

FOR THE 6 MONTHS
ENDED 30 SEPTEMBER 2022

INTERIM REPORT

STOCK CODE : 280



king fook holdings limited
景福集團有限公司

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Management Commentary

The Board of Directors (the “Board”) of King Fook Holdings Limited (the “Company”) presents this report together with the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2022. The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group for the six months ended 30 September 2022, and the condensed consolidated statement of financial position as at 30 September 2022 of the Group, all of which are unaudited, along with selected explanatory notes, are set out on pages 13 to 48 of this report.

INTERIM DIVIDEND

The Board of the Company has resolved the payment of an interim dividend of HK0.4 cent (for the six months ended 30 September 2021: HK0.4 cent) per ordinary share, totalling HK\$3.6 million, for the six months ended 30 September 2022 to shareholders whose names appear on the register of members of the Company on Monday, 12 December 2022. The interim dividend will be paid on Friday, 23 December 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Monday, 12 December 2022, during which day no transfer of shares will be effected.

All transfers, accompanied by the relevant share certificates, must be lodged with the Company’s share registrars, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 9 December 2022 in order to qualify for the interim dividend above mentioned.

Management Commentary (Continued)

MANAGEMENT DISCUSSION AND ANALYSIS

Group Results Overview

The Group is principally engaged in gold ornament, jewellery, watch and gift retailing, bullion trading and diamond wholesaling. More than 90% of the Group's revenue is derived from activities in Hong Kong.

For the six months ended 30 September 2022, the Group recorded total revenue of HK\$412.5 million, representing an increase of HK\$15.8 million or 4.0% from HK\$396.7 million for the last corresponding period. The Group recorded an unaudited consolidated profit attributable to owners of the Company of HK\$38.6 million for such period as compared to an attributable consolidated profit of HK\$36.2 million for the same period last year.

Business Review

The Group opened a new stand-alone jewellery store in Central Building on Pedder Street in October 2021 and operated a total of 8 retail shops in Hong Kong as at 30 September 2022. Despite the impact of the fifth wave of the COVID-19 pandemic, the Group's revenue showed a mild growth of 4.0% and the gross profit margin improved by 2.1 percentage points as compared to the last corresponding period.

Management Commentary (Continued)

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

The revenue of the Group's retailing business for the six months ended 30 September 2022 increased by HK\$16.5 million or 4.2% to HK\$411.8 million from HK\$395.3 million for the same period last year. As the COVID-19 pandemic was resurging in Hong Kong during the period, stricter epidemic prevention and social distancing measures were being imposed by the government, resulting in few promotional events being held in the 1st half of the year. These social distancing measures had driven down customer foot flow and slowed down significantly our jewellery business. However, the drop of gold price during the period boosted our gold business and our watch business remained stable. As a result, our overall business managed to show a mild growth when compared with last corresponding period. In order to keep improving our image and service standard, we have been working on modernising our store network. The latest store renovation project was conducted for our store located in King Fook Building in Central. The project started in August 2022 and was completed by end of September 2022. We carried out a comprehensive marketing program for the re-opening of this Central store. Customers appreciate its modern interior design and the newly added VIP room for private shopping. After the re-opening of this Central store in King Fook Building, we have completed the modernisation of our existing store network.

Outlook

Looking forward, the Group believes the pandemic will continue to affect our daily life and economy. Although social distancing measures have been relaxed and wedding plans have resumed gradually, consumer sentiment is still weak and the business environment remains very challenging. In order to keep growing our business, apart from modernising our store network, we always look for right opportunities to expand our network.

Management Commentary (Continued)

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Outlook (Continued)

The challenging situation in the business environment has also affected the demand and supply of watches. Most watch brands are reviewing their selling and distribution policies. Therefore, we have to prepare for possible change of our brand portfolio. We will keep looking for potential new watch brands to strengthen our portfolio. We are pleased to welcome H. Moser & Cie to be our new partner starting from June 2022. H. Moser & Cie was founded in 1828 in Switzerland. The watch production of this almost bicentennial brand is completely integrated. Under the leadership of their current management team, the brand continues to deliver creative and high quality watches that are becoming popular collectable items in the market. A new stand-alone concept store for H. Moser & Cie will be opened in Central Building in December 2022.

We will continue to deliver creativity on our product designs and keep offering quality customer service to enhance our business performance. Furthermore, the Group will keep on investing in staff development, online platforms, digital marketing, social media and bespoke product designs to cater for our customers' needs.

Besides measures to enhance sales performance, the Group will continue to improve operation efficiency, including inventory management and cost control.

Financial Review

Liquidity and Financial Resources

As at 30 September 2022, the Group's current assets and current liabilities were approximately HK\$814.8 million and HK\$125.9 million respectively. There were cash and cash equivalents and time deposits of approximately HK\$267.6 million and HK\$119.2 million respectively, gold loan of approximately HK\$27.5 million, and no bank loan as at that date.

Management Commentary (Continued)

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review (Continued)

Liquidity and Financial Resources (Continued)

Based on the total borrowings of the Group of approximately HK\$27.5 million and the equity attributable to owners of the Company of approximately HK\$729.8 million as at 30 September 2022, the overall borrowings to equity ratio was 3.8%, which was at a healthy level.

Exposure to Fluctuation in Foreign Exchange Rates

The Group reviews its foreign currency exposure regularly and does not consider its foreign currency risk to be significant. No financial instrument had been used for hedging during the six months ended 30 September 2022.

Charge on Assets

As at 30 September 2022, there was no charge on the Group's assets.

Capital Expenditure

During the period, the Group had incurred capital expenditures of approximately HK\$8.4 million, including the costs of leasehold improvements, furniture and equipment.

