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SINCERE WATCH (HONG KONG) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 444)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 September 2019 ("H1 FY2020") decreased by 31.3% from HK$225,795,000 to HK$155,227,000 when compared with the corresponding period of last year ("H1 FY2019").

- Gross margin decreased from 39.7% to 35.2%. Gross profit for the six months ended 30 September 2019 decreased from HK$89,737,000 to HK$54,698,000.

- Loss for the six months ended 30 September 2019 decreased to HK$59,479,000 (H1 FY2019: HK$65,299,000). The loss for H1 FY2020 is mainly attributable to much weakened market sentiment during the period.

- Loss per share was 1.0 HK cents in H1 FY2020 (H1 FY2019: 1.1 HK cents).

- The Board has resolved not to pay interim dividend for H1 FY2020 (H1 FY2019: Nil).

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Sincere Watch (Hong Kong) Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2019 together with the unaudited comparative figures for the corresponding six months ended 30 September 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

		For the six months ended 30 September	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**155,227**	225,795
Cost of sales		**(100,529)**	(136,058)
Gross profit		**54,698**	89,737
Other income		**678**	963
Impairment loss on property, plant and equipment		**(29,706)**	(2,326)
Selling and distribution costs		**(40,757)**	(43,379)
General and administrative expenses		**(47,943)**	(52,803)
Expected credit loss on financial assets		**(7,779)**	–
Finance costs		**(5,730)**	(2,091)
Loss before taxation, exchange gain/(loss), fair value change of investment properties, financial assets at fair value through profit or loss and derivative financial instruments		**(76,539)**	(9,899)
Realised exchange gain		**194**	1,453
Unrealised exchange loss		**(7,887)**	(7,954)
Fair value change of investment properties	*9*	**(5,076)**	130
Fair value change of financial assets at fair value through profit or loss		**30,723**	(42,836)
Loss on fair value change of derivative financial instruments		**(394)**	(5,376)
Loss before taxation		**(58,979)**	(64,482)
Income tax expense	*4*	**(500)**	(817)
Loss for the period	*5*	**(59,479)**	(65,299)

	Notes	For the six months ended 30 September **2019** ***HK$'000*** **(unaudited)**	2018 *HK$'000* (unaudited)
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
— Fair value change of financial assets at fair value through other comprehensive income		**(5,007)**	(12,600)
Items that may be subsequently reclassified to profit or loss			
— Exchange differences on translation of foreign operations		**(41,867)**	(62,557)
Other comprehensive income for the period		**(46,874)**	(75,157)
Total comprehensive income for the period		**(106,353)**	(140,456)
Loss per share — basic and diluted	*7*	**(1.0) HK cents**	(1.1) HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2019

	Notes	**30 September 2019** **HK$'000** **(unaudited)**	31 March 2019 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment	*8*	**84,607**	6,381
Investment properties	*9*	**678,199**	728,544
Financial assets at fair value through profit or loss	*10*	**50,227**	49,213
Financial assets at fair value through other comprehensive income	*11*	**31,741**	40,250
Deferred tax assets		**46**	–
		844,820	824,388
Current assets			
Inventories		**391,535**	436,239
Trade and other receivables	*12*	**54,709**	63,763
Amounts due from related parties	*14*	**192**	202
Financial assets at fair value through profit or loss	*10*	**19,043**	40,410
Taxation recoverable		**63**	–
Bank balances and cash		**65,818**	81,776
		531,360	622,390
Current liabilities			
Trade and other payables	*13*	**153,455**	228,071
Contract liabilities		**1,366**	2,346
Lease liabilities		**57,172**	–
Note payable	*15*	**146,965**	–
Amounts due to related parties	*14*	**2,357**	4,325
Derivative financial instruments		**129**	2,345
Taxation payable		**1,255**	2,110
		362,699	239,197
Net current assets		**168,661**	383,193
Total assets less current liabilities		**1,013,481**	1,207,581

	Notes	**30 September 2019** *HK$'000* **(unaudited)**	31 March 2019 *HK$'000* (audited)
Non-current liabilities			
Note payable	*15*	**–**	144,394
Lease liabilities		**56,555**	–
Deferred tax liabilities		**1,562**	1,470
		58,117	145,864
Net assets		**955,364**	1,061,717
Capital and reserves			
Share capital	*16*	**120,879**	120,879
Reserves		**834,485**	940,838
Total equity		**955,364**	1,061,717

