner	265,000,000	4.38%
	Interest of controlled corporation (<i>Note 4</i>)	325,920,000	5.39%
Be Bright Limited	Beneficial owner	325,920,000	5.39%

Notes:

1. These 1,294,370,000 shares were held by Sky League Limited, which was wholly owned by Wang Fang. Accordingly, Wang Fang was deemed to be interested in these 1,294,370,000 shares of the Company by virtue of the SFO.
2. These 1,061,950,000 shares were held by Allied Crown Investment Limited, which was wholly owned by 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.
3. 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.
4. 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 2023, 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 2023.

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 2023, save as disclosed as follows.

Deviation from Code Provision C.2.1 of the CG Code

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. During the six months ended 30 September 2023, Mr. Zhang Xiaoliang is the Chairman of the Board and the Chief Executive Officer of the Company responsible for the overall formulation of business strategies and market development of the Group, the leadership and effective running of the Board and ensuring that all significant and key issues were discussed and where required resolved by the Board timely and constructively, the overall development as well as the strategic planning and positioning and management of the Group's business in the People's Republic of China. Mr. Zhang Xiaoliang is also delegated with the authority and responsibility to run the Group's business and the day-to-day operation, and implement the Group's strategy with respect to the achievement of its business objectives with the assistance of senior management. The Group has been streamlining its operations, including business development, operation efficiency and financial management to overcome the unfavourable market condition and the challenges ahead. 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.

Non-compliance with Rules 3.10(1), 3.10(2), 3.10A and 3.21 of the Listing Rules

During the period from 9 May 2023 to 11 May 2023, the Company has not met the following requirements after the resignation of Mr. Chiu Sin Nang, Kenny as an independent non-executive Director on 9 May 2023:

- (a) at least three independent non-executive directors on the board of directors under Rule 3.10(1) of the Listing Rules;
- (b) at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules;

- (c) independent non-executive directors who represent at least one-third of the board of directors under Rule 3.10A of the Listing Rules; and
- (d) the audit committee comprising a minimum of three members under Rule 3.21 of the Listing Rules.

On 12 May 2023, Mr. Cheng Sing Kau Colman was appointed as an independent non-executive Director and a member of the Audit Committee. Following the appointment of Mr. Cheng, the Company fully complied with the above requirements under Rules 3.10(1), 3.10(2), 3.10A and 3.21 of the Listing Rules.

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 2023.

AUDIT COMMITTEE

The Audit Committee consists of four independent non-executive Directors, namely Mr. Hong Sze Lung (the chairman of the Audit Committee), Mr. Zong Hao, Mr. Yu Zhenxin and Mr. Cheng Sing Kau Colman. 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 interim condensed consolidated financial statements of the Group for the six months ended 30 September 2023.

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

Hong Kong, 30 November 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

	Notes	For the six months ended 30 September	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	5	90,092	45,474
Cost of sales		(76,280)	(31,883)
Gross profit		13,812	13,591
Other income and net gains and losses	6	10,671	2,931
Selling and distribution costs		(6,405)	(12,870)
General and administrative expenses		(53,177)	(38,452)
Expected credit losses on financial assets		(300)	(1,333)
Finance costs		(8,902)	(9,987)
Loss before taxation, exchange loss, fair value changes of investment properties and financial assets at fair value through profit or loss ("FVTPL")		(44,301)	(46,120)
Realised exchange loss		(44)	(41)
Unrealised exchange loss		(11,838)	(1,328)
Fair value change of financial assets at FVTPL		(96)	(24)
Loss before taxation		(56,279)	(47,513)
Income tax credit/(expense)	7	6	(49)
Loss for the period		(56,273)	(47,562)
Loss for the period attributable to:			
Owners of the Company		(55,992)	(47,374)
Non-controlling interests		(281)	(188)
		(56,273)	(47,562)

