

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2023

STOCK CODE : 280

20

INTERIM
REPORT

23



king fook holdings limited
景福集團有限公司

Contents

2	Management Commentary
12	Report on Review of Interim Financial Information
14	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
15	Condensed Consolidated Statement of Financial Position
16	Condensed Consolidated Statement of Changes in Equity
17	Condensed Consolidated Statement of Cash Flows
18	Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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 2023. 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 2023, and the condensed consolidated statement of financial position as at 30 September 2023 of the Group, all of which are unaudited, along with selected explanatory notes, are set out on pages 14 to 52 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 2022: HK0.4 cent) per ordinary share for the six months ended 30 September 2023 to shareholders whose names appear on the register of members of the Company on Friday, 8 December 2023. The interim dividend will be paid on Thursday, 21 December 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 8 December 2023, 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 Thursday, 7 December 2023 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 2023, the Group recorded total revenue of HK\$363.9 million, representing a decrease of HK\$48.6 million or 11.8% from HK\$412.5 million for the last corresponding period. The Group recorded an unaudited consolidated profit attributable to owners of the Company of HK\$43.7 million for such period as compared to an attributable consolidated profit of HK\$38.6 million for the same period last year.

Business Review

The Group opened a new stand-alone independent watchmaker store, H. Moser & Cie., in Central Building on Pedder Street in December 2022 and operated a total of 7 retail shops in Hong Kong as at 30 September 2023. The revenue of the Group's retailing business for the six months ended 30 September 2023 decreased by HK\$49.8 million or 12.1% to HK\$362.0 million from HK\$411.8 million for the same period last year. After three years, the world finally saw the end of the COVID-19 pandemic at the beginning of this year. With the lifting of COVID-19 related restrictions in Hong Kong and the re-opening of borders, daily lives and shopping habits are gradually returning to normal. However, the combination of high interest rates and geopolitical uncertainties has continued to dampen customer buying sentiment, impacting our jewellery business significantly. The persistently high gold prices have slowed down our gold bullion business. On the other hand, the resumption of wedding events has provided a boost to our gold ornaments business, resulting in a double digit growth. In addition, the successful introduction of the independent watchmaker store, H. Moser & Cie., has partially offset the revenue loss caused by the closure of the Audemars Piguet store.

Management Commentary (Continued)

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

The decline in the total revenue of the Group was primarily attributed to the sluggish demand for gold bullion and the revenue loss from the closure of the Audemars Piguet store.

However, despite the decrease in revenue, we successfully managed to increase our consolidated profit attributable to owners of the Company. This was achieved by the reduction of distribution and selling costs by HK\$10.3 million, representing a reduction of 16.8% on the same period last year as well as HK\$7.4 million interest income from our fundings, reflecting a significant increase of 236.4% compared to last corresponding period.

Outlook

The Group anticipates that the prevailing high interest rates will persist for a considerable duration, while the macroeconomic situation remains fraught with uncertainties. As a result, the recovery of luxury goods consumption is expected to be a gradual process, and the business environment will continue to present significant challenges. In order to effectively tackle these challenges, we have devised several strategies.

Firstly, we will actively explore new quality watch brands to expand our watch brand portfolio. This strategic initiative aims to diversify our offerings and cater to the evolving preferences of our discerning customers. By incorporating a wider range of reputable watch brands, we can enhance our competitive edge in the market.

Management Commentary (Continued)

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Outlook (Continued)

Secondly, we are committed to enhancing the appeal of our exquisite jewellery brands. To this end, we recently organized the “Annamarie Cammilli — Firenze to Firenze” exhibition at Central Tai Kwun. This exhibition commemorated Annamarie Cammilli’s 40th anniversary and provided a platform to showcase her remarkable accomplishments and sources of inspiration to the general public. By promoting the unique stories and craftsmanship behind our jewellery brands, we aim to generate greater interest and engagement among potential customers.