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Share capital HK$'000	Share premium HK$'000	Available-for-sale investment reserve HK$'000	FVOCI reserve HK$'000	Special reserve HK$'000 (Note)	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2018 as originally presented (audited)	99,640	800,932	30,892	–	801	16,058	120,190	1,068,513
Initial application of HKFRS 15	–	–	–	–	–	–	–	–
Initial application of HKFRS 9	–	–	(30,892)	14,350	–	–	16,497	(45)
Restated balances at 1 April 2018	99,640	800,932	–	14,350	801	16,058	136,687	1,068,468
Exchange difference on translation of foreign operations	–	–	–	–	–	(62,557)	–	(62,557)
Fair value change of financial assets at FVOCI	–	–	–	(12,600)	–	–	–	(12,600)
Loss for the period	–	–	–	–	–	–	(65,299)	(65,299)
Total comprehensive income for the period	–	–	–	(12,600)	–	(62,557)	(65,299)	(140,456)
Placing of shares	21,239	162,621	–	–	–	–	–	183,860
As 30 September 2018 (unaudited)	120,879	963,553	–	1,750	801	(46,499)	71,388	1,111,872
At 1 April 2019 (audited)	**120,879**	**963,553**	**–**	**(8,400)**	**801**	**(28,972)**	**13,856**	**1,061,717**
Exchange difference on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(41,867)**	**–**	**(41,867)**
Fair value change of financial assets at FVOCI	**–**	**–**	**–**	**(5,007)**	**–**	**–**	**–**	**(5,007)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(59,479)**	**(59,479)**
Total comprehensive income for the period	**–**	**–**	**–**	**(5,007)**	**–**	**(41,867)**	**(59,479)**	**(106,353)**
At 30 September 2019 (unaudited)	**120,879**	**963,553**	**–**	**(13,407)**	**801**	**(70,839)**	**(45,623)**	**955,364**

Note: The special reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the reorganisation during its listing in The Stock Exchange of Hong Kong Limited in 2005.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash used in operating activities	**(45,832)**	(52,364)
Investing activities		
Purchase of property, plant and equipment	**(911)**	(2,737)
Purchase of financial assets measured at fair value through profit or loss	**–**	(30,000)
Net cash outflow from purchase of investment properties	**–**	(38,384)
Interest received	**298**	565
Proceeds from disposal of financial assets	**54,579**	26,839
Net cash generated from/(used in) investing activities	**53,966**	(43,717)
Financing activities		
Repayment of principal portion of lease liabilities	**(19,714)**	–
Interest paid	**(2,808)**	–
Net cash used in financing activities	**(22,522)**	–
Net decrease in cash and cash equivalents	**(14,388)**	(96,081)
Cash and cash equivalents at beginning of the period	**81,776**	194,027
Effect of foreign exchange rate changes	**(1,570)**	(4,267)
Cash and cash equivalents at end of the period, represented by bank balances and cash	**65,818**	93,679

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

These interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provision of Main Board Listing Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The interim condensed consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and investment properties which are measured at fair value.

Except as described below, the accounting policies and methods of computation used in these interim condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2019.

The HKICPA has issued a number of new or amended Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group:

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features with Negative Compensation
- Amendments to HKAS 19, Plan amendment, curtailment or settlement
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Annual Improvements to HKFRSs 2015–2017 Cycle:
    - Amendments to HKFRS 3, Business Combinations
    - Amendments to HKFRS 11, Joint Arrangements
    - Amendments to HKAS 12, Income Taxes
    - Amendments to HKAS 23, Borrowing Costs

HKFRS 16 Leases (“HKFRS 16”)

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases (“HKAS 17”), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee’s perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets under property, plant and equipment (“right-of-use assets”) and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor’s perspective, the accounting treatment is substantially unchanged from HKAS 17.

The Group has applied HKFRS 16 using the cumulative effect approach where the comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at 1 April 2019.

For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 April 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics and (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application on 1 April 2019 and accounted for those leases as short-term leases.

3. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the Executive Directors of the Company, who are the chief operating decision maker, that are used to allocate resources and assess performance, which are analysed based on business and geographic locations of the revenue. The Group has two business operations, which are the distribution of branded luxury watches, timepieces and accessories, dining business and property investment.

Segment results represent the profit before taxation earned by each segment and excluding unallocated other income and unallocated expenses. Unallocated expenses mainly included directors' salaries, staff costs, depreciation, commissions paid to staff and suppliers, advertising and promotion expenses, impairment losses, and other centralised administrative cost. This is the measure reported to the Executive Directors for the purpose of resource allocation and assessment of segment performance.

The following tables set out information about the business and geographical locations of the Group's revenue from external customers.