Capital Commitment and Contingent Liabilities

As at 30 September 2022, there was no capital commitment and no contingent liabilities or off-balance sheet obligation.

Management Commentary (Continued)

EMPLOYEES AND EMOLUMENT POLICY

As at 30 September 2022, the Group had about 139 employees. The employees (including directors) are remunerated according to the nature of their jobs, experience and contribution to the Group. The Group has an incentive bonus scheme to reward employees based on their performance. It also provides training programs to employees to improve the standard of customer services and for their further advancement.

DISCLOSURE OF INTERESTS

At 30 September 2022, the interests of the directors of the Company in the share capital of the Company as recorded in the register maintained by the Company under section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

<u>Name of directors</u>	<u>Number of ordinary shares held</u>			<u>Percentage of shareholding</u>
	<u>Personal</u>	<u>Corporate</u>	<u>Total</u>	
Mr. Tang Yat Sun, Richard	7,528,500	Nil	7,528,500	0.83%
Mr. Ho Hau Hay, Hamilton	Nil	*6,657,000	6,657,000	0.73%
Dr. Fung Yuk Bun, Patrick	Nil	^5,856,517	5,856,517	0.64%

* These shares were held by Tak Hung (Holding) Co. Ltd. ("Tak Hung"). As Mr. Ho has a 40% interest in Tak Hung, he is deemed to be interested in all these shares held by Tak Hung.

^ Dr. Fung is deemed to be interested in these shares owned by Po Ding Company Limited as he controls the board of such company.

Management Commentary (Continued)

DISCLOSURE OF INTERESTS (Continued)

Save as disclosed above, at 30 September 2022, none of the directors or chief executive of the Company had any interests or short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDER

At 30 September 2022, the following person (other than a director or chief executive of the Company) had interest in shares of the Company, being 5% or more of the Company's issued share capital, as recorded in the register of substantial shareholders required to be kept by the Company under section 336 of the SFO:

<u>Name of shareholder</u>	<u>Number of ordinary shares held</u>	<u>Nature of interest</u>	<u>Approximate percentage of total issued share capital*</u>
Yeung Chi Shing Estates Limited	586,195,857	Beneficial owner	64.41%

* The percentage was calculated based on 910,158,465 ordinary shares of the Company in issue as at 30 September 2022.

Save as disclosed above, at 30 September 2022, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company.

Management Commentary (Continued)

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2022, the Company repurchased a total of 1,500,000 ordinary shares on the Stock Exchange at the total price of HK\$593,000. Save as aforesaid, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the six months ended 30 September 2022.

MODEL CODE

The Company has adopted a code of conduct regarding directors' securities transactions on the terms of the Model Code. Having made specific enquiry of all the directors of the Company, all of them had complied with the required standard set out in the Model Code regarding directors' securities transactions throughout the six months ended 30 September 2022.

CORPORATE GOVERNANCE PRACTICES

The Company had complied with all the code provisions set out in Part 2 of the Corporate Governance Code (the "Code") in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2022 except the deviations as explained below:

Code provision C.3.3

As far as code provision C.3.3 of the Code is concerned, the Company does not have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Board of the Company decides on the key terms and conditions of the appointment of the directors of the Company from time to time which are recorded in the relevant board minutes.

Code provision F.1.1

In respect of code provision F.1.1 of the Code, the Company does not have a dividend policy or any pre-determined dividend distribution ratio. The Board of the Company will decide on the declaration/recommendation of any future dividends after taking into consideration a number of factors, including the prevailing market conditions, the Company's operating results, business plans and prospects, financial position and working capital requirements, and other factors that the Board of the Company considers relevant.

Management Commentary (Continued)

REVIEW BY AUDITOR AND AUDIT COMMITTEE

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2022 set out on pages 13 to 48 have been reviewed by BDO Limited, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

The audit committee of the Company has reviewed with the management of the Group the accounting policies and practices adopted by the Group, its system of risk management and internal control and financial reporting matters and these unaudited interim condensed consolidated financial statements for the six months ended 30 September 2022.

DISCLOSURE UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE

The financial information of the Group relating to the year ended 31 March 2022 included in this report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 March 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

Report on Review of Interim Financial Information



Tel : +852 2218 8288
Fax : +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE BOARD OF DIRECTORS OF KING FOOK HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the unaudited interim condensed consolidated financial statements set out on pages 13 to 48 which comprise the condensed consolidated statement of financial position of King Fook Holdings Limited and its subsidiaries as of 30 September 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “interim condensed consolidated financial statements”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BDO Limited
香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Report on Review of Interim Financial Information (Continued)

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the unaudited interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited

Certified Public Accountants

Chow Tak Sing, Peter

Practising Certificate Number P04659

Hong Kong, 25 November 2022

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2022

	Notes	Unaudited Six months ended 30 September	
		2022 HK\$'000	2021 HK\$'000
Revenue	5	412,514	396,678
Cost of sales		(283,848)	(281,357)
Gross profit		128,666	115,321
Other operating income	6	6,268	1,937
Distribution and selling costs		(61,257)	(56,261)
Administrative expenses		(22,819)	(21,773)
Other operating expenses	7	(10,108)	(69)
Operating profit		40,750	39,155
Finance costs	8	(2,123)	(2,965)
Profit before taxation	9	38,627	36,190
Taxation	10	—	—
Profit for the period		38,627	36,190
Other comprehensive income <i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(791)	151
<i>Item that will not be reclassified to profit or loss:</i>			
Change in fair value of investments at fair value through other comprehensive income		(401)	(342)
Other comprehensive income for the period		(1,192)	(191)
Total comprehensive income for the period		37,435	35,999
Profit for the period attributable to:			
— Owners of the Company		38,626	36,188
— Non-controlling interests		1	2
		38,627	36,190
Total comprehensive income for the period attributable to:			
— Owners of the Company		37,434	35,997
— Non-controlling interests		1	2
		37,435	35,999
Earnings per share	12	HK cents	HK cents
— Basic and diluted		4.2	4.0

