

SINCERE WATCH

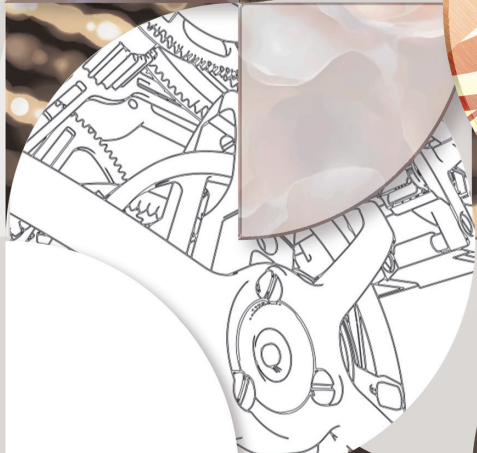
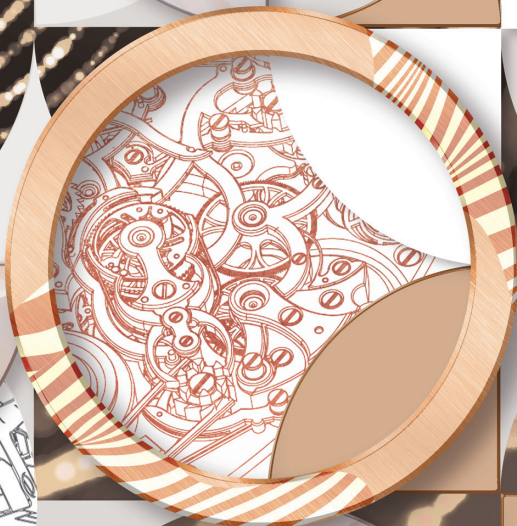
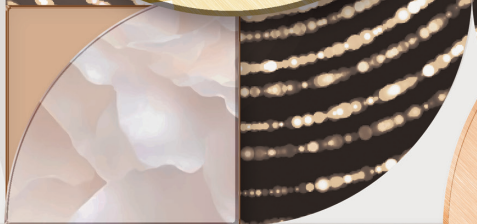
(Hong Kong) Limited

2024 中期 報告 INTERIM REPORT

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code 股份編號：00444



CORPORATE INFORMATION

BOARD OF 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. HONG Sze Lung

AUDIT COMMITTEE

Mr. HONG Sze Lung (*Chairman*)

Mr. ZONG Hao

Mr. YU Zhenxin

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

Certified Public Accountants

Registered Public Interest Entity Auditor

Unit 3203A-5, 32/F

Tower 2, Lippo Centre

89 Queensway, 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 2024 (“H1 FY2025”) together with the unaudited comparative figures for the corresponding six months ended 30 September 2023 (“H1 FY2024”).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group’s revenue in H1 FY2025 decreased by 60.5% from HK\$90.1 million to HK\$35.6 million over the same period last year. The decrease was primarily driven by an increased proportion of sales of watches from consignment inventories within the sales mix, which were recorded on a net-of-cost basis.

Gross profit in H1 FY2025 increased by 44.2% from HK\$13.8 million to HK\$19.9 million over the same period last year. Gross margin increased from 15.3% to 55.9% because the Group had increased sales of watches from consignment inventories within the sales mix in H1 FY2025, resulting in a higher gross margin in H1 FY2025.

Other income, gains and losses in H1 FY2025 were net gains of HK\$1.2 million as compared to net gains of HK\$10.7 million in H1 FY2024. The decrease was mainly due to HK\$9.2 million of gain on early termination of leases and HK\$0.5 million of forfeited deposits received in H1 FY2024 while there was no such income in H1 FY2025.

Selling and distribution costs decreased by 40.6% from HK\$6.4 million in H1 FY2024 to HK\$3.8 million in H1 FY2025 mainly since less commission expense was incurred.

General and administrative expenses decreased by 28.8% from HK\$53.2 million in H1 FY2024 to HK\$37.9 million in H1 FY2025 mainly due to less professional fees incurred and impairment on property, plant and equipment made last year, resulting in less depreciation expenses during the period.

Finance costs increased by 112.4% from HK\$8.9 million in H1 FY2024 to HK\$18.9 million in H1 FY2025 mainly due to an increase in loans and borrowings and an increase in loan interest rates.

Loss attributable to owners of the Company in H1 FY2025 was HK\$75.8 million as compared to HK\$56.0 million in H1 FY2024.

Loss per share attributable to owners of the Company was 1.25 HK cents in H1 FY2025 (H1 FY2024: 0.93 HK cent).

Trade and other receivables increased from approximately HK\$31.3 million as at 31 March 2024 to approximately HK\$300.1 million as at 30 September 2024, primarily attributable to the significant rise in trade receivables, which increased from approximately HK\$2.1 million as at 31 March 2024 to approximately HK\$269.0 million as at 30 September 2024. This significant growth was mainly due to sales of watches to independent watch dealers from consignment inventories, recorded on a net-of-cost basis, with the majority of these sales occurring in the second quarter of H1 FY2025. The aging of these sales fell within 90 days as at the end of the reporting period.