For the six months ended 30 September 2019

	Watch distribution and dinning business				**Property investment**	
	Hong Kong *HK$'000* (unaudited)	**Mainland China and Macau** *HK$'000* (unaudited)	**Other locations** *HK$'000* (unaudited)	**Subtotal** *HK$'000* (unaudited)	**Mainland China** *HK$'000* (unaudited)	**Consolidated** *HK$'000* (unaudited)
REVENUE						
External sales	**65,684**	**65,087**	**13,526**	**144,297**	**10,930**	**155,227**
RESULT						
Segment results	**10,581**	**28,839**	**4,348**	**43,768**	**10,930**	**54,698**
Realised exchange gain						**194**
Unrealised exchange loss						**(7,887)**
Fair value change of investment properties						**(5,076)**
Fair value change of financial assets at FVTPL						**30,329**
Impairment loss on property, plant and equipment						**(29,706)**
Unallocated expenses						**(102,209)**
Unallocated income						**678**
Loss before taxation						**(58,979)**

For the six months ended 30 September 2018

	Watch distribution and dinning business				Property investment	
	Hong Kong	Mainland China and Macau	Other locations	Subtotal	Mainland China	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
REVENUE						
External sales	110,735	77,767	23,249	211,751	14,044	225,795
RESULT						
Segment results	29,592	37,648	8,453	75,693	14,044	89,737
Realised exchange gain						1,453
Unrealised exchange loss						(7,954)
Fair value change of investment properties						130
Fair value change of financial assets at FVTPL						(48,212)
Impairment loss on property, plant and equipment						(2,326)
Unallocated expenses						(98,273)
Unallocated income						963
Loss before taxation						(64,482)

4. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The charge comprises:		
Current tax		
Hong Kong profits tax	**–**	–
Other jurisdictions	**(356)**	(784)
	(356)	(784)
Deferred tax		
Current period	**(180)**	(33)
Reversal	**36**	–
	(500)	(817)

Hong Kong Profits Tax is calculated at 16.5% (30 September 2018: 16.5%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

5. LOSS FOR THE PERIOD

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Directors' remuneration	**5,719**	9,025
Other staff costs	**22,121**	25,743
Other staff's retirement benefits scheme contributions	**502**	554
Total staff costs	**28,342**	35,322
Depreciation of property, plant and equipment	**24,402**	2,414
Minimum lease payments in respect of rented premises	**–**	35,729
Interest on lease liabilities	**3,159**	–
Short-term leases expenses	**13,487**	–
Variable lease payments	**416**	–
Impairment loss on property, plant and equipment	**29,706**	2,326
Expected credit losses on financial assets	**7,779**	–
Cost of inventories recognised as an expense (including write-down of inventories HK$9,576,000 (2018: HK$6,623,000))	**100,529**	136,058
and after crediting:		
Interest income	**298**	565

6. DIVIDEND

The directors of the Company have decided not to declare the payment of any interim dividend for the six months ended 30 September 2019 (30 September 2018: Nil).

No final dividend for the year ended 31 March 2019 was declared and paid during the period (31 March 2018: Nil).

7. LOSS PER SHARE

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

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the purpose of basic and diluted earnings per share	**(59,479)**	(65,299)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**6,043,950,000**	5,875,662,842

Diluted loss per share for the six months ended 30 September 2019 and 2018 are the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the periods.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group entered into a lease for a shop with right-of-use assets amounted to approximately HK$33,092,000 (30 September 2018: Nil) recognised.

During the period, additions to the Group's property, plant and equipment amounted to approximately HK$911,000 (30 September 2018: HK$2,737,000) which mainly included the additions to leasehold improvements amounting to approximately HK$814,000 (30 September 2018: HK$2,489,000) for renovation of shops.

The Group performed an impairment assessment on property, plant and equipment in accordance with the accounting policy on impairment of non-financial assets. Based on the assessment, an impairment loss of HK$29,706,000 (30 September 2018: HK$2,326,000) was recognised and charged to the interim condensed consolidated statement of profit or loss and other comprehensive income for the 6 months period ended 30 September 2019. The recoverable amounts of these property, plant and equipment using value in use calculation were determined by the discounted cash flows generated from each segment based on a management budget plan and a pre-tax discount rate of 8.6%.

Right-of-use assets amounted to HK$79,772,000 and other property, plant and equipment amounted to HK$4,835,000 were recognised as at 30 September 2019.