Condensed Consolidated Statement of Financial Position

As at 30 September 2022

		Unaudited As at 30 September 2022 HK\$'000	Audited As at 31 March 2022 HK\$'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	6,852	9,628
Right-of-use assets	15	41,736	53,057
Investment properties		852	888
Investments at fair value through other comprehensive income	16	370	771
Other asset	17	356	356
Deposits	18	5,393	15,898
		<u>55,559</u>	<u>80,598</u>
Current assets			
Inventories	19	391,718	369,722
Debtors, deposits and prepayments	18	36,190	14,198
Investments at fair value through profit or loss	20	123	151
Time deposits		119,200	144,100
Cash and cash equivalents		267,572	254,519
		<u>814,803</u>	<u>782,690</u>
Total assets		<u>870,362</u>	<u>863,288</u>
Current liabilities			
Trade payables, deposits received and other payables	21	54,576	40,461
Gold loan		27,476	44,045
Lease liabilities	15	43,815	50,797
		<u>125,867</u>	<u>135,303</u>
Net current assets		<u>688,936</u>	<u>647,387</u>
Total assets less current liabilities		<u>744,495</u>	<u>727,985</u>
Non-current liabilities			
Provision for long service payments		64	55
Lease liabilities	15	14,492	20,244
		<u>14,556</u>	<u>20,299</u>
Net assets		<u>729,939</u>	<u>707,686</u>
CAPITAL AND RESERVES			
Share capital	22	393,354	393,354
Other reserves		34,453	35,645
Retained profits		302,039	278,595
Equity attributable to owners of the Company		<u>729,846</u>	<u>707,594</u>
Non-controlling interests		<u>93</u>	<u>92</u>
Total equity		<u>729,939</u>	<u>707,686</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2022

	Equity attributable to owners of the Company						Non-	Total
	Share capital (note 22(a)) HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Investments at fair value through other comprehensive income reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	controlling	
							interests HK\$'000	
Unaudited For the six months ended 30 September 2022								
At 1 April 2022	393,354	24,753	10,510	382	278,595	707,594	92	707,686
2021/22 final dividend (note 11)	—	—	—	—	(14,570)	(14,570)	—	(14,570)
Repurchase of ordinary shares (note 22(b))	—	—	—	—	(612)	(612)	—	(612)
Transactions with owners	—	—	—	—	(15,182)	(15,182)	—	(15,182)
Profit for the period	—	—	—	—	38,626	38,626	1	38,627
Other comprehensive income:								
Exchange differences on translation of foreign operations	—	—	(791)	—	—	(791)	—	(791)
Change in fair value of investments at fair value through other comprehensive income	—	—	—	(401)	—	(401)	—	(401)
Other comprehensive income for the period	—	—	(791)	(401)	—	(1,192)	—	(1,192)
Total comprehensive income for the period	—	—	(791)	(401)	38,626	37,434	1	37,435
At 30 September 2022	393,354	24,753	9,719	(19)	302,039	729,846	93	729,939
Unaudited For the six months ended 30 September 2021								
At 1 April 2021	393,354	24,753	10,165	780	231,485	660,537	102	660,639
2020/21 final dividend (note 11)	—	—	—	—	(9,117)	(9,117)	—	(9,117)
Repurchase of ordinary shares	—	—	—	—	(184)	(184)	—	(184)
Transactions with owners	—	—	—	—	(9,301)	(9,301)	—	(9,301)
Profit for the period	—	—	—	—	36,188	36,188	2	36,190
Other comprehensive income:								
Exchange differences on translation of foreign operations	—	—	151	—	—	151	—	151
Change in fair value of investments at fair value through other comprehensive income	—	—	—	(342)	—	(342)	—	(342)
Other comprehensive income for the period	—	—	151	(342)	—	(191)	—	(191)
Total comprehensive income for the period	—	—	151	(342)	36,188	35,997	2	35,999
At 30 September 2021	393,354	24,753	10,316	438	258,372	687,233	104	687,337

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2022

	Unaudited Six months ended 30 September	
Notes	2022 HK\$'000	2021 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit before working capital changes	23(a) 72,485	65,033
(Increase)/decrease in inventories	(25,638)	25,052
Increase in debtors, deposits and prepayments	(11,093)	(8,129)
Increase in trade payables, deposits received and other payables	13,809	5,406
	49,563	87,362
<i>Net cash generated from operations</i>		
Dividends received from investments at fair value through profit or loss	8	7
Interest received	1,665	658
Long service payments paid	(9)	—
	51,227	88,027
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits paid on purchase of property, plant and equipment	—	(5,320)
Dividends received from investments at fair value through other comprehensive income	49	33
Purchase of property, plant and equipment	(8,392)	(1,846)
Placement of time deposits with maturity over 3 months	(190,000)	(213,900)
Release of time deposits with maturity over 3 months	214,900	158,427
	16,557	(62,606)
<i>Net cash generated from/(used in) investing activities</i>		
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	23(b) (14,394)	—
Proceeds from gold loan	—	4,111
Repayment of gold loan	(11,710)	—
Payment of repurchase of ordinary shares	(608)	(193)
Payment of principal element of lease liabilities	(25,741)	(23,288)
Interest paid on gold loan	(681)	(711)
Payment of interest element of lease liabilities	(1,511)	(2,250)
	(54,645)	(22,331)
<i>Net cash used in financing activities</i>		
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,139	3,090
Cash and cash equivalents at the beginning of the period	254,519	209,270
Effect of foreign exchange rates changes, net	(86)	(15)
	267,572	212,345
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	267,572	212,345
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	34,749	44,866
Cash at a financial institution	683	286
Short term bank deposits with maturity within 3 months	232,140	167,193
	267,572	212,345

1. GENERAL INFORMATION AND BASIS OF PREPARATION

King Fook Holdings Limited (the “Company”) is a limited liability company incorporated and domiciled in Hong Kong. Its registered office is located at 9th Floor, King Fook Building, 30–32 Des Voeux Road Central, Hong Kong and its principal place of business is in Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The directors of the Company consider the ultimate holding company to be Yeung Chi Shing Estates Limited (“YCSEL”), a company incorporated in Hong Kong.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are gold ornament, jewellery, watch and gift retailing, bullion trading and diamond wholesaling.