In parallel, trade and other payables increased from approximately HK\$157.8 million as at 31 March 2024 to approximately HK\$479.5 million as at 30 September 2024, primarily driven by the rise in trade payables, which expanded from approximately HK\$64.1 million to HK\$376.6 million. This increase was directly related to the sales of watches from consignment inventories during the period.

BUSINESS REVIEW

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

Distribution network and market penetration

The Group has established its distribution network with 43 retail points of sales and 6 boutiques, making a total of 49 points (50 as at 31 March 2024).

Other than the 3 boutiques operated by the Group, the remaining 46 watch retail outlets are operated by 21 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.

Taiwan

19 June 2024

CORUM Retailer and Media Preview

Held at the Eslite Hotel Taipei, this event marked the launch of CORUM's 2024 novelties and the announcement of Sincere Watch as the sole distributor for CORUM in the Taiwanese market. Key media outlets and retailers attended, providing significant exposure for the brand. Multiple pre-orders were secured, demonstrating strong initial demand. The smooth transition emphasized Sincere Watch's commitment to exceptional service and support. CORUM's classic collections were prominently showcased to expand the market reach and boost orders, while strong media connections enhanced brand awareness and cultivated loyal consumers through exclusive interviews and interactions.

5–30 September 2024

PRO HOPETIME In-Store Vintage Watch Exhibition & VIP Afternoon Tea

The PRO HOPETIME WATCH CO. exhibition attracted over 40 VIP clients and 13 media representatives, significantly boosting brand visibility and strengthening customer relationships. The event effectively promoted the Admiral and Golden Bridge collections while showcasing CORUM's vintage watches for the first time in Taiwan. Engagement for both vintage and modern collections was strong, further cementing CORUM's presence in the market. Exclusive VIP sessions, along with personalized services, enhanced the brand image, reinforcing CORUM's commitment to luxury and quality. This strategic approach contributed to increased sales and a deeper connection with the target audience during the event.

Hong Kong

3–7 September 2024

World Brand Piazza 2024

Prince Jewellery & Watch Company gathered 10 world renowned watch brands and successfully hosted the 14th 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 were exhibited, including the Vanguard Yachting Anchor™ Skeleton and Vanguard Lady Skeleton, while CVSTOS unveiled the latest Challenge Sealiner Chronograph perfectly symbolizing the combative spirit and tactical precision of regattas. This timepiece is a celebration of the art of sailing, capturing the very essence of high-seas competition.

Performance by business operations and geographical markets

Watch distribution

Hong Kong, Mainland China and Macau remained the key revenue drivers, contributing together HK\$26.4 million, which accounted for 74.2% of the Group's total revenue in H1 FY2025.

Hong Kong

Hong Kong was the Group's major market and contributed 69.7% of the Group's revenue in H1 FY2025. Revenue in this region decreased by 64.8% from HK\$70.5 million in H1 FY2024 to HK\$24.8 million in H1 FY2025.

Mainland China and Macau

Mainland China and Macau contributed 4.5% of the Group's revenue in H1 FY2025. Revenue in this region was HK\$1.6 million in H1 FY2025 as compared to HK\$10.6 million in H1 FY2024.

Other locations

Revenue from other locations increased by 45.5% from HK\$2.2 million in H1 FY2024 to HK\$3.2 million in H1 FY2025.

Property investment

Revenue from property investment in Mainland China amounted to HK\$5.9 million in H1 FY2025 being 13.2% lower than HK\$6.8 million in H1 FY2024 due to rental reduction.

PROSPECTS

As the Group is progressing through 2024, the Group continues to face a complex landscape in the luxury watch markets of Mainland China, Hong Kong, and Macau. Economic activities in these regions remain vulnerable to external factors, such as heightened interest rates and global economic uncertainties, which have moderated consumer sentiment. However, the gradual recovery of the luxury sector and tourism from Mainland China presents potential opportunities for growth in the medium term.

With our longstanding foundation in watch brand management and a resilient operational approach, the Group is well-positioned to navigate these market conditions. The recent agreements with Corum have further diversified our brand portfolio, enabling us to reach new consumer segments across Taiwan, Hong Kong, and Macau. These collaborations underscore our commitment to expanding our retail and distribution networks, while leveraging our expertise and extensive retail presence in Greater China.

Moving forward, the Group will strive to strengthen its distribution network across Mainland China, Hong Kong, and other key regions, carefully balancing expansion with a cautious outlook given the prevailing economic uncertainties. Strategic initiatives include deepening collaborations with third-party distributors, and exploring new retail opportunities in other Asian markets. Additionally, the Group will review the rental yield and occupancy of our investment properties in the PRC to maximize shareholder's overall value.