	Notes	For the six months ended	
		2023	2022
		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”)		(3,424)	824
Items that may be subsequently reclassified to profit or loss			
— Exchange differences on translation of foreign operations		(8,227)	(48,971)
Other comprehensive income for the period		(11,651)	(48,147)
Total comprehensive income for the period		(67,924)	(95,709)
Total comprehensive income for the period attributable to:			
Owners of the Company		(67,478)	(95,529)
Non-controlling interests		(446)	(180)
		(67,924)	(95,709)
Loss per share attributable to owners of the Company			
— basic and diluted	10	(0.93) HK cent	(0.78) HK cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	Notes	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	43,966	29,903
Investment properties	12	403,650	428,550
Financial assets at FVOCI	14	4,977	8,401
Other receivables	15	19,015	24,730
Deferred tax assets		94	94
		471,702	491,678
Current assets			
Inventories		108,974	178,130
Trade and other receivables	15	57,831	39,529
Financial assets at FVTPL	13	1,237	1,333
Bank balances and cash		74,229	65,475
		242,271	284,467
Current liabilities			
Trade and other payables	16	152,894	159,055
Contract liabilities		8,480	4,397
Lease liabilities		25,804	26,931
Loans and borrowings	17	5,166	63,197
Loan from a shareholder		17,032	16,566
Taxation payable		46	47
		209,422	270,193
Net current assets		32,849	14,274
Total assets less current liabilities		504,551	505,952

		30 September 2023	31 March 2023
	Notes	HK\$'000 (unaudited)	HK\$'000 (audited)
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Non-current liabilities			
Loans and borrowings	17	225,614	145,136
Note payable		24,000	24,000
Loan from a shareholder		36,422	45,045
Lease liabilities		44,780	50,327
		330,816	264,508
		173,735	241,444
Net assets			
Capital and reserves			
Share capital	18	120,879	120,879
Reserves		53,478	120,956
Equity attributable to:			
Owners of the Company		174,357	241,835
Non-controlling interests		(622)	(391)
Total equity		173,735	241,444

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	Attributable to owners of the Company						Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	FVOCI reserve HK\$'000	Special reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000			
				(Note)					
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)	8	(48,971)
Fair value change of financial assets at FVOCI	-	-	824	-	-	-	824	-	824
Loss for the period	-	-	-	-	-	(47,374)	(47,374)	(188)	(47,562)
Total comprehensive income for the period	-	-	824	-	(48,979)	(47,374)	(95,529)	(180)	(95,709)
At 30 September 2022 (unaudited)	120,879	963,553	(35,348)	801	(54,541)	(543,994)	451,350	371	451,721
At 1 April 2023 (audited)	120,879	963,553	(35,665)	801	(36,613)	(771,120)	241,835	(391)	241,444
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	215	215
Exchange differences on translation of foreign operations	-	-	-	-	(8,062)	-	(8,062)	(165)	(8,227)
Fair value change of financial assets at FVOCI	-	-	(3,424)	-	-	-	(3,424)	-	(3,424)
Loss for the period	-	-	-	-	-	(55,992)	(55,992)	(281)	(56,273)
Total comprehensive income for the period	-	-	(3,424)	-	(8,062)	(55,992)	(67,478)	(446)	(67,924)
At 30 September 2023 (unaudited)	120,879	963,553	(39,089)	801	(44,675)	(827,112)	174,357	(622)	173,735

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 2023

	For the six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	3,939	19,625
Investing activities		
Purchase of property, plant and equipment	(8,179)	(9,027)
Interest received	419	106
Decrease in pledged and restricted bank deposits	14,041	3,149
Net cash generated from/(used in) investing activities	6,281	(5,772)
Financing activities		
Capital contribution from non-controlling interest	215	551
Repayment of loan from a shareholder	(8,157)	(16,406)
Proceeds from other borrowing	142,085	-
Repayment of bank borrowings	(73,626)	(5,957)
Repayment of other borrowings	(34,140)	-
Repayment of principal portion of lease liabilities	(11,749)	(17,937)
Interest paid	(8,902)	(8,937)
Net cash generated from/(used in) financing activities	5,726	(48,686)
Net increase/(decrease) in cash and cash equivalents	15,946	(34,833)
Cash and cash equivalents at beginning of the period	51,434	71,199
Effect of foreign exchange rate changes	6,849	(12,314)
Cash and cash equivalents at end of the period, represented by bank balances and cash	74,229	24,052

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. The Company acts as an investment holding company. The principal activities of 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 the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). These unaudited interim condensed consolidated financial statements were authorised for issue on 30 November 2023.

These unaudited interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2023 annual consolidated 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 2023.