These unaudited interim condensed consolidated financial statements for the six months ended 30 September 2022 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure required under Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. They have been prepared with the same accounting policies adopted in the Group’s annual consolidated financial statements for the year ended 31 March 2022 (the “2022 Annual Financial Statements”), except for the adoption of the new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) as disclosed in note 2.

The preparation of 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 judgements and estimates have been made in preparing these unaudited interim condensed consolidated financial statements were the same as those that were applied to the Group’s 2022 Annual Financial Statements.

1. GENERAL INFORMATION AND 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 condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 Annual Financial Statements. These unaudited interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the 2022 Annual Financial Statements.

These interim condensed consolidated financial statements are unaudited, but have been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA. BDO Limited’s report on review of interim financial information to the Board of Directors (the “Board”) is included on pages 11 and 12.

2. CHANGES IN ACCOUNTING POLICIES

In the current period, the Group has applied for the first time the following revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2022:

Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards, HKFRS 9 Financial Instruments, HKAS 41 Agriculture and Illustrative Examples accompanying HKFRS 16 Leases
Amendments to HKFRS 3	Reference to the Conceptual Framework

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2022

2. CHANGES IN ACCOUNTING POLICIES (Continued)

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

HKFRS 17 Amendments to HKAS 1	Insurance Contracts ¹ Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹
Amendments to HKAS 8 Amendments to HKAS 1 and HKFRS Practice Statement 2 Amendments to HKAS 12	Definition of Accounting Estimates ¹ Disclosure of Accounting Policies ¹ Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKFRS 16 Amendments to HKFRS 10 and HKAS 28	Lease Liability in a Sale and Leaseback ² Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ No mandatory effective date yet determined but available for adoption

The directors of the Company do not anticipate that the application of the new or revised HKFRSs in the future will have any significant impact on the Group's unaudited interim condensed consolidated financial statements.

The directors of the Company anticipate that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

3. 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 the 2022 Annual Financial Statements.

4. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Group's top management including executive directors and chief executive for their decisions about resources allocation to the Group's business components and for their review of these components' performance. The business components in the internal financial information reported to the top management are determined according to the Group's major product and service lines.

Based on the above, the Group's top management determined that the Group has only one single reportable segment which is retailing, bullion trading and diamond wholesaling. Accordingly, no separate segment of analysis is presented.

No geographical information was presented for the six months ended 30 September 2021 and 2022 respectively as more than 90% of the Group's revenue was derived from activities in Hong Kong (place of domicile). Also, most of the Group's non-current assets are located in Hong Kong.

For the six months ended 30 September 2021 and 2022 respectively, no revenue from a single customer accounted for 10% or more of the total revenue of the Group.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2022

5. REVENUE

The Group is principally engaged in gold ornament, jewellery, watch and gift retailing, bullion trading and diamond wholesaling. Revenue of the Group recognised during the period comprised the following:

	Unaudited	
	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Revenue from contracts with customers:		
Gold ornament, jewellery, watch and gift retailing	373,176	374,779
Bullion trading	38,637	20,518
Diamond wholesaling	701	1,381
Total revenue	412,514	396,678
Timing of revenue recognition:		
At a point in time	412,514	396,678

6. OTHER OPERATING INCOME

	Unaudited	
	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Dividend income	57	40
Fair value change of investments at fair value through profit or loss	—	1
Foreign exchange differences, net	181	198
Government grant (note)	3,110	—
Interest income from financial assets at amortised cost	2,207	728
Interest income from rental deposits	120	50
Rental income on owned properties	541	683
Others	52	237
	6,268	1,937

Note: During the six months ended 30 September 2022, the Group applied for funding support from the Employment Support Scheme under the Anti-Epidemic Fund set up by the Hong Kong Government. The purpose of the Employment Support Scheme was to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group was required not to make redundancies during the subsidy period and to spend all of the funding on paying wages to their employees. There were no unfulfilled conditions or contingencies relating to this government grant in which it was recognised during the six months ended 30 September 2022.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2022

7. OTHER OPERATING EXPENSES

	Unaudited Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Fair value change of investments at fair value through profit or loss	28	—
Loss on write off of property, plant and equipment	50	69
Provision for impairment loss on property, plant and equipment	7,774	—
Provision for impairment loss on right-of-use assets	2,256	—
	<u>10,108</u>	<u>69</u>

8. FINANCE COSTS

	Unaudited Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Interest charges on:		
Lease liabilities	1,511	2,250
Gold loan	612	715
	<u>2,123</u>	<u>2,965</u>

9. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging and (crediting):

	Unaudited	
	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	_____	_____
Auditors' remuneration	398	380
Cost of inventories sold, including	283,387	281,015
— provision for and write down of inventories to net realisable value	1,417	7,847
— reversal of provision for and write down of inventories to net realisable value	(3,345)	(3,705)
Depreciation of investment properties	36	36
Depreciation of property, plant and equipment	3,341	547
Depreciation of right-of-use assets	22,544	21,898
Outgoings in respect of investment properties	130	85
Provision for long service payments		
— provided against the account	32	10
— reversal of provision	(14)	(5)
Rental expenses for variable lease payments	999	1,222
Rental expenses on short term lease in respect of furniture and fixtures	1	1
Rental expenses on short term lease in respect of property	—	94
	_____	_____

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2022

10. TAXATION

No Hong Kong profits tax has been provided for the six months ended 30 September 2021 and 2022 respectively as the Group has sufficient tax loss brought forward to set off against the estimated assessable profit.