With over two decades of expertise, a highly experienced management team, and an extensive retailer network, the Group remains committed to delivering sustainable growth and exceptional value to shareholders, adapting strategically to capitalize on evolving market conditions.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 September 2024, the Group maintained the cash and bank balances of HK\$20.2 million when compared with its cash and bank balances of HK\$29.1 million as at 31 March 2024. Gearing ratio (total liabilities divided by total assets) was 104.8% at 30 September 2024 (31 March 2024: 94.1%). The Group had outstanding loans and borrowings at the amount of HK\$257.7 million.

At 30 September 2024, details of the Group's investments in equity instruments were as follows:

Stock code	Stock name	At 30 September 2024		H1 FY2025	
		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	1,213	-	-
627	Japan Kyosei Group Company Ltd. (formerly known as Fullsun International Holdings Group Co., Ltd.)	120,650	111	(88)	-
663	King Stone Energy Group Ltd.	31,702,000	3,234	-	-
Total			4,558	(88)	-

These investments were listed and unquoted securities which were measured at fair value. As at 30 September 2024, investments in equity instruments amounted to approximately HK\$4.6 million.

During the period under review, a net fair value loss of approximately HK\$88.0 thousand was recognised in the statement of profit or loss while no change of net fair value 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 can be referred to 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 were delisted starting from 9:00 a.m. on 2 March 2020, details of which can be referred to the announcement issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 26 February 2020 on its official website.

It was noted that trading in the shares of King Stone Energy Group Limited has been suspended since 9:00 a.m. on 2 April 2024, details of which can be referred to the announcement made by King Stone Energy Group Limited on 2 April 2024.

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 liabilities increased from HK\$184.8 million as at 31 March 2024 to HK\$239.2 million as at 30 September 2024. Net assets amounting to HK\$32.8 million as at 31 March 2024 decreased to net liabilities of HK\$39.3 million as at 30 September 2024. The Directors believe that the Group will have sufficient working capital to finance its obligations as and when they fall due for at least 12 months from 30 September 2024.

CAPITAL STRUCTURE AND FOREIGN EXCHANGE EXPOSURE

As at 30 September 2024, the total number of issued shares of the Company was 6,043,950,000 (31 March 2024: 6,043,950,000). There was no change in the capital structure of the Company during the six months ended 30 September 2024.

The Group pursued a prudent policy on financial risk management and the management of foreign currencies and interest rates. 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 2024, (i) investment property at fair value of RMB200.6 million (equivalent to HK\$222.1 million), (ii) certain account receivables of rental income generated from the pledged investment properties, (iii) restricted bank deposits of RMB6.6 million (equivalent to HK\$7.3 million), and (iv) entire equity interest in a subsidiary of the Company were pledged as collateral for the outstanding balance of loans and borrowings of RMB104.5 million (equivalent to approximately HK\$115.7 million).

As at 31 March 2024, (i) investment properties at fair value of RMB351.0 million (equivalent to HK\$380.4 million), (ii) certain account receivables of rental income generated from the pledged investment properties, (iii) restricted bank deposits of RMB4.6 million (equivalent to HK\$5.0 million), and (iv) entire equity interest in a subsidiary of the Company were pledged as collateral for the outstanding balance of loans and borrowings of RMB174.7 million (equivalent to approximately HK\$189.3 million).

CAPITAL COMMITMENT

As at 30 September 2024, the Group had contracted, but not provided for capital expenditure commitment of HK\$nil (31 March 2024: nil) in respect of acquisition of property, plant and equipment.

CONTINGENT LIABILITIES

Except as disclosed in Note 21 to the interim condensed consolidated financial statements set out in this report, the Group had no other material contingent liabilities as at 30 September 2024 and 31 March 2024.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2024, the Group's work force stood at 100 including Directors (31 March 2024: 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 2024, 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 C3 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 2024. No share option has been granted since the adoption of the Share Option Scheme. The number of share options available for grant under the scheme mandate as at 1 April 2024 and 30 September 2024 was both 415,200,000.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2024, 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 Interest of controlled corporation (<i>Note 4</i>)	265,000,000 325,920,000	4.38% 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 2024, 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 2024.

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 C1 to the Listing Rules during the six months ended 30 September 2024, except for the following deviation.

In respect of code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the six months ended 30 September 2024, Mr. Zhang Xiaoliang is the Chairman of the Board and the Chief Executive Officer of the Company. The Board considers that it would be in the best interests 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 as long as the business prospects and general economic outlook remain 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 2024.

CHANGES IN INFORMATION OF DIRECTORS

There is no change in the information of the Directors subsequent to the date of the Company's annual report for the year ended 31 March 2024 and up to the date of this report which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Mr. Hong Sze Lung (the chairman of the Audit Committee), Mr. Zong Hao and Mr. Yu Zhenxin. 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 2024.