Furthermore, we recognize the importance of continuously improving the skill set of our sales team, particularly in the area of high-end client development. We will keep investing in training programs and initiatives to enhance their capabilities and ensure they are well-equipped to effectively engage with our esteemed clientele. Strengthening our sales team will enable us to provide superior customer service and build lasting relationships with high end customers.

Lastly, as part of our expansion plans, we are excited to announce the opening of a new watch store and a new jewellery store in Central Building. These stores, scheduled to launch in December this year, will showcase a curated collection of popular independent watchmaker brands and exquisite jewellery brands. By featuring these high potential brands, we aim to offer our customers a fresh and diverse selection of timepieces and jewellery, thereby enriching their shopping experience and staying ahead of market trends.

In summary, our strategic initiatives include exploring new quality watch brands, enhancing the appeal of our exquisite jewellery brands through exhibitions and events, improving our sales team’s high-end client development skills and opening 2 new stores to showcase independent watchmaker and jewellery brands. Through these efforts, we aim to navigate the challenging business environment and position ourselves for growth and success in the luxury goods market.

Management Commentary (Continued)

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review

Liquidity and Financial Resources

As at 30 September 2023, the Group's current assets and current liabilities were approximately HK\$913.5 million and HK\$228.7 million respectively. There were cash and cash equivalents and time deposits of approximately HK\$353.9 million and HK\$129.1 million respectively, gold loan of approximately HK\$50.8 million, and no bank loan as at that date.

Based on the total borrowings of the Group of approximately HK\$50.8 million and the equity attributable to owners of the Company of approximately HK\$719.6 million as at 30 September 2023, the overall borrowings to equity ratio was 7.1%, 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 2023.

Charge on Assets

As at 30 September 2023, there was no charge on the Group's assets.

Capital Expenditure

During the period, the Group had incurred capital expenditures of approximately HK\$0.1 million, including the costs of furniture and equipment.

Management Commentary (Continued)

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review (Continued)

Capital Commitments and Contingent Liabilities

The Group's capital commitments as at 30 September 2023 are set out in note 25 to the unaudited interim condensed consolidated financial statements. As at 30 September 2023, there was no contingent liabilities or off-balance sheet obligation.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 September 2023, the Group had about 133 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. We also provide training programs to employees to improve the standard of customer services and for their further advancement.

Management Commentary (Continued)

DISCLOSURE OF INTERESTS

As at 30 September 2023, 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:

Name of directors	Number of ordinary shares held			Percentage of shareholding
	Personal	Corporate	Total	
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.

Save as disclosed above, as at 30 September 2023, 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.

Management Commentary (Continued)

SUBSTANTIAL SHAREHOLDER

As at 30 September 2023, 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	64.47%

* The percentage was calculated based on 909,308,465 ordinary shares of the Company in issue as at 30 September 2023.

Save as disclosed above, as at 30 September 2023, 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2023, the Company repurchased a total of 50,000 ordinary shares on the Stock Exchange at the total price of HK\$24,000. 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 2023.

Management Commentary (Continued)

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 2023.

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 2023 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 2023 set out on pages 14 to 52 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 2023.

DISCLOSURE UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE

The financial information of the Group relating to the year ended 31 March 2023 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 2023 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



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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 14 to 52 which comprise the condensed consolidated statement of financial position of King Fook Holdings Limited and its subsidiaries as of 30 September 2023 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.

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, 20 November 2023

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2023

	Notes	Unaudited Six months ended 30 September	
		2023 HK\$'000	2022 HK\$'000
Revenue	5	363,913	412,514
Cost of sales		(253,192)	(283,848)
Gross profit		110,721	128,666
Other gains and income	6	14,195	6,268
Distribution and selling costs		(50,925)	(61,257)
Administrative expenses		(25,066)	(22,819)
Other operating expenses	7	(3,542)	(10,108)
Operating profit		45,383	40,750
Finance costs	8	(1,646)	(2,123)
Profit before taxation	9	43,737	38,627
Taxation	10	—	—
Profit for the period		43,737	38,627
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(376)	(791)
<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		328	(401)
Other comprehensive income for the period		(48)	(1,192)
Total comprehensive income for the period		43,689	37,435
Profit for the period attributable to:			
– Owners of the Company		43,735	38,626
– Non-controlling interests		2	1
		43,737	38,627
Total comprehensive income for the period attributable to:			
– Owners of the Company		43,687	37,434
– Non-controlling interests		2	1
		43,689	37,435
Earnings per share	12	HK cents	HK cents
– Basic and diluted		4.8	4.2