9. INVESTMENT PROPERTIES

	HK$'000
At 1 April 2018	375,857
Addition	401,441
Fair value change	(1,735)
Exchange realignment	(47,019)
At 31 March 2019 (audited)	728,544
Fair value change	(5,076)
Exchange realignment	(45,269)
At 30 September 2019 (unaudited)	(678,199)

The Group's investment properties are measured using the fair value model and are leased to third parties under operating leases to earn rental income.

During the six months ended 30 September 2018, the Group acquired a target group with investment properties situated in the PRC at a consideration of HK$350 million. As at completion of acquisition on 30 April 2018, the fair value of investment properties was RMB323,873,000 (equivalent to HK$401,441,000).

The fair value of the Group's investment properties as at 30 September 2019 has been derived from the valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL") on 13 November 2019. JLL is an independent qualified professional valuer to the Group. It has appropriate qualifications and recent experiences in the valuation of properties in the PRC.

The valuation of the investment properties as at 30 September 2019 is determined by using the Income Approach (31 March 2019: Income Approach), by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

The fair value of acquired investment properties of the Group is Level 3 recurring fair value measurement as at 30 September 2019 and 31 March 2019.

There were no transfer into or out of level 3 during the period. A reconciliation of the opening and closing level 3 fair value balance is provided below:

	HK$'000
At 1 April 2018 (level 3 recurring fair value)	375,857
Addition	401,441
Change in fair value recognised in profit or loss	(1,735)
Exchange realignment	(47,019)
At 31 March 2019 (audited) (level 3 recurring fair value)	728,544
Change in fair value recognised in profit or loss	(5,076)
Exchange realignment	(45,269)
At 30 September 2019 (unaudited) (level 3 recurring fair value)	678,199

The fair value measurement is based on the highest and best use of the investment properties, which does not differ from their actual use.

Rental income of HK$10,930,000 was recognised during the period ended 30 September 2019 (30 September 2018: HK$14,044,000).

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	**30 September 2019** ***HK$'000*** **(unaudited)**	31 March 2019 *HK$'000* (audited)
Other long term investment	*(a)*	**50,227**	49,213
Listed equity securities in Hong Kong	*(b)*	**19,043**	40,410
		69,270	89,623
Classified as			
Non-current asset		**50,227**	49,213
Current asset		**19,043**	40,410
		69,270	89,623

Notes:

(a) On 23 May 2017, a wholly owned subsidiary of the Company ("Party A"), Aquamen Entertainment LLC ("Party B") and Mr. Zhang Xiaoliang (the "Guarantor") entered into a cooperation agreement ("Cooperation Agreement"), pursuant to which Party A would invest HK$45 million in a film project being developed by Party B. The investment is classified as financial assets at fair value through profit or loss.

On 30 May 2019, Party A, Party B and the Guarantor entered in to a supplemental agreement (the "Supplemental Agreement"). Based on the terms of the Cooperation Agreement and the Supplemental Agreement, Party B would return the investment amount of HK$45 million to Party A on or before 31 March 2021. Furthermore, Party A shall receive an investment return from Party B on or before 30 September 2021 at the higher of proportionate sharing of net profit or 20% of the investment amount.

(b) The fair value of listed equity securities are base on quoted market prices, except for certain listed equity securities whose trading on the Stock Exchange has been suspended by the Securities and Futures Commission (the "Suspended Shares"). The fair values of Suspended Shares were determined with reference to the valuations performed by an independent professional valuer.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Listed equity securities in Hong Kong	**31,741**	40,250

At 1 April 2018, the Group made an irrevocable election to designate this investment as financial assets at fair value through other comprehensive income. This option is only applicable to instruments that (i) are not held for trading; (ii) do not give rise on specific dates to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding; and (iii) are not derivatives.

12. TRADE AND OTHER RECEIVABLES

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

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**10,138**	17,374
Other receivables, deposits and prepayments	**44,571**	46,389
	54,709	63,763

The following is an aged analysis of trade receivables based on the invoice dates at the end of the reporting period:

	HK$'000	*HK$'000*
Within 30 days	**9,294**	11,066
31–90 days	**844**	6,042
91–120 days	**–**	266
	10,138	17,374

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

As at 30 September 2019, loss allowances of HK$12,053,000 were made against the gross amount of trade receivables (31 March 2019: HK$5,128,000).

As at 30 September 2019, loss allowances of HK$339,000 were made against the gross amount of other receivables (31 March 2019: HK$4,000).