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

Hong Kong, 28 November 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2024

	Notes	For the six months ended	
		2024	2023
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	5	35,575	90,092
Cost of sales		(15,705)	(76,280)
Gross profit		19,870	13,812
Other income, gains and losses	6	1,178	10,671
Selling and distribution costs		(3,756)	(6,405)
Administrative expenses		(37,875)	(53,177)
Impairment loss under expected credit loss ("ECL") model on financial assets, net		(10,577)	(300)
Finance costs		(18,945)	(8,902)
Loss before taxation, exchange loss, fair value changes of financial assets at fair value through profit or loss ("FVTPL")		(50,105)	(44,301)
Realised exchange loss		(216)	(44)
Unrealised exchange loss		(25,451)	(11,838)
Fair value change of financial assets at FVTPL		(88)	(96)
Loss before taxation		(75,860)	(56,279)
Income tax (expense)/credit	7	(4)	6
Loss for the period	8	(75,864)	(56,273)
Loss for the period attributable to:			
Owners of the Company		(75,814)	(55,992)
Non-controlling interests		(50)	(281)
		(75,864)	(56,273)

	Note	For the six months ended	
		2024	2023
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Other comprehensive income/(expense), net of tax			
Item that will not be reclassified to profit or loss:			
— Fair value change of financial assets at fair value through other comprehensive income (“FVTOCI”)		–	(3,424)
Item that may be subsequently reclassified to profit or loss:			
— Exchange differences on translation of foreign operations		3,822	(8,227)
Other comprehensive income/(expense) for the period		3,822	(11,651)
Total comprehensive expense for the period		(72,042)	(67,924)
Total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		(72,123)	(67,478)
Non-controlling interests		81	(446)
		(72,042)	(67,924)
Loss per share attributable to owners of the Company			
— basic and diluted	10	(1.25) HK cents	(0.93) HK cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

		30 September 2024	31 March 2024
	Notes	HK\$'000 (unaudited)	HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	5,195	6,533
Investment properties	12	435,686	424,103
Financial assets at FVTOCI	14	3,234	3,234
Other receivables	15	11,671	15,646
Deferred tax assets		94	94
		455,880	449,610
Current assets			
Inventories		35,105	44,495
Trade and other receivables	15	300,077	31,258
Financial assets at FVTPL	13	1,324	1,412
Restricted bank deposits		7,321	4,987
Bank balances and cash		12,854	24,120
		356,681	106,272
Current liabilities			
Trade and other payables	16	479,518	157,815
Contract liabilities		4,187	4,265
Lease liabilities		19,444	19,990
Loans and borrowings	17	64,687	91,430
Loan from a shareholder		28,039	17,533
Taxation payable		42	44
		595,917	291,077
Net current liabilities		(239,236)	(184,805)
Total assets less current liabilities		216,644	264,805

		30 September 2024	31 March 2024
	Notes	HK\$'000 (unaudited)	HK\$'000 (audited)
<hr/>			
Non-current liabilities			
Loans and borrowings	17	192,975	150,890
Note payable		22,164	22,164
Loan from a shareholder		18,383	27,512
Lease liabilities		22,408	31,483
		255,930	232,049
Net (liabilities)/assets		(39,286)	32,756
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Capital and reserves			
Share capital	18	120,879	120,879
Reserves		(161,082)	(88,959)
(Deficit)/equity attributable to:			
Owners of the Company		(40,203)	31,920
Non-controlling interests		917	836
Total (deficit)/equity		(39,286)	32,756

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2024

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	FVTOCI reserve HK\$'000	Special reserve HK\$'000 (Note)	Translation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000		
At 1 April 2023 (audited)	120,879	963,553	(35,665)	801	(36,613)	(771,120)	241,835	(391)	241,444
Exchange differences on translation of foreign operations	-	-	-	-	(8,062)	-	(8,062)	(165)	(8,227)
Fair value change of financial assets at FVTOCI	-	-	(3,424)	-	-	-	(3,424)	-	(3,424)
Loss for the period	-	-	-	-	-	(55,992)	(55,992)	(281)	(56,273)
Total comprehensive expense for the period	-	-	(3,424)	-	(8,062)	(55,992)	(67,478)	(446)	(67,924)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	215	215
At 30 September 2023 (unaudited)	120,879	963,553	(39,089)	801	(44,675)	(827,112)	174,357	(622)	173,735
At 1 April 2024 (audited)	120,879	963,553	(40,832)	801	(44,465)	(968,016)	31,920	836	32,756
Exchange differences on translation of foreign operations	-	-	-	-	3,691	-	3,691	131	3,822
Loss for the period	-	-	-	-	-	(75,814)	(75,814)	(50)	(75,864)
Total comprehensive income/(expense) for the period	-	-	-	-	3,691	(75,814)	(72,123)	81	(72,042)
At 30 September 2024 (unaudited)	120,879	963,553	(40,832)	801	(40,774)	(1,043,830)	(40,203)	917	(39,286)