Condensed Consolidated Statement of Financial Position

As at 30 September 2023

		Unaudited As at 30 September 2023 HK\$'000	Audited As at 31 March 2023 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	3,132	4,740
Right-of-use assets	15	47,077	24,000
Investment properties		780	816
Investments at fair value through other comprehensive income	16	654	326
Other asset	17	356	356
Deposits	18	5,780	6,751
		<u>57,779</u>	<u>36,989</u>
Current assets			
Inventories	19	394,582	387,379
Debtors, deposits and prepayments	18	35,772	57,432
Investments at fair value through profit or loss	20	145	173
Time deposits		129,079	71,151
Cash and cash equivalents		353,914	301,060
		<u>913,492</u>	<u>817,195</u>
Total assets		<u>971,271</u>	<u>854,184</u>
Current liabilities			
Trade payables, deposits received and other payables	21	141,369	46,359
Gold loan		50,841	—
Lease liabilities	15	36,443	28,589
		<u>228,653</u>	<u>74,948</u>
Net current assets		<u>684,839</u>	<u>742,247</u>
Total assets less current liabilities		<u>742,618</u>	<u>779,236</u>
Non-current liabilities			
Provision for long service payments		1,865	66
Lease liabilities	15	21,047	12,193
		<u>22,912</u>	<u>12,259</u>
Net assets		<u>719,706</u>	<u>766,977</u>
CAPITAL AND RESERVES			
Share capital	22	393,354	393,354
Other reserves		34,580	34,628
Retained profits		291,692	338,917
Equity attributable to owners of the Company		<u>719,626</u>	<u>766,899</u>
Non-controlling interests		<u>80</u>	<u>78</u>
Total equity		<u>719,706</u>	<u>766,977</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2023

	Equity attributable to owners of the Company						Non-controlling interests	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	HK\$'000	HK\$'000
Unaudited								
For the six months ended								
30 September 2023								
At 1 April 2023	393,354	24,753	9,938	(63)	338,917	766,899	78	766,977
2022/23 final dividend (note 11)	—	—	—	—	(18,186)	(18,186)	—	(18,186)
2022/23 special dividend (note 11)	—	—	—	—	(72,745)	(72,745)	—	(72,745)
Repurchase of ordinary shares (note 22(b))	—	—	—	—	(29)	(29)	—	(29)
Transactions with owners	—	—	—	—	(90,960)	(90,960)	—	(90,960)
Profit for the period	—	—	—	—	43,735	43,735	2	43,737
Other comprehensive income:								
Exchange differences on translation of foreign operations	—	—	(376)	—	—	(376)	—	(376)
Change in fair value of investments at fair value through other comprehensive income	—	—	—	328	—	328	—	328
Other comprehensive income for the period	—	—	(376)	328	—	(48)	—	(48)
Total comprehensive income for the period	—	—	(376)	328	43,735	43,687	2	43,689
At 30 September 2023	393,354	24,753	9,562	265	291,692	719,626	80	719,706
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	—	—	—	—	(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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2023