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 2023 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 2023 annual 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:

- HKFRS 17 and related amendments, Insurance Contracts
- Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies
- Amendments to HKAS 8, Definition of Accounting Estimates
- Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to HKAS 12, International Tax Reform-Pillar Two Model Rules

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 2023 annual consolidated 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, 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 2023

	Watch distribution			Sub-total	Property investment		Unallocated	Total
	Mainland		Other locations		Mainland			
	Hong Kong	Macau			China	China		
HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	
REVENUE								
External sales	70,539	10,552	2,236	83,327	4,139	2,626		90,092
RESULT								
Segment results	(25,091)	(3,899)	(2,173)	(31,163)	(9,105)	(19,210)		(59,478)
Fair value change of financial assets at FVTPL								(96)
Unallocated expenses								(7,376)
Unallocated income								10,671
Loss before taxation								(56,279)
Income tax credit								6
Loss for the period								(56,273)

5. SEGMENT INFORMATION — Continued
(a) Segment revenue and results — Continued
For the six months ended 30 September 2022

	Watch distribution			Sub-total	Property investment	Unallocated	Total
	Mainland		Other locations		Mainland		
	Hong Kong	China and Macau					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(unaudited)	(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)	(12,827)	(50,420)
Fair value change of financial assets at FVTPL							(24)
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

(b) Disaggregation of revenue

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

For the six months ended 30 September 2023

	Watch distribution HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Other HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Primary geographical markets				
Hong Kong	70,539	-	-	70,539
Mainland China and Macau	10,552	4,139	2,626	17,317
Other locations	2,236	-	-	2,236
	83,327	4,139	2,626	90,092
Major products and services				
Wholesales of watch	64,999	-	-	64,999
Retail sales of watch	15,364	-	-	15,364
Repair of watch	2,964	-	-	2,964
Rental income	-	4,139	-	4,139
Others	-	-	2,626	2,626
	83,327	4,139	2,626	90,092
Timing of revenue recognition				
At a point in time	83,327	-	-	83,327
Revenue from contracts with customers	83,327	-	-	83,327
Leases	-	4,139	2,626	6,765
	83,327	4,139	2,626	90,092

5. SEGMENT INFORMATION — Continued

(b) Disaggregation of revenue — Continued

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
	<u>40,284</u>	<u>5,190</u>	<u>45,474</u>
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
	<u>40,284</u>	<u>5,190</u>	<u>45,474</u>
Timing of revenue recognition			
At a point in time	40,284	–	40,284
Revenue from contracts with customers	40,284	–	40,284
Leases	–	5,190	5,190
	<u>40,284</u>	<u>5,190</u>	<u>45,474</u>

6. OTHER INCOME AND OTHER NET GAINS AND LOSSES

	For the six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income	419	146
Rent concession (Note (a))	–	845
Forfeiture of deposits received	452	–
Government subsidy (Note (b))	–	1,500
Overprovision of reinstatement cost	419	324
Gain on early termination of leases, net	9,194	–
Others	187	116
	10,671	2,931

Note:

- (a) Rent concession represented the change in lease payment occurred as a direct consequence of COVID-19-related rent concession of HK\$845,000 for the six months ended 30 September 2022 (30 September 2023: HK\$Nil).
- (b) During the six months ended 30 September 2022, the Group applied for a government support program introduced in response to the global pandemic. Included in profit or loss is HK\$1,500,000 of government grants obtained relating to supporting the payroll of the Group's employees. The Group had to commit to spending the assistance on payroll expenses, and not reducing employee head count below prescribed levels for a specified period of time. The Group does not have any unfulfilled obligations relating to this program (30 September 2023: HK\$Nil).

7. INCOME TAX CREDIT/(EXPENSE)

	For the six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The credit/(charge) comprises:		
Current tax		
Hong Kong profits tax	–	–
Other jurisdictions	6	(49)
	6	(49)

Hong Kong Profits Tax is calculated at 16.5% (30 September 2022: 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	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Directors' remuneration	1,760	1,711
Other staff costs	21,097	16,303
Other staff's retirement benefits scheme contributions	646	656
Total staff costs	23,503	18,670
Depreciation of property, plant and equipment	7,937	14,373
Interest on lease liabilities	2,064	2,113
Short-term leases expenses	1,674	57
Variable lease payments	107	198
Rent concession	–	(845)
Expected credit losses on financial assets	300	1,333
Cost of inventories recognised as an expense (including reversal of write-down of inventories HK\$120,902,000 (2022: write-down of inventories HK\$590,000))	75,264	31,883
Government subsidy	–	(1,500)
Interest income	(419)	(146)
Direct operating expenses arising from investment property that generated rental income during the period	784	425

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 2023 (30 September 2022: Nil).