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 2024

	For the six months ended	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	8,386	3,939
Investing activities		
Additions to investment properties	(2,506)	–
(Placement of)/withdrawal of pledged and restricted bank deposits	(2,227)	14,041
Purchase of property, plant and equipment	(84)	(8,179)
Decrease in loan receivables	120	–
Interest received	22	419
Net cash (used in)/generated from investing activities	(4,675)	6,281
Financing activities		
Repayment of bank borrowings	(73,936)	(73,626)
Interest paid	(11,081)	(8,902)
Repayment of principal portion of lease liabilities	(9,893)	(11,749)
Proceeds from other borrowings	79,711	142,085
Repayment of other borrowings	–	(34,140)
Repayment of loan from a shareholder	–	(8,157)
Capital contribution from non-controlling interest	–	215
Net cash (used in)/generated from financing activities	(15,199)	5,726
Net (decrease)/increase in cash and cash equivalents	(11,488)	15,946
Cash and cash equivalents at beginning of the period	24,120	51,434
Effect of foreign exchange rate changes	222	6,849
Cash and cash equivalents at end of the period, represented by bank balances and cash	12,854	74,229

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 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 *Interim Financial Reporting*, 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 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 2024 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 2024 annual consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2024 annual consolidated financial statements, except for those that relate to amendments to standards effective for the first time for periods beginning on or after 1 April 2024.

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.

Application of amendments to HKFRSs

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

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRSs in the current interim period has no material 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 2024 annual consolidated financial statements.

5. REVENUE AND 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 major business operations, being the watch distribution and property investment, which are for the analysis based on the geographical locations of the sales. In addition to the above reportable segments, other operating segment includes the business operation as a trading agent of commodities such as but not limited to agricultural products and chemical products.

(a) Segment revenue and results

Segment results represent the loss before taxation by each segment, which exclude certain other income, gains and losses, certain administrative expenses and finance costs and fair value change on financial assets at FVTPL. This is the measure reported to the executive directors of the Company 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 2024

	Watch distribution			Sub-total	Property investment	Others	Total
	PRC and		Other		PRC		
	Hong Kong	Macao	locations	HK\$'000	HK\$'000	HK\$'000	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
REVENUE							
External sales	24,803	1,597	3,223	29,623	5,921	31	35,575
RESULT							
Segment results	(41,254)	(5,057)	(180)	(46,491)	(22,064)	31	(68,524)
Fair value change of financial assets at FVTPL							(88)
Unallocated income							41
Unallocated expenses							(7,289)
Loss before taxation							(75,860)

5. REVENUE AND SEGMENT INFORMATION — Continued

(a) Segment revenue and results — Continued

For the six months ended 30 September 2023

	Watch distribution			Sub-total	Property	Others	Total
	Hong Kong	PRC and Macau	Other locations		investment		
					PRC		
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	6,765	-	90,092
RESULT							
Segment results	(15,470)	(3,898)	(2,168)	(21,536)	(12,873)	-	(34,409)
Fair value change of financial assets at FVTPL							(96)
Unallocated income							40
Unallocated expenses							(21,814)
Loss before taxation							(56,279)

5. REVENUE AND 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 2024

	Watch distribution HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Primary geographical markets				
Hong Kong	24,803	-	-	24,803
PRC and Macau	1,597	5,921	31	7,549
Other locations	3,223	-	-	3,223
	29,623	5,921	31	35,575
Major products and services				
Wholesales of watch	25,790	-	-	25,790
Retail sales of watch	2,760	-	-	2,760
Repair of watch	1,073	-	-	1,073
Rental income	-	5,921	-	5,921
Others	-	-	31	31
	29,623	5,921	31	35,575
Timing of revenue recognition				
At a point in time	29,623	-	31	29,654
Revenue from contracts with customers	29,623	-	31	29,654
Leases	-	5,921	-	5,921
	29,623	5,921	31	35,575

5. REVENUE AND SEGMENT INFORMATION — Continued

(b) Disaggregation of revenue — Continued

For the six months ended 30 September 2023

	Watch distribution HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Primary geographical markets				
Hong Kong	70,539	–	–	70,539
PRC and Macau	10,552	6,765	–	17,317
Other locations	2,236	–	–	2,236
	<u>83,327</u>	<u>6,765</u>	<u>–</u>	<u>90,092</u>
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	–	6,765	–	6,765
	<u>83,327</u>	<u>6,765</u>	<u>–</u>	<u>90,092</u>
Timing of revenue recognition				
At a point in time	83,327	–	–	83,327
Revenue from contracts				
with customers	83,327	–	–	83,327
Leases	–	6,765	–	6,765
	<u>83,327</u>	<u>6,765</u>	<u>–</u>	<u>90,092</u>