Notes	Unaudited Six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit before working capital changes	62,407	75,830
Increase in inventories	(13,485)	(28,983)
Decrease/(increase) in debtors, deposits and prepayments	23,965	(11,093)
Increase in trade payables, deposits received and other payables	4,051	13,809
<i>Net cash generated from operations</i>	76,938	49,563
Dividends received from investments at fair value through profit or loss	8	8
Interest received	5,585	1,665
Long service payments paid	(91)	(9)
<i>Net cash generated from operating activities</i>	82,440	51,227
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from investments at fair value through other comprehensive income	27	49
Purchase of property, plant and equipment	(119)	(8,392)
Placement of time deposits with maturity over 3 months	(115,128)	(190,000)
Release of time deposits with maturity over 3 months	57,200	214,900
<i>Net cash (used in)/generated from investing activities</i>	(58,020)	16,557
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	—	(14,394)
Proceeds from gold loan	52,797	—
Repayment of gold loan	—	(11,710)
Payment of repurchase of ordinary shares	(24)	(608)
Payment of principal element of lease liabilities	(22,665)	(25,741)
Interest paid on gold loan	—	(681)
Payment of interest element of lease liabilities	(1,614)	(1,511)
<i>Net cash generated from/(used in) financing activities</i>	28,494	(54,645)
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the beginning of the period	52,914	13,139
Effect of foreign exchange rates changes, net	301,060	254,519
	(60)	(86)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	353,914	267,572
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	39,143	34,749
Cash at a financial institution	355	683
Short term bank deposits with maturity within 3 months	314,416	232,140
	353,914	267,572

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2023

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 2023 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 2023 (the “2023 Annual Financial Statements”), except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) as disclosed in note 2.

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 2023 Annual Financial Statements. These unaudited interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the 2023 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 12 and 13.

2. CHANGES IN ACCOUNTING POLICIES

In the current period, the Group has applied for the first time the following new and 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 2023:

HKFRS 17 and amendments to HKFRS 17	Insurance Contracts (including Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information)
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism.

The adoption of these new and revised HKFRSs and the above development have no significant impact on the Group's unaudited interim condensed consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (Revised), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants (the 2022 Amendments) ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of Exchangeability ²
Amendments to HKFRS 10 and HKAS 28	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 2024

² Effective for annual periods beginning on or after 1 January 2025

³ Effective for annual periods beginning on or after a date to be determined

The directors of the Company do not anticipate that the application of the amendments and revisions in the future will have an impact on the Group's 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.

For the six months ended 30 September 2023

3. USE OF JUDGEMENTS AND ESTIMATES

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 2023 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 2022 and 2023 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 2022 and 2023 respectively, no revenue from a single customer accounted for 10% or more of the total revenue of the Group.

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	
	2023	2022
	HK\$'000	HK\$'000
Revenue from contracts with customers:		
Gold ornament, jewellery, watch and gift retailing	342,357	373,176
Bullion trading	19,637	38,637
Diamond wholesaling	1,919	701
	363,913	412,514
Total revenue	363,913	412,514
Timing of revenue recognition:		
At a point in time	363,913	412,514

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

For the six months ended 30 September 2023

6. OTHER GAINS AND INCOME

	Unaudited Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
Dividend income	35	57
Fair value gain on gold loan designated at fair value through profit or loss	1,956	—
Fair value gain on realisation of bullion contract	3,290	—
Foreign exchange differences, net	—	181
Government grant (note)	—	3,110
Interest income from financial assets at amortised cost	7,423	2,207
Interest income from rental deposits	306	120
Rental income on investment properties	640	541
Others	545	52
	14,195	6,268

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.

7. OTHER OPERATING EXPENSES

	Unaudited	
	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
Fair value change of investments at fair value through profit or loss	28	28
Foreign exchange differences, net	235	—
Loss on write off/disposal of property, plant and equipment	8	50
Provision for impairment loss on property, plant and equipment	—	7,774
Provision for impairment loss on right-of-use assets	3,271	2,256
	3,542	10,108

8. FINANCE COSTS

	Unaudited	
	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
Interest charges on:		
Gold loan	32	612
Lease liabilities	1,614	1,511
	1,646	2,123