No final dividend for the year ended 31 March 2023 was declared and paid during the period (31 March 2022: 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	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the purpose of basic and diluted loss per share	(55,992)	(47,374)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	6,043,950,000	6,043,950,000

Diluted loss per share for the six months ended 30 September 2023 and 2022 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\$15,532,000 (30 September 2022: HK\$779,000) recognised.

During the period, additions to the Group's property, plant and equipment amounted to approximately HK\$8,179,000 (30 September 2022: HK\$9,027,000) which mainly included the additions to leasehold improvements amounting to approximately HK\$7,961,000 (30 September 2022: HK\$8,335,000).

Right-of-use assets amounted to HK\$31,563,000 (31 March 2023: HK\$20,184,000) and other property, plant and equipment amounted to HK\$12,403,000 (31 March 2023: HK\$9,719,000) were recognised as at 30 September 2023.

12. INVESTMENT PROPERTIES

	HK\$'000
At 1 April 2022 (audited)	522,366
Fair value change	(54,620)
Exchange realignment	(39,196)
At 31 March 2023 (audited)	428,550
Fair value change	–
Exchange realignment	(24,900)
At 30 September 2023 (unaudited)	403,650

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 2023 and 31 March 2023.

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 2022 (audited) (Level 3 recurring fair value)	522,366
Change in fair value recognised in profit or loss	(54,620)
Exchange realignment	(39,196)
At 31 March 2023 (audited) (Level 3 recurring fair value)	428,550
Change in fair value recognised in profit or loss	–
Exchange realignment	(24,900)
At 30 September 2023 (unaudited) (Level 3 recurring fair value)	403,650

Rental income of HK\$4,139,000 was recognised during the period ended 30 September 2023 (30 September 2022: HK\$5,190,000).

As at 30 September 2023, Group's investment property of RMB158,300,000 (equivalent to HK\$170,394,000) is pledged to bank to secure bank borrowings to the Group (Note 17).

13. FINANCIAL ASSETS AT FVTPL

		30 September 2023	31 March 2023
	Note	HK\$'000	HK\$'000
		(unaudited)	(audited)
Listed equity securities in Hong Kong	(a)		
Listed equity securities in Hong Kong		61	157
Delisted equity securities in Hong Kong		1,176	1,176
Total financial assets at FVTPL		1,237	1,333
Classified as			
Current assets		1,237	1,333

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 delisted by the Stock Exchange (the “Delisted Shares”).

The movement in listed equity securities are summarised as follows:

	HK\$'000
As at 1 April 2023 (audited)	1,333
Fair value change of financial assets measured at FVTPL	(96)
As at 30 September 2023 (unaudited)	1,237

14. FINANCIAL ASSETS AT FVOCI

	30 September 2023	31 March 2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Listed equity securities in Hong Kong	4,977	8,401

15. TRADE AND OTHER RECEIVABLES

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

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Trade receivables	6,836	8,700
Other receivables, deposits and prepayments	70,010	55,559
	76,846	64,259
Classified as		
Non-current assets		
— Other receivables and deposits	19,015	24,730
Current assets		
— Trade receivables	6,836	8,700
— Other receivables, deposits and prepayments	50,995	30,829
	57,831	39,529
	76,846	64,259

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	5,781	8,047
31–90 days	95	2
Over 90 days	960	651
	6,836	8,700

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

As at 30 September 2023, loss allowances of HK\$14,415,000 were made against the gross amount of trade receivables (31 March 2023: HK\$15,301,000).

As at 30 September 2023, loss allowances of HK\$3,347,000 were made against the gross amount of other receivables (31 March 2023: HK\$2,944,000).

16. TRADE AND OTHER PAYABLES

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Trade payables	56,832	57,960
Other payables and accrued charges	96,062	101,095
	152,894	159,055

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

	HK\$'000	HK\$'000
Within 90 days	13,480	6,060
91–365 days	7,499	29,235
Over 365 days	35,853	22,665
	56,832	57,960

17. LOANS AND BORROWINGS

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Secured borrowings		
Bank borrowings	75,778	158,621
Term loan from third parties	155,002	45,712
	230,780	204,333
Unsecured borrowings		
Term loan from third parties	–	4,000
	230,780	208,333
Classified as:		
Current	5,166	63,197
Non-current	225,614	145,136
	230,780	208,333

As at 30 September 2023, the Group had secured bank borrowings of HK\$75,778,000 (31 March 2023: HK\$158,621,000) and borne interest ranging from 6.32% to 6.37% (31 March 2023: from 5.59% 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 2023, none of the covenants relating to bank borrowings had been breached.