6. OTHER INCOME, GAINS AND LOSSES

	For the six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income	22	419
Forfeiture of deposits received	–	452
Overprovision of reinstatement cost	913	419
Gain on early termination of leases	–	9,194
Others	243	187
	1,178	10,671

7. INCOME TAX (EXPENSE)/CREDIT

	For the six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The (charge)/credit comprises:		
Current tax		
Other jurisdictions	(4)	6
	(4)	6

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity are taxed at 8.25%, and profits above HK\$2 million are taxed at 16.5%. All the Group's subsidiaries in Hong Kong did not have any assessable profits for both periods. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. LOSS FOR THE PERIOD

Loss before taxation is arrived at after charging:

	For the six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Directors' remuneration	1,988	1,760
Staff costs:		
Salaries and allowances	16,602	17,776
Staff commission	302	3,287
Retirement benefits scheme contributions	915	680
Total staff costs (included in selling and distribution costs and administrative expenses)	19,807	23,503
Depreciation of property, plant and equipment	1,581	7,937
Interest on lease liabilities	1,471	2,064
Short-term leases expenses	1,223	1,674
Variable lease payments	60	107
Expected credit losses on financial assets	10,577	300
Cost of inventories recognised as an expense (including reversal of write-down of inventories HK\$1,299,000 (2023: HK\$120,902,000))	15,705	75,264
Interest income	(22)	(419)
Direct operating expenses arising from investment property that generated rental income during the period	397	784
Legal and professional fees included in administrative expenses	2,798	10,041

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 2024 (30 September 2023: nil).

No final dividend for the year ended 31 March 2024 was declared and paid during the period (31 March 2023: 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	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the purpose of basic and diluted loss per share	(75,814)	(55,992)
Number of shares:		
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 2024 and 2023 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 did not recognise any right-of-use assets by entering into new leases for shops and offices (2023: HK\$15,532,000).

During the period, additions to the Group's property, plant and equipment amounted to approximately HK\$84,000 (2023: HK\$8,179,000). During the six months ended 30 September 2023, the additions mainly included additions to leasehold improvements amounted to approximately HK\$7,961,000 (2024: nil).

Right-of-use assets amounted to approximately HK\$3,067,000 (31 March 2024: HK\$3,404,000) and other property, plant and equipment amounted to approximately HK\$2,128,000 (31 March 2024: HK\$ 3,129,000) were recognised as at 30 September 2024.

11. PROPERTY, PLANT AND EQUIPMENT — Continued

The Group performed an impairment assessment on property, plant and equipment of the Group's on each separately identifiable cash generating units in geographical segments, in accordance with the accounting policy on impairment of non-financial assets. Based on the assessment, an impairment loss of approximately HK\$10,837,000 (2023: HK\$41,705,000) was recognised and charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2024. 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's financial budget plan, a pre-tax discount rate of 17% (2023: 18%) and various management's assumptions and estimates.

12. INVESTMENT PROPERTIES

	HK\$'000
At 1 April 2023 (audited)	428,550
Additions	29,639
Transfer from property, plant and equipment	24,426
Fair value change	(35,411)
Exchange realignment	(23,101)
At 31 March 2024 (audited)	424,103
Additions	2,506
Exchange realignment	9,077
At 30 September 2024 (unaudited)	435,686

The valuation of the investment properties as at 30 September 2024 and 31 March 2024 is determined using the income approach by taking into account the net rental income of a property derived from its existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

The fair value of investment properties of the Group is derived by Level 3 recurring fair value measurement as at 30 September 2024 and 31 March 2024.

There were no transfers into or out of Level 3 during both periods.

12. INVESTMENT PROPERTIES — Continued

The fair value measurement is based on the highest and best use of the investment properties, which does not differ from their actual use. Rental income of HK\$5,921,000 from investment properties was recognised during the period ended 30 September 2024 (2023: HK\$6,765,000).

As at 30 September 2024, one (31 March 2024: two) property with fair value amounting to HK\$220,084,000 (31 March 2024: HK\$380,449,000) are pledged to loans and borrowings of RMB104,524,000 (equivalent to HK\$115,719,000) (31 March 2024: RMB174,659,000 (equivalent to HK\$189,313,000)) to the Group.

13. FINANCIAL ASSETS AT FVTPL

	30 September 2024 HK\$'000 (unaudited)	31 March 2024 HK\$'000 (audited)
Listed equity securities in Hong Kong		
Listed equity securities in Hong Kong	111	199
Unquoted equity securities in Hong Kong	1,213	1,213
Total financial assets at FVTPL	1,324	1,412
Classified as		
Current assets	1,324	1,412

The fair value of listed equity securities are based on quoted market prices, except for certain unquoted equity securities whose trading on the Stock Exchange has been delisted by the Stock Exchange.