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

For the six months ended 30 September 2023

9. PROFIT BEFORE TAXATION

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

	Unaudited Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
Auditors' remuneration	398	398
Cost of inventories sold, including	252,436	283,387
– provision for and write down of inventories to net realisable value	4,011	1,417
Depreciation of investment properties	36	36
Depreciation of property, plant and equipment	1,718	3,341
Depreciation of right-of-use assets	13,826	22,544
Outgoings in respect of investment properties	144	130
Provision for long service payments		
– provided against the account	1,908	32
– reversal of provision	(18)	(14)
Rental expenses for variable lease payments	466	999
Rental expenses on short term lease in respect of furniture and fixtures	1	1

10. TAXATION

No Hong Kong profits tax has been provided for the six months ended 30 September 2022 and 2023 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 2022 and 2023 respectively as the Group has no estimated assessable profit.

11. DIVIDENDS

	Unaudited	
	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
Dividends recognised as distribution during the period:		
2022/23 final dividend of HK2.0 cents (2021/22 final dividend: HK1.6 cents) per ordinary share	18,186	14,570
2022/23 special dividend of HK8.0 cents (2021/22 special dividend: Nil) per ordinary share	72,745	—
	90,931	14,570
Dividends declared after the end of the reporting period:		
2023/24 interim dividend of HK0.4 cent (2022/23 interim dividend: HK0.4 cent) per ordinary share	3,637	3,639

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

For the six months ended 30 September 2023

11. DIVIDENDS (Continued)

The interim dividend is not recognised as a liability as at 30 September 2023 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\$43,735,000 (for the six months ended 30 September 2022: HK\$38,626,000) and the weighted average number of 909,345,350 (for the six months ended 30 September 2022: 911,263,361) ordinary shares in issue during the period, is calculated as follows:

	Unaudited Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
Profit attributable to owners of the Company	<u>43,735</u>	<u>38,626</u>

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

	Unaudited	
	As at 30 September	
	2023	2022
	<u> </u>	<u> </u>
Weighted average number of ordinary shares		
Issued ordinary shares at 1 April	909,358,465	911,658,465
Effect of ordinary shares repurchased and cancelled (note)	(13,115)	(395,104)
	<u> </u>	<u> </u>
Weighted average number of ordinary shares at 30 September	909,345,350	911,263,361
	<u> </u>	<u> </u>

Note: The weighted average number of ordinary shares outstanding during the six months ended 30 September 2023 was adjusted for the effect of 50,000 (for the six months ended 30 September 2022: 1,500,000) 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 2022 and 2023 respectively are the same as there were no dilutive potential ordinary shares in issue during both periods.

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

For the six months ended 30 September 2023

13. EMPLOYEE BENEFIT EXPENSE

	Unaudited Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
Wages, salaries and other benefits	34,943	33,836
Pension costs — defined contribution retirement schemes	1,180	1,228
Provision for long service payments	1,908	32
Reversal of provision for long service payments	(18)	(14)
	38,013	35,082

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 2023, the Group incurred capital expenditures of approximately HK\$119,000 (for the six months ended 30 September 2022: HK\$8,392,000) which was mainly related to the purchases of leasehold improvements, and furniture and equipment.

Due to the on-going change in the business environment and the Group's strategies, 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 loss on right-of-use assets of HK\$3,271,000 (for the six months ended 30 September 2022: HK\$2,256,000) was recognised and charged to the condensed consolidated statement of profit or loss and other comprehensive income and no provision for impairment losses on property, plant and equipment was recognised for the six months ended 30 September 2023 (for the six months ended 30 September 2022: HK\$7,774,000). The impairment provision was made against a renewal lease agreement on one cash generating unit representing a retail store, which was 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 each of the retail stores based on the management budget plan covering a two-and-a-half year period and a pre-tax discount rate of 11% (at 30 September 2022: 10%), with major assumptions such as change in revenue (based on projected sales estimated by management which is dependent on worrisome economic indicators 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 2023

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 of 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 2023, the Group entered into a number of lease agreements for the use of properties and therefore recognised the additions and lease modification to right-of-use assets of HK\$10,766,000 and HK\$29,407,000 respectively (for the six months ended 30 September 2022: HK\$10,703,000 and HK\$2,777,000 respectively). Based on the impairment assessment as set out in note 14, provision for impairment loss on right-of-use assets of HK\$3,271,000 (for the six months ended 30 September 2022: 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 2023.