The bank borrowings are secured by the followings as at 30 September 2023:

- (i) Group's investment property with carrying amount of HK\$170,394,000 (Note 12); and
- (ii) Personal guarantees given by a director of the Company.

As at 30 September 2023, the Group had one secured term loan of HK\$12,917,000 (31 March 2023: HK\$45,712,000) which is secured by guarantors with entire equity interest of a subsidiary of the Company and interest free.

17. LOANS AND BORROWINGS — Continued

As at 30 September 2023, the Group had another one secured term loan of HK\$142,085,000 (31 March 2023: HK\$Nil) is pledged by entire equity interest of a subsidiary of the Company and borne fixed interest rate 6% per annum.

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

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
On demand or within one year	5,166	13,485
More than one year, but not exceeding two years	70,612	85,710
More than two years, but not exceeding five years	–	28,856
After five years	–	30,570
	75,778	158,621

At the end of the reporting period, total current and non-current term loans were scheduled to repay as follows:

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
On demand or within one year	–	49,712
More than one year, but not exceeding two years	12,917	–
More than two years, but not exceeding five years	142,085	–
After five years	–	–
	155,002	49,712

18. SHARE CAPITAL

	Number of Shares	Share capital HK\$'000
Authorised:		
— Ordinary shares of HK\$0.02 each	20,000,000,000	400,000
Issued and fully paid:		
At 1 April 2022, 31 March 2023, 1 April 2023 and 30 September 2023		
— Ordinary shares of HK\$0.02 each	6,043,950,000	120,879

19. CAPITAL COMMITMENT

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided	—	633

20. FINANCIAL INSTRUMENTS

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

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Financial assets		
FVTPL		
— Listed equity investments	1,237	1,333
FVOCI		
— Listed equity investments	4,977	8,401
Amortised cost		
— Trade and other receivables	42,366	33,126
— Bank balances and cash	74,229	65,475
Financial liabilities		
Amortised cost		
— Trade and other payables	151,775	155,021
— Loan from a shareholder	53,454	61,611
— Loans and borrowings	230,780	208,333
— Note payable	24,000	24,000
— Lease liabilities	70,584	77,258

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.

20. 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, trade and other payables, loan from a shareholder, loans and borrowings, 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 2023 is determined using Level 1 of fair value hierarchy, except for the Delisted Shares as disclosed in Note 13(a). The fair values of these 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 increase/decrease by approximately HK\$52,000/HK\$54,000 as at 30 September 2023.

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 2023.

20. FINANCIAL INSTRUMENTS — Continued

(b) Financial instruments measured at fair value — Continued

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 2023			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at FVTPL				
— Listed equity investments	61	–	–	61
— Delisted Shares	–	–	1,176	1,176
Financial assets at FVOCI				
— Listed equity investments	4,977	–	–	4,977

20. FINANCIAL INSTRUMENTS — Continued

(b) Financial instruments measured at fair value — Continued

	(audited)			
	31 March 2023			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at FVTPL				
— Listed equity investment	157	—	—	157
— Delisted Shares	—	—	1,176	1,176
Financial assets at FVOCI				
— Listed equity investments	8,401	—	—	8,401

During the six months ended 30 September 2023, there was no transfer between Level 1 and Level 2 fair value hierarchy or transfer into or out of level 3 (31 March 2023: no transfer of fair value measurements from and to 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 2023
	HK\$'000
At 1 April 2023 (audited)	1,176
— net change in profit or loss (included in fair value change of financial assets at FVTPL)	—
At 30 September 2023 (unaudited)	1,176

21. RELATED PARTY TRANSACTIONS

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

		For the six months ended	
		30 September	
		2023	2022
	Notes	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Administrative service fee paid to a related company	(i)	60	120
Interest paid to a shareholder	(i)	1,843	2,323
Lease payments and other related expenses paid to a related company	(i)	722	3,803
Lease payments and other related expenses paid to a related party	(ii)	2,809	2,775

- (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 of the Company.

22. ARBITRATION AND CONTINGENT LIABILITIES

The Company published announcements on 7 December 2022, 20 January 2023 and 7 March 2023, in relation to an arbitration (the “Arbitration”) concerning a dispute between Sincere Brand Management Limited (“SBML”, an indirect wholly-owned subsidiary of the Company) (as claimant) and Multicontinental Distribution (Asia) DMCC (“Multicontinental”) and GFM Watchland SA (collectively, the “Respondents”) on the alleged termination by Multicontinental of SBML’s exclusive distributorship of Franck Muller timepieces and watch accessories and spare parts in the PRC, Hong Kong, Macau and Taiwan (the “Exclusive Territory”) under an Exclusive Distributor Agreement dated 15 June 2018 and entered into between SBML and the Respondents (the “EDA”).