14. FINANCIAL ASSETS AT FVTOCI

	30 September 2024 HK\$'000 (unaudited)	31 March 2024 HK\$'000 (audited)
Listed equity securities in Hong Kong	3,234	3,234

15. TRADE AND OTHER RECEIVABLES

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

	30 September 2024	31 March 2024
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade receivables	282,966	5,747
Less: ECL of trade receivables	(13,964)	(3,625)
Trade receivables	269,002	2,122
Other receivables	18,490	15,983
Rental, utility and other deposit	12,210	14,109
Prepayments	12,046	14,690
Total trade and other receivables	311,748	46,904
Classified as		
Non-current assets		
— Other receivables	2,358	5,214
— Deposits	1,201	3,598
— Prepayments	8,112	6,834
	11,671	15,646
Current assets		
— Trade receivables	269,002	2,122
— Other receivables	16,132	10,769
— Deposits	11,009	10,511
— Prepayments	3,934	7,856
	300,077	31,258
Total trade and other receivables	311,748	46,904

15. TRADE AND OTHER RECEIVABLES — Continued

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

	30 September 2024 HK\$'000 (unaudited)	31 March 2024 HK\$'000 (audited)
Within 30 days	230,162	794
31–90 days	3,246	14
Over 90 days	35,594	1,314
	269,002	2,122

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

As at 30 September 2024, loss allowances of HK\$13,964,000 were made against the gross amount of trade receivables (31 March 2024: HK\$3,625,000).

As at 30 September 2024, loss allowances of HK\$2,580,000 were made against the gross amount of other receivables (31 March 2024: HK\$2,304,000).

16. TRADE AND OTHER PAYABLES

	30 September 2024 HK\$'000 (unaudited)	31 March 2024 HK\$'000 (audited)
Trade payables	376,576	64,054
Accrued charges	14,517	8,760
Commission payables	36,024	36,438
Other payables	40,391	32,512
Provision of legal and professional fees related to the Arbitration (defined in note 21)	12,010	16,051
	479,518	157,815

16. TRADE AND OTHER PAYABLES — Continued

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

	30 September 2024	31 March 2024
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Within 90 days	131,029	2,754
91–365 days	183,695	10,182
Over 365 days	61,852	51,118
	376,576	64,054

17. LOANS AND BORROWINGS

	30 September 2024	31 March 2024
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Secured		
Bank borrowings	–	73,705
Other borrowings	115,720	115,608
	115,720	189,313
Unsecured		
Other borrowings	141,942	53,007
	257,662	242,320
Classified as:		
Current	64,687	91,430
Non-current	192,975	150,890
	257,662	242,320

As at 30 September 2024, there is no secured bank borrowings (31 March 2024: HK\$73,705,000 and borne interest of 6.3% per annum).

17. LOANS AND BORROWINGS — Continued

As at 30 September 2024, the Group had a secured other borrowing with principal amount of approximately HK\$113,264,000 (31 March 2024: HK\$110,890,000) with maturity date on 9 August 2028, which is pledged by entire equity interest of a subsidiary of the Company and borne fixed interest rate 6% per annum. In accordance with the loan agreement and nominee agreement entered into between Sanya Qingfeiniaoy Tourism Industry Investment Company Limited (三亞青飛鳥旅遊產業投資有限公司), a wholly-owned subsidiary of the Company (the “Borrower”) and an independent third party (the “Lender”) on 30 June 2023 and a supplementary loan agreement entered into between the Borrower and the Lender on 25 July 2023, the Borrower has pledged the entire equity interest in its subsidiary, Sanya Qingniaoy Tourism Industry Investment Company Limited (三亞青鳥旅遊產業投資有限公司) (“Sanya Qingniaoy”) as security (“Pledged Equity Interest”) for the loan. An investment property with fair value of approximately HK\$222,084,000 (31 March 2024: HK\$217,430,000) as at 30 September 2024 was held by a wholly-owned subsidiary of Sanya Qingniaoy. The Lender shall hold the Pledged Equity Interest as a nominee for and on behalf of the Borrower. In the opinion of the directors of the Company, the shareholder’s right and controlling interest of Sanya Qingniaoy are held by the Borrower, and the Lender does not have any rights of disposal or transfer of the Pledged Equity Interest to third parties unless obtained the Borrower’s consent. In addition, as at 30 September 2024, the Group has unsecured other borrowings of principal amounted to approximately HK\$108,640,000 (31 March 2024: HK\$40,000,000) with interest rate at 1.9% (31 March 2024: 1.9%) per month and maturity date from April 2025 to April 2026.

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

	30 September 2024 HK\$’000 (unaudited)	31 March 2024 HK\$’000 (audited)
On demand or within one year	–	73,705

17. LOANS AND BORROWINGS — Continued

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

	30 September 2024	31 March 2024
	HK\$'000	HK\$'000
	(unaudited)	(audited)
On demand or within one year	64,687	17,725
More than one year, but not exceeding two years	79,711	40,000
More than two years, but not exceeding five years	113,264	110,890
	257,662	168,615

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 2023 (audited), 31 March 2024 (audited), 1 April 2024 (audited) and 30 September 2024 (unaudited)		
— Ordinary shares of HK\$0.02 each	6,043,950,000	120,879

19. 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.