The leases of retail stores contain variable lease payments 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		Audited	
	As at		As at	
	30 September 2023		31 March 2023	
	Present	Total	Present	Total
	value of	the	value of	the
	the	minimum	the	minimum
	minimum	lease	minimum	lease
	lease	payments	lease	payments
	payments	payments	payments	payments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year	36,443	39,261	28,589	30,151
After 1 year but within 2 years	16,397	17,253	9,692	10,023
After 2 years but within 5 years	4,650	4,863	2,501	2,557
	57,490	61,377	40,782	42,731
Less: Total future interest charges		(3,887)		(1,949)
Present value of lease liabilities		57,490		40,782

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

For the six months ended 30 September 2023

16. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Unaudited As at 30 September 2023 HK\$'000	Audited As at 31 March 2023 HK\$'000
Unlisted equity securities	654	326

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 2023 and 30 September 2023 were determined by the directors of the Company. Details of the fair value measurements are set out in note 27.

17. OTHER ASSET

	Unaudited As at 30 September 2023 HK\$'000	Audited As at 31 March 2023 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
	2023	2023
	HK\$'000	HK\$'000
	<u> </u>	<u> </u>
Current		
Trade debtors	8,067	1,070
Other receivables	4,315	2,603
Other receivables from a bank	—	35,969
Commission receivable	10,425	2,966
Rental deposits	7,573	11,689
Other deposits	2,946	1,585
Prepayments	2,446	1,550
	<u> </u>	<u> </u>
	35,772	57,432
	-----	-----
Non-current		
Rental deposits	5,780	6,751
	<u> </u>	<u> </u>
	41,552	64,183
	<u> </u>	<u> </u>

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

For the six months ended 30 September 2023

18. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

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

	Unaudited As at 30 September 2023 HK\$'000	Audited As at 31 March 2023 HK\$'000
Within 30 days	7,864	918
31–90 days	203	152
	8,067	1,070

19. INVENTORIES

	Unaudited As at 30 September 2023 HK\$'000	Audited As at 31 March 2023 HK\$'000
Jewellery	232,575	232,071
Gold ornament	56,316	58,212
Gold bullion	1,503	5,198
Watch and gift	104,188	91,898
	394,582	387,379

As at 30 September 2023, the fair value less costs to sell of gold bullion was approximately HK\$1,503,000 (at 31 March 2023: HK\$5,198,000).

20. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited	Audited
	As at	As at
	30 September	31 March
	2023	2023
	HK\$'000	HK\$'000
	<u> </u>	<u> </u>
Equity securities		
Listed in Hong Kong	145	173
	<u> </u>	<u> </u>

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 27.

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

For the six months ended 30 September 2023

21. TRADE PAYABLES, DEPOSITS RECEIVED AND OTHER PAYABLES

	Unaudited As at 30 September 2023 HK\$'000	Audited As at 31 March 2023 HK\$'000
Trade payables	9,613	9,690
Other payables	2,631	2,214
Dividend payables	90,931	—
Accruals and provisions	14,587	16,540
Contract liabilities	3,443	2,823
Deposits received	20,164	15,092
	141,369	46,359

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

	Unaudited As at 30 September 2023 HK\$'000	Audited As at 31 March 2023 HK\$'000
Within 30 days	9,568	9,629
31–90 days	45	60
More than 90 days	—	1
	9,613	9,690

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

	Unaudited	Audited
	As at	As at
	30 September	31 March
	2023	2023
	HK\$'000	HK\$'000
Issued and fully paid:		
909,308,465 (at 31 March 2023:		
909,358,465) ordinary shares	393,354	393,354