No overseas profits tax has been provided for the six months ended 30 September 2021 and 2022 respectively as the Group has no estimated assessable profit.

11. DIVIDENDS

	Unaudited	
	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Dividends recognised as distribution during the period:		
2021/22 final dividend of HK1.6 cents (2020/21 final dividend: HK1.0 cent) per ordinary share	14,570	9,117
Dividends declared after the end of the reporting period:		
2022/23 interim dividend of HK0.4 cent (2021/22 interim dividend: HK0.4 cent) per ordinary share	3,639	3,647

The interim dividend is not recognised as a liability as at 30 September 2022 because it has been declared after the end of the reporting period.

12. EARNINGS PER SHARE**(a) Basic earnings per share**

The calculation of basic earnings per share is based on the consolidated profit for the period attributable to owners of the Company of HK\$38,626,000 (for the six months ended 30 September 2021: HK\$36,188,000) and the weighted average number of 911,263,361 (for the six months ended 30 September 2021: 911,695,350) ordinary shares in issue during the period, is calculated as follows:

	Unaudited	
	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Profit attributable to owners of the Company	38,626	36,188
	<u>38,626</u>	<u>36,188</u>
	Unaudited	
	As at 30 September	
	2022	2021
	<u>911,658,465</u>	<u>912,208,465</u>
Weighted average number of ordinary shares		
Issued ordinary shares at 1 April	911,658,465	912,208,465
Effect of ordinary shares repurchased and cancelled (note)	(395,104)	(513,115)
	<u>911,263,361</u>	<u>911,695,350</u>
Weighted average number of ordinary shares at 30 September	911,263,361	911,695,350
	<u>911,263,361</u>	<u>911,695,350</u>

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2022

12. EARNINGS PER SHARE (Continued)

(a) Basic earnings per share (Continued)

Note: The weighted average number of ordinary shares outstanding during the six months ended 30 September 2022 was adjusted for the effect of 1,500,000 (for the six months ended 30 September 2021: 550,000) ordinary shares repurchased and cancelled (note 22(b)) multiplied by a time-weighting factor.

(b) Diluted earnings per share

Diluted earnings per share and basic earnings per share for the six months ended 30 September 2021 and 2022 respectively are the same as there were no dilutive potential ordinary shares in issue during both periods.

13. EMPLOYEE BENEFIT EXPENSE

	Unaudited Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Wages, salaries and other benefits	33,836	32,243
Pension costs — defined contribution retirement schemes	1,228	1,203
Provision for long service payments	32	10
Reversal of provision for long service payments	(14)	(5)
	<u>35,082</u>	<u>33,451</u>

Employee benefit expense as shown above includes directors' and chief executive's emoluments.

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2022, the Group incurred capital expenditures of approximately HK\$8,392,000 (for the six months ended 30 September 2021: HK\$1,846,000) which was mainly related to the purchases of leasehold improvements, and furniture and equipment.

Due to the on-going COVID-19 pandemic, the Group had performed an impairment assessment on property, plant and equipment and right-of-use assets (note 15) in accordance with HKAS 36, *Impairment of Assets*, at the end of the reporting period. Based on the assessment, provision for impairment losses on property, plant and equipment of HK\$7,774,000 and right-of-use assets of HK\$2,256,000 were recognised and charged to the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2022. No provision for impairment losses on property, plant and equipment and right-of-use assets were recognised during the six months ended 30 September 2021. The impairment provision was mainly made against the property, plant and equipment of an existing retail store and the right-of-use assets of a renewal lease agreement entered into during the period. The recoverable amounts of these property, plant and equipment and right-of-use assets using value-in-use calculation were determined by the discounted cash flows generated from retail stores based on the management budget plan covering a two-and-a-half year period and a pre-tax discount rate of 10% (at 30 September 2021: 9%), with major assumptions such as change in revenue (based on projected sales estimated by management which is dependent on the estimated negative effect of the possible timing of continuance of travel and quarantine restrictions in Hong Kong, and the speed of recovery of tourist arrivals and their spending), change in operating cost (based on historical information and estimated changes related to the Group's various cost saving measures and central administration cost absorption) and change in gross profit and product mix (based on the historical data and adjusted for the possible changes in gross profit and product mix due to the change in market and operational environment).

For the six months ended 30 September 2022

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The change in revenue is dependent on the timing of easing of the various travel restriction and quarantine measures for COVID-19 pandemic, with the assumption that tourist traffic and customer spending would start to gradually recover from the second half of the year ending 31 March 2023 onwards in Hong Kong.

15. LEASES

Nature of leasing activities

The Group has obtained the right to use properties and furniture and equipment as its office premises and retail stores under non-cancellable operating lease agreements, which comprise only fixed payments and variable payments that are based on sales over the lease terms.

Right-of-use assets

During the six months ended 30 September 2022, the Group entered into a new lease agreement for the use of property and therefore recognised the additions to right-of-use assets of HK\$10,703,000 (for the six months ended 30 September 2021: HK\$8,712,000). Based on the impairment assessment as set out in note 14, provision for impairment loss on right-of-use assets of HK\$2,256,000 was recognised and charged to the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2022 (for the six months ended 30 September 2021: Nil).