SBML seeks remedies including but not limited to: (i) declaration that all notices of termination of the EDA were null and void and ineffective; (ii) declaration that the EDA is still valid and is not terminated; or, alternatively, damages for wrongful termination of contract to be assessed; (iii) damages for wrongful intervention of SBML’s business within the Exclusive Territory; (iv) costs incurred for any interim proceedings; and (v) all costs and legal fees on a full-indemnity basis plus interest.

22. ARBITRATION AND CONTINGENT LIABILITIES — Continued

On the other hand, Multicontinental sought declarations in relation to the termination of the EDA and damages sustained due to, including but not limited to, SBML's failure to meet the guaranteed minimum annual purchases and certain consignment goods held by the Group.

In the Arbitration, Multicontinental asserted the monetary counterclaims against SBML at the amount of approximately CHF 71.4 million (equivalent to approximately HK\$613.8 million) for potential loss corresponding to SBML's failure to meet annual minimum purchases for the years 2021 and 2022 under the EDA, which allegedly constituted a breach of the EDA and SBML disputes Multicontinental's counterclaim challenging all grounds relied upon by the Multicontinental on the basis of the negative detrimental impact of parallel imports in the market and the Covid-19 pandemic. On the other hand, while the counterclaim in the Arbitration only concerns years 2021 and 2022, it cannot be precluded that Multicontinental may claim against SBML for the potential loss to unfulfilled annual minimum purchases for the years 2019 and 2020 under the EDA. The Company intends to vigorously defend all counterclaim(s) concerning the minimum purchase amount for years 2019 and 2020 based on the same grounds as stated above. Taking into consideration the Swiss legal advice, the directors of the Company consider that it is more likely that no present obligation to compensate the potential loss to unfulfilled annual minimum purchases for years 2019 and 2020 exists as at 31 March 2023 since such claim would be a belated claim.

The directors of the Company were advised by the Company's Swiss legal advisers that the termination of the EDA was wrongful and without legal basis. Base on Swiss legal advice, the directors of the Company consider that Multicontinental has caused and is still causing substantial damage and losses to SBML arisen from the termination of the EDA. The Company has also sought an expert report from a prominent Swiss law professor who specializes in contract law. The conclusion reached by the Swiss law expert is that SBML has a prima facie case regarding the merits of the dispute.

22. ARBITRATION AND CONTINGENT LIABILITIES — Continued

Based on the Swiss legal advice and expert report mentioned above, the directors of the Company are of the view that SBML has a prima facie case to succeed on the merits of the dispute, and, therefore, it is more likely that the Group has no present obligation to compensate the alleged loss. Notwithstanding this, should SBML fails the Arbitration, it is anticipated that the compensation for potential loss would not be the full amount of the counterclaims asserted by Multicontinental in the Arbitration. The directors of the Company estimate the potential loss to be amounted to approximately CHF14 million (equivalent to HK\$118 million) by applying net profit margin in the range of 3.71% to 14.58% in the cumulative shortfall in minimum purchase since 1 April 2019 is not a probable outcome of the Arbitration. The above range of net profit margin was determined with reference to the valuation performed by an independent professional valuer.

In addition, in the Arbitration, Multicontinental demands for the return of consignment goods of approximately CHF77.1 million (equivalent to HK\$663.3 million) which are held by SBML as at 31 March 2023. At the same time Multicontinental's possesses of repair watches owned by SBML at substantial amounts. SBML exercises a lien on the consignment goods due to unresolved issues regarding the unrecovered repair watches, establishing a complex legal dynamic between the parties. In the opinion of the directors of the Company, it is not practicable to estimate the financial effect as at 31 March 2023 and 30 September 2023.

Multicontinental also counterclaims a 5% interest on the outstanding invoices of CHF4.9 million (equivalent to approximately HK\$42.3 million) payable by SBML. The estimated interest of CHF0.2 million (equivalent to approximately HK\$2.1 million) is recognised and included in provision on legal and professional fee.

The Group has obtained financial facility and a non-legally binding memorandum of understanding for a facility from the third parties which would provide sufficient financial support to the Company to settle its financial obligations, if any.

23. APPROVAL OF UNAUDITED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 30 November 2023.