	Number of ordinary shares		Share capital	
	Unaudited	Audited	Unaudited	Audited
	As at	As at	As at	As at
	30 September	31 March	30 September	31 March
	2023	2023	2023	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Issued and fully paid:				
At the beginning of the period/year	909,358,465	911,658,465	393,354	393,354
Ordinary shares repurchased and cancelled	(50,000)	(2,300,000)	—	—
At the end of the period/year	909,308,465	909,358,465	393,354	393,354

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

For the six months ended 30 September 2023

22. SHARE CAPITAL (Continued)

(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
August 2023	<u>50,000</u>	0.48	0.48	<u>24</u>

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\$29,000 were paid/payable out of retained profits. All of the repurchased ordinary shares were cancelled before the end of the reporting period.

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	
	2023	2022
	HK\$'000	HK\$'000
Profit before taxation	43,737	38,627
Depreciation of investment properties	36	36
Depreciation of property, plant and equipment	1,718	3,341
Depreciation of right-of-use assets	13,826	22,544
Dividend income	(35)	(57)
Fair value change of investments at fair value through profit or loss	28	28
Interest charges	1,646	2,123
Interest income	(7,729)	(2,327)
Loss on write off/disposal of property, plant and equipment	8	50
Provision for and write down of inventories to net realisable value	4,011	1,417
Provision for impairment loss on property, plant and equipment	—	7,774
Provision for impairment loss on right-of-use assets	3,271	2,256
Provision for long service payments	1,908	32
Reversal of provision for long service payments	(18)	(14)
Operating profit before working capital changes	<u>62,407</u>	<u>75,830</u>

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

For the six months ended 30 September 2023

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					
2023					
As at 1 April 2023	40,782	—	—	—	40,782
Changes from cash flows:					
Proceeds from gold loan	—	52,797	—	—	52,797
Payment of principal element of lease liabilities	(22,665)	—	—	—	(22,665)
Payment of interest element of lease liabilities	(1,614)	—	—	—	(1,614)
Total changes from cash flows	(24,279)	52,797	—	—	28,518
Other non-cash flow changes:					
Additions	10,550	—	—	—	10,550
Lease modifications	28,823	—	—	—	28,823
Change in fair value of gold loan	—	(1,956)	—	—	(1,956)
Interest incurred	1,614	—	32	—	1,646
Dividends declared	—	—	—	90,931	90,931
Total other non-cash flow changes	40,987	(1,956)	32	90,931	129,994
As at 30 September 2023	57,490	50,841	32	90,931	199,294

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

For the six months ended 30 September 2023

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 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 declared	—	—	—	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

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

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

For the six months ended 30 September 2023

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 2023 HK\$'000	Audited As at 31 March 2023 HK\$'000
Within 1 year	1,043	1,279
After 1 year but within 2 years	720	789
After 2 years but within 3 years	270	630
	2,033	2,698

The Group leases out its investment properties under operating lease arrangements which run for an initial period of 1 to 3 years (at 31 March 2023: 1 to 3 years), with option for tenants to renew the lease term at the expiry date.

25. CAPITAL COMMITMENTS

	Unaudited As at 30 September 2023 HK\$'000	Audited As at 31 March 2023 HK\$'000
Purchase of property, plant and equipment		
Contracted but not provided for	8,324	—

26. 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	
		2023	2022
<i>Notes</i>		HK\$'000	HK\$'000
Management fees and air-conditioning charges paid to Stanwick Properties Limited	<i>(i)</i>	548	548
Sale of goods to directors	<i>(ii)</i>	46	1,284

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 2023, the Group had recognised lease liabilities and right-of-use assets of approximately HK\$8,794,000 (at 31 March 2023: HK\$14,849,000) and HK\$4,234,000 (at 31 March 2023: HK\$6,657,000) for the lease payments of those leases respectively. Total undiscounted lease payments under these lease agreements were approximately HK\$6,561,000 (for the six months ended 30 September 2022: HK\$5,382,000) 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.
- (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.