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

The classification of the measurement of listed equity investments as at 30 September 2024 is determined using Level 1 of fair value hierarchy, except for the Delisted Shares as disclosed in Note 13. 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 in fair value by HK\$162,000 as at 30 September 2024 (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 in fair value by HK\$173,000 as at 30 September 2024 (HK\$184,000 as at 30 September 2023).

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS — 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 2024			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at FVTPL				
— Listed equity securities in Hong Kong	111	–	–	111
— Unquoted equity securities in Hong Kong	–	–	1,213	1,213
Financial assets at FVTOCI				
— Listed equity securities in Hong Kong	3,234	–	–	3,234

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS — Continued

	(audited)			
	31 March 2024			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<hr/>				
Financial assets at FVTPL				
— Listed equity securities in Hong Kong	199	—	—	199
— Unquoted equity securities in Hong Kong	—	—	1,213	1,213
Financial assets at FVTOCI				
— Listed equity securities in Hong Kong	3,234	—	—	3,234
	<hr/>			

During both periods, there was no transfer between Level 1 and Level 2 fair value hierarchy or transfer into or out of level 3.

20. 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	
		2024	2023
	Notes	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Administrative service fee paid to a related company	(i)	–	60
Interest expense to a shareholder	(i)	1,377	1,843
Lease payments and other related expenses paid to a related company	(i)	–	722
Lease payments and other related expenses paid to a related company	(ii)	2,678	2,809

- (i) Mrs. Chu Yuet Wah, a shareholder and a non-executive director of the Company, who resigned on 29 June 2023, is also a director and shareholder of the related company.
- (ii) The ultimate beneficial owner of the landlord is a close family member of Mrs. Chu Yuet Wah.

21. ARBITRATION AND CONTINGENT LIABILITIES

In relation to an arbitration concerning a dispute between Sincere Brand Management Limited (“SBML”), an indirect wholly-owned subsidiary of the Company and the Respondents on the alleged termination by Multicontinental Distribution (Asia) DMCC (“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 the EDA dated 15 June 2018 and entered into between SBML and the Respondents (the “Arbitration”). 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.

21. 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, the Group's failure to meet the guaranteed minimum annual purchases as stipulated in the EDA, the repayment of the Group's all outstanding payables and the return of all consignment stocks. In the Arbitration, Multicontinental asserted the monetary counterclaims against the Company at the amount of approximately CHF71.4 million (equivalent to approximately HK\$656.6 million as at 30 September 2024) for potential loss corresponding to the Group's failure to meet annual minimum purchases for the years 2021 and 2022 under the EDA, which allegedly constituted a breach of the EDA.

SBML disputed Multicontinental's counterclaim, challenging all grounds relied upon by Multicontinental on the basis of the negative detrimental impact of parallel imports in the market and the Covid-19 pandemic. The directors of the Company were advised by SBML's Swiss legal advisers that the termination of the EDA was wrongful and without legal basis. Based 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. SBML has also sought an expert report from a prominent Swiss law professor who specialises 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.

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 than not that the Group has no present obligation to compensate the alleged loss. Notwithstanding this, should the Group fail in the Arbitration, it is anticipated that the compensation for potential loss and any other related claims and penalties 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 CHF5.8 million (equivalent to approximately HK\$48.8 million as at 30 September 2024) by applying net profit margin in the range of 3.7% to 13.3% in the cumulative shortfall in minimum purchase for the years 2021 and 2022 and that this 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.

21. ARBITRATION AND CONTINGENT LIABILITIES — Continued

Multicontinental also counterclaims a 5% interest on the outstanding payables of CHF4.9 million (equivalent to approximately HK\$45.2 million as at 30 September 2024) payable by the Group. The estimated penalty interest of approximately CHF0.5 million (equivalent to approximately HK\$4.5 million as at 30 September 2024) was included in accruals.

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, the Arbitration is still on-going and it is not practicable to estimate the financial effect and timing of the outflow of economic benefits as at 30 September 2024.

The Respondents had submitted the statement of defence and counterclaim on the liability and jurisdiction and requested documents production in February 2024. SBML had then submitted the requested documents and the statement of reply and defence to the counterclaim on liability and jurisdiction in June 2024.

The first stage hearing of the Arbitration was held in October 2024. Following the first stage hearing, the arbitrator requested additional submissions from both SBML and the Respondents for further review, which are in the process of being prepared and submitted. As of the date of this report, no conclusions or determinations have been made regarding the first stage hearing, and no further hearings or schedules have been fixed.

Except as disclosed above, the Group had no other material contingent liabilities as at 30 September 2024.

22. APPROVAL OF UNAUDITED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 28 November 2024.