The leases of retail stores contain variable lease payment terms that are based on the retail stores' revenue pursuant to the terms and conditions set out in the respective lease agreements and minimum annual lease payment terms that are fixed.

15. LEASES (Continued)**Lease liabilities**

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period are as follows:

	Unaudited As at 30 September 2022		Audited As at 31 March 2022	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within 1 year	43,815	45,559	50,797	53,176
After 1 year but within 2 years	9,563	10,018	18,611	19,035
After 2 years but within 5 years	4,929	5,083	1,633	1,645
	<u>58,307</u>	<u>60,660</u>	<u>71,041</u>	<u>73,856</u>
Less: Total future interest charges		<u>(2,353)</u>		<u>(2,815)</u>
Present value of lease liabilities		<u>58,307</u>		<u>71,041</u>

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2022

16. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Unaudited As at 30 September 2022 HK\$'000	Audited As at 31 March 2022 HK\$'000
Unlisted equity securities	370	771

Financial assets measured at fair value through other comprehensive income represented equity investments that is not held for trading. The Group has made an irrevocable election to classify the equity investments at fair value through other comprehensive income rather than through profit or loss because this is considered to be more appropriate for these strategic investments.

The fair values of these investments at 31 March 2022 and 30 September 2022 were determined by the directors of the Company. Details of the fair value measurements are set out in note 26.

17. OTHER ASSET

	Unaudited As at 30 September 2022 HK\$'000	Audited As at 31 March 2022 HK\$'000
Membership licence, at cost	356	356

Membership licence is carried at cost less any impairment. It represented cost of membership at The Chinese Gold and Silver Exchange Society.

18. DEBTORS, DEPOSITS AND PREPAYMENTS

	Unaudited	Audited
	As at	As at
	30 September	31 March
	2022	2022
	HK\$'000	HK\$'000
	<u> </u>	<u> </u>
Current		
Trade debtors	5,150	3,042
Other receivables	2,919	411
Commission receivable	10,121	3,075
Rental deposits	13,077	1,036
Other deposits	2,199	1,866
Prepayments	2,724	4,768
	<u> </u>	<u> </u>
	36,190	14,198
	-----	-----
Non-current		
Rental deposits	5,393	15,898
	<u> </u>	<u> </u>
	41,583	30,096
	<u> </u>	<u> </u>

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2022

18. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

The ageing analysis of trade debtors, based on invoice date, was as follows:

	Unaudited As at 30 September 2022 HK\$'000	Audited As at 31 March 2022 HK\$'000
Within 30 days	4,182	2,440
31–90 days	968	265
More than 90 days	—	337
	5,150	3,042

19. INVENTORIES

	Unaudited As at 30 September 2022 HK\$'000	Audited As at 31 March 2022 HK\$'000
Jewellery	244,208	243,405
Gold ornament	47,655	46,353
Gold bullion	3,587	4,408
Watch and gift	96,070	75,323
Others	198	233
	391,718	369,722

As at 30 September 2022, the fair value less costs to sell of gold bullion was approximately HK\$3,587,000 (at 31 March 2022: HK\$4,408,000).

20. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited As at 30 September 2022 HK\$'000	Audited As at 31 March 2022 HK\$'000
Equity securities		
Listed in Hong Kong	123	151

The above investments are classified as held for trading.

Fair values of the listed equity securities have been determined by reference to their quoted bid prices at the end of the reporting period.

Details of the fair value measurement are set out in note 26.

21. TRADE PAYABLES, DEPOSITS RECEIVED AND OTHER PAYABLES

	Unaudited As at 30 September 2022 HK\$'000	Audited As at 31 March 2022 HK\$'000
Trade payables	17,299	5,911
Other payables	2,795	3,252
Accruals and provisions	13,642	12,202
Contract liabilities	2,501	2,742
Deposits received	18,339	16,354
	54,576	40,461

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2022

21. TRADE PAYABLES, DEPOSITS RECEIVED AND OTHER PAYABLES

(Continued)

The ageing analysis of trade payables, based on invoice date, was as follows:

	Unaudited As at 30 September 2022 HK\$'000	Audited As at 31 March 2022 HK\$'000
Within 30 days	17,160	5,869
31–90 days	139	42
	17,299	5,911

22. SHARE CAPITAL

(a) Issued share capital

	Unaudited As at 30 September 2022 HK\$'000	Audited As at 31 March 2022 HK\$'000
Issued and fully paid:		
910,158,465 (at 31 March 2022:		
911,658,465) ordinary shares	393,354	393,354

22. SHARE CAPITAL (Continued)**(a) Issued share capital** (Continued)

	Number of ordinary shares		Share capital	
	Unaudited As at 30 September 2022	Audited As at 31 March 2022	Unaudited As at 30 September 2022 HK\$'000	Audited As at 31 March 2022 HK\$'000
Issued and fully paid:				
At the beginning of the period/year	911,658,465	912,208,465	393,354	393,354
Ordinary shares repurchased and cancelled	(1,500,000)	(550,000)	—	—
At the end of the period/year	910,158,465	911,658,465	393,354	393,354

(b) Repurchase of ordinary shares

Month/year	Number of ordinary shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$'000
July 2022	500,000	0.415	0.390	203
August 2022	500,000	0.415	0.390	201
September 2022	500,000	0.380	0.370	189
	1,500,000			593

The repurchase of ordinary shares was governed by section 257 of the Hong Kong Companies Ordinance. The total amounts incurred, including transaction costs, on the repurchased ordinary shares of HK\$612,000 were paid/payable out of retained profits. All of the repurchased ordinary shares were cancelled before the end of the reporting period.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2022

23. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

- (a) Reconciliation of profit before taxation to operating profit before working capital changes is as follows:

	Unaudited Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Profit before taxation	38,627	36,190
Depreciation of investment properties	36	36
Depreciation of property, plant and equipment	3,341	547
Depreciation of right-of-use assets	22,544	21,898
Dividend income	(57)	(40)
Fair value change of investments at fair value through profit or loss	28	(1)
Interest charges	2,123	2,965
Interest income	(2,327)	(778)
Loss on write off of property, plant and equipment	50	69
Provision for and write down of inventories to net realisable value	1,417	7,847
Provision for impairment loss on property, plant and equipment	7,774	—
Provision for impairment loss on right-of-use assets	2,256	—
Provision for long service payments	32	10
Reversal of provision for and write down of inventories to net realisable value	(3,345)	(3,705)
Reversal of provision for long service payments	(14)	(5)
Operating profit before working capital changes	<u>72,485</u>	<u>65,033</u>

23. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)**(b) Reconciliation of liabilities arising from financing activities**

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's condensed consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK\$'000	Gold loan HK\$'000	Interest payables HK\$'000	Dividend payables HK\$'000	Total HK\$'000
Unaudited For the six months ended 30 September 2022					
As at 1 April 2022	71,041	44,045	384	—	115,470
Changes from cash flows:					
Repayment of gold loan	—	(11,710)	—	—	(11,710)
Payment of principal element of lease liabilities	(25,741)	—	—	—	(25,741)
Interest paid on gold loan	—	—	(681)	—	(681)
Payment of interest element of lease liabilities	(1,511)	—	—	—	(1,511)
Dividend paid	—	—	—	(14,394)	(14,394)
Total changes from cash flows	(27,252)	(11,710)	(681)	(14,394)	(54,037)
Other non-cash flow changes:					
Additions	10,276	—	—	—	10,276
Lease modifications	2,731	—	—	—	2,731
Change in fair value of gold loan	—	(4,859)	—	—	(4,859)
Interest incurred	1,511	—	612	—	2,123
Dividend recognised	—	—	—	14,570	14,570
Total other non-cash flow changes	14,518	(4,859)	612	14,570	24,841
As at 30 September 2022	58,307	27,476	315	176	86,274

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2022

23. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Lease liabilities HK\$'000	Gold loan HK\$'000	Interest payables HK\$'000	Dividend payables HK\$'000	Total HK\$'000
Unaudited For the six months ended 30 September 2021					
As at 1 April 2021	92,708	32,714	97	—	125,519
Changes from cash flows:					
Proceeds from gold loan	—	4,111	—	—	4,111
Payment of principal element of lease liabilities	(23,288)	—	—	—	(23,288)
Interest paid on gold loan	—	—	(711)	—	(711)
Payment of interest element of lease liabilities	(2,250)	—	—	—	(2,250)
Total changes from cash flows	(25,538)	4,111	(711)	—	(22,138)
Other non-cash flow changes:					
Additions	8,415	—	—	—	8,415
Lease modifications	18,289	—	—	—	18,289
Change in fair value of gold loan	—	966	—	—	966
Interest incurred	2,250	—	715	—	2,965
Total other non-cash flow changes	28,954	966	715	—	30,635
As at 30 September 2021	96,124	37,791	101	—	134,016

Interest payables and dividend payables are included in trade payables, deposits received and other payables presented in the condensed consolidated statement of financial position.

24. FUTURE OPERATING LEASE RECEIVABLES

At the end of the reporting period, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases in respect of investment properties are as follows:

	Unaudited As at 30 September 2022 HK\$'000	Audited As at 31 March 2022 HK\$'000
Within 1 year	601	910
After 1 year but within 2 years	252	322
After 2 years but within 3 years	—	46
	853	1,278

The Group leases out its investment properties under operating lease arrangements which run for an initial period of 12 to 26 months (at 31 March 2022: 12 to 26 months), with option for tenants to renew the lease term at the expiry date.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2022

25. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions disclosed elsewhere in these unaudited interim condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:

		Unaudited Six months ended 30 September	
		2022	2021
Notes		HK\$'000	HK\$'000
Management fees and air-conditioning charges paid to Stanwick Properties Limited	(i)	548	548
Sale of goods to directors	(ii)	1,284	302
Purchase of consumables from Stanwick Properties Limited	(iii)	—	45

Notes:

- (i) The Group has entered into a number of lease agreements with Stanwick Properties Limited ("Stanwick") for the use of properties relating to the Basement and Ground Floor, Mezzanine Floor, 3rd (including a flat roof), 5th, 7th, 8th, 9th and 10th Floors of King Fook Building, 30–32 Des Voeux Road Central, Hong Kong and furniture and equipment. In addition to the management fees and air-conditioning charges paid to Stanwick as disclosed, as at 30 September 2022, the Group had recognised lease liabilities and right-of-use assets of approximately HK\$10,347,000 (at 31 March 2022: HK\$15,397,000) and HK\$4,292,000 (at 31 March 2022: HK\$9,676,000) for the lease payments of those leases respectively. Total undiscounted lease payments under these lease agreements were approximately HK\$5,382,000 (for the six months ended 30 September 2021: HK\$5,956,000) during the period. Stanwick is a wholly owned subsidiary of YCSEL, the ultimate holding company of the Group. Mr. Wong Wei Ping, Martin, a director of the Company, is the husband of a shareholder and director of YCSEL. These related party transactions were entered into on normal commercial terms.

25. RELATED PARTY TRANSACTIONS (Continued)

- (a) In addition to the transactions disclosed elsewhere in these unaudited interim condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:** (Continued)

Notes: (Continued)

- (ii) It represented sales of gold ornament, jewellery and watch items net of sale discounts to the directors of the Company for the period. The transactions were carried out on normal commercial terms in the ordinary course of business.
- (iii) These related party transactions were entered into on normal commercial terms.