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

For the six months ended 30 September 2023

26. RELATED PARTY TRANSACTIONS (Continued)

(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	
	2023	2022
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	7,937	7,229
Pension costs — defined contribution retirement schemes	96	94
	<u>8,033</u>	<u>7,323</u>

27. 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:

Notes	Unaudited As at 30 September 2023				Audited As at 31 March 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	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)								
	145	—	—	145	173	—	—	173
Financial asset at fair value through other comprehensive income								
Investments at fair value through other comprehensive income								
— Unlisted equity securities (iii)								
	—	—	654	654	—	—	326	326
Financial liability at fair value through profit or loss								
Gold loan (ii)								
	—	50,841	—	50,841	—	—	—	—

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.

For the six months ended 30 September 2023

27. 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 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 quoted prices (unadjusted) in active markets for identical asset or liability.
- (ii) At the end of each reporting period, the gold loan is measured subsequent to initial recognition at fair value, grouped into Level 2 based on the degree to which the fair value is observable. The fair value is determined using discounted cash flow valuation technique reference to quoted market bid price of gold traded in active liquid markets as a key input.

27. FAIR VALUE MEASUREMENTS (Continued)

Notes: (Continued)

- (iii) 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 inputs for 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:

Unlisted equity securities	Unaudited As at 30 September 2023 HK\$'000	Audited As at 31 March 2023 HK\$'000
At the beginning of period/year	326	771
Fair value change recognised in other comprehensive income	328	(445)
At the end of period/year	654	326

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

For the six months ended 30 September 2023

27. FAIR VALUE MEASUREMENTS (Continued)

Notes: (Continued)

(iii) (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\$11,000 as at 30 September 2023 (at 31 March 2023: HK\$13,000)	Market approach	Price-to-book multiple ("P/B multiple")	0.16 to 0.49 (at 31 March 2023: 0.22 to 0.85)	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 should be positively correlated to the P/B multiple. Had the highest P/B multiple among the comparable been used as at 30 September 2023, the fair value would have increased by HK\$4,000. Had the lowest P/B multiple among the comparable been used as at 30 September 2023, the fair value would have decreased by HK\$6,000.
		Discount for lack of marketability ("DLOM")	24.2% (at 31 March 2023: 24.2%)	

27. FAIR VALUE MEASUREMENTS (Continued)

Notes: (Continued)

(iii) (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\$643,000 as at 30 September 2023 (at 31 March 2023: HK\$313,000)	Market approach	Enterprise value-to-earnings before interest, taxes, depreciation and amortisation multiple ("EV/EBITDA multiple")	18.08 to 43.98 (at 31 March 2023: 17.30 to 37.01)	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 should be positively correlated to the EV/EBITDA multiple. Had the highest EV/EBITDA multiple among the comparable been used as at 30 September 2023, the fair value would have increased by HK\$47,000. Had the lowest EV/EBITDA multiple among the comparable been used as at 30 September 2023, the fair value would have decreased by HK\$47,000.
		DLOM	24.2% (at 31 March 2023: 24.2%)	The fair values of unlisted equity securities are also determined with reference to DLOM. The fair value measurement should be negatively correlated to the DLOM. Had the DLOM decreased by 5% as at 30 September 2023, the fair value would have increased by HK\$42,000. Had the DLOM increased by 5% as at 30 September 2023, the fair value would have decreased by HK\$42,000.

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

For the six months ended 30 September 2023

28. 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 20 November 2023.

By order of the Board
Tang Yat Sun, Richard
Chairman

Hong Kong, 20 November 2023

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 directors are Mr. Ho Hau Hay, Hamilton and Ms. Veronica Ho; and the independent non-executive directors are Mr. Cheng Kar Shing, Peter, Mr. Sin Nga Yan, Benedict, Mr. Cheng Kwok Shing, Anthony and Ms. Hou Tan Tan Danielle.