(b) Compensation of key management personnel

The remuneration of directors of the Company (executive and non-executive) and other members of key management during the period was as follows:

	Unaudited	
	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	<u> </u>	<u> </u>
Salaries, allowances and benefits in kind	7,229	5,967
Pension costs — defined contribution retirement schemes	94	90
	<u>7,323</u>	<u>6,057</u>

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2022

26. FAIR VALUE MEASUREMENTS

At the end of the reporting period, the financial assets and liability measured at fair value in the condensed consolidated statement of financial position are set out as follows:

	Unaudited				Audited			
	As at 30 September 2022				As at 31 March 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial asset at fair value through profit or loss								
Investments at fair value through profit or loss								
— Listed equity securities (i)								
	123	—	—	123	151	—	—	151
Financial asset at fair value through other comprehensive income								
Investments at fair value through other comprehensive income								
— Unlisted equity securities (ii)								
	—	—	370	370	—	—	771	771
Financial liability at fair value through profit or loss								
Gold loan (i)								
	27,476	—	—	27,476	44,045	—	—	44,045

The Group followed HKFRS 13, *Fair Value Measurement*, which introduces a 3 level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

26. FAIR VALUE MEASUREMENTS (Continued)

The hierarchy groups financial assets and liability into 3 levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liability. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical asset or liability;
- 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).

Notes:

- (i) At the end of each reporting period, the listed equity securities and gold loan are measured subsequent to initial recognition at fair value, grouped into Level 1 based on the degree to which the fair value is observable. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical asset or liability.
- (ii) At the end of each reporting period, the unlisted equity securities are measured subsequent to initial recognition at fair value, grouped into Level 3 based on the degree to which the fair value is unobservable. The fair value measurements of unlisted equity securities are determined by the directors of the Company.

Movement of financial assets grouped into Level 3 is as follows:

	Unaudited As at 30 September 2022 HK\$'000	Audited As at 31 March 2022 HK\$'000
Unlisted equity securities		
At the beginning of period/year	771	1,229
Fair value change recognised in other comprehensive income	(401)	(390)
Disposal	—	(68)
At the end of period/year	370	771

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2022

26. FAIR VALUE MEASUREMENTS (Continued)

Notes: (Continued)

(ii) (Continued)

The valuations are determined based on the following significant unobservable inputs:

<u>Financial assets</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Range/value</u>	<u>Sensitivity of fair value to the input</u>
Unlisted equity securities with carrying amounts of HK\$18,000 as at 30 September 2022 (at 31 March 2022: HK\$20,000)	Market approach	Price-to-book multiple ("P/B multiple")	0.12 to 0.85 (at 31 March 2022: 0.14 to 0.72)	The fair values of unlisted equity securities are determined with reference to multiples of comparable listed companies, using the average of the P/B multiple of comparable. The fair value measurement is positively correlated to the P/B multiple. Had the highest P/B multiple among the comparable been used as at 30 September 2022, the fair value would have increased by HK\$22,000. Had the lowest P/B multiple among the comparable been used as at 30 September 2022, the fair value would have decreased by HK\$12,000.
		Discount for lack of marketability ("DLOM")	24.2% (at 31 March 2022: 24.2%)	The fair values of unlisted equity securities are also determined with reference to DLOM. The fair value measurement is negatively correlated to the DLOM. Had the DLOM decreased by 5% as at 30 September 2022, the fair value would have increased by HK\$1,000. Had the DLOM increased by 5% as at 30 September 2022, the fair value would have decreased by HK\$1,000.

26. FAIR VALUE MEASUREMENTS (Continued)

Notes: (Continued)

(ii) (Continued)

<u>Financial assets</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Range/value</u>	<u>Sensitivity of fair value to the input</u>
Unlisted equity securities with carrying amounts of HK\$352,000 as at 30 September 2022 (at 31 March 2022: HK\$751,000)	Market approach	Enterprise value-to-earnings before interest, taxes, depreciation and amortisation multiple ("EV/EBITDA multiple")	16.16 to 29.67 (at 31 March 2022: 21.72 to 23.82)	The fair values of unlisted equity securities are determined with reference to multiples of comparable listed companies, using the average of the EV/EBITDA multiple of comparable. The fair value measurement is positively correlated to the EV/EBITDA multiple. Had the highest EV/EBITDA multiple among the comparable been used as at 30 September 2022, the fair value would have increased by HK\$62,000. Had the lowest EV/EBITDA multiple among the comparable been used as at 30 September 2022, the fair value would have decreased by HK\$62,000.
		DLOM	24.2% (at 31 March 2022: 24.2%)	The fair values of unlisted equity securities are also determined with reference to DLOM. The fair value measurement is negatively correlated to the DLOM. Had the DLOM decreased by 5% as at 30 September 2022, the fair value would have increased by HK\$23,000. Had the DLOM increased by 5% as at 30 September 2022, the fair value would have decreased by HK\$23,000.

There have been no transfers between levels in the reporting period.

For the six months ended 30 September 2022

27. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 25 November 2022.

By order of the Board
Tang Yat Sun, Richard
Chairman

Hong Kong, 25 November 2022

At the date of this report, the executive directors of the Company are Mr. Tang Yat Sun, Richard, Dr. Fung Yuk Bun, Patrick and Mr. Wong Wei Ping, Martin; the non-executive director is Mr. Ng Ming Wah, Charles; and the independent non-executive directors are Mr. Cheng Kar Shing, Peter, Mr. Ho Hau Hay, Hamilton, Mr. Sin Nga Yan, Benedict, Mr. Cheng Kwok Shing, Anthony and Ms. Hou Tan Tan Danielle.