13. TRADE AND OTHER PAYABLES

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables	**77,754**	138,920
Other payables and accrued charges	**75,701**	89,151
	153,455	228,071

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

	HK$'000	*HK$'000*
Within 90 days	**74,832**	47,869
91–365 days	**2,560**	89,865
Over 365 days	**362**	1,186
	77,754	138,920

14. AMOUNT DUE FROM/TO RELATED PARTIES

As at 30 September 2019, amounts due from/to related parties were unsecured, non-interest bearing and repayable within 1 year.

15. NOTE PAYABLE

On 13 February 2018, the Group entered in to a sale and purchase agreement (the "Agreement") with Allied Crown Investment Limited (the "Vendor") to acquire Allied Champion Development Limited with investment properties. The total consideration was HK$350 million. A promissory note with principal amount of HK$150 million was issued by the Company on the Completion date of 30 April 2018 as partial settlement of the consideration for the acquisition.

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Classified as		
Non-current liability	**–**	144,394
Current liability	**146,965**	–
	146,965	144,394

Based on the terms of the promissory note, the Group may redeem the promissory note on or before the maturity date on 30 April 2020 provided that criteria of redemption amount are met. The promissory note is unsecured and non-interest bearing. It is measured at amortised cost using the effective interest method.

16. SHARE CAPITAL

	Number of Shares	Share capital *HK$'000*
Authorised:		
— Ordinary shares of HK$0.02 each	20,000,000,000	400,000
Issued and fully paid:		
At 1 April 2018		
— Ordinary shares of HK$0.02 each	4,982,000,000	99,640
Issue of shares *(Note)*	1,061,950,000	21,239
At 31 March 2019, 1 April 2019 and 30 September 2019		
— Ordinary shares of HK$0.02 each	6,043,950,000	120,879

Note: On 13 February 2018, the Company entered into the Agreement to acquire the entire issued share capital of Allied Champion Development Limited. Upon completion of the Acquisition on 30 April 2018, 1,061,950,000 new shares were allotted and issued by the Company at the Issue Price of HK$0.113 per share to the Vendor as partial settlement of the consideration for the Acquisition.

17. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Sales to a related company	**1,196**	336
Purchases from related companies	**2,513**	5,097
Administrative service fee paid to a related company	**120**	120
Financial advisory fee paid to a related company	**179**	177
Brokerage fee paid to a related company	**137**	142
Regional branding support income from a related company	**69**	70
Rental and other related expenses paid to a related company	**4,306**	–

18. APPROVAL OF UNAUDITED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 28 November 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue for the six months ended 30 September 2019 decreased from HK$225.8 million to HK$155.2 million by 31.3% over the same period last year.

Gross profit decreased from HK$89.7 million to HK$54.7 million by 39% over the same period last year. Gross margin decreased from 39.7% to 35.2% in H1 FY2020 as a result of promotion offers.

Selling and distribution costs and general and administrative expenses decreased by 6.0% and 9.2% respectively in H1 FY2020. Main factors for the decreases are lower staff costs and lower expenditure on rent.

There was HK$29.7 million impairment loss on property, plant and equipment in H1 FY2020. Excluding realised and unrealised exchange differences, change in fair value of investment properties, change in fair value of financial assets at fair value through profit or loss and change in fair value of derivative financial instruments, the Group's loss before taxation was HK$76.5 million, against HK$9.9 million for H1 FY2019.

Realised foreign exchange gain of the Group decreased from HK$1.5 million to HK$0.2 million in H1 FY2020. Unrealised foreign exchange loss was comparable to the same period last year at HK$7.9 million. HK$0.4 million loss on change in fair value of derivative financial instruments was recorded in H1 FY2020 when compared to HK$5.4 million loss in H1 FY2019.

Unrealised exchange difference arose from trade payables denominated in foreign currencies, which were translated at the exchange rates prevailing at the balance sheet dates and any differences in valuation were then recognised in the income statement as unrealised gains or losses.

As performance of the Group's financial assets at fair value through profit or loss improved over the same period last year from a loss of HK$42.8 million to a gain of HK$30.7 million, net loss for H1 FY2020 was kept at HK$59.5 million, against HK$65.3 million for H1 FY2019.

Loss per share was 1.0 HK cents in H1 FY2020 (H1 FY2019: 1.1 HK cents). Net asset value per share was 15.8 HK cents as at 30 September 2019 against 17.6 HK cents as at 31 March 2019.

Performance by business operations and geographical markets

Watch distribution and dining business

Hong Kong, Mainland China and Macau remained the key revenue drivers, contributing together HK$130.8 million, which accounted for 84.2% of the Group's total revenue, in H1 FY2020.

Hong Kong

Hong Kong continues to be one of the Group's major markets, taking up 42.3% of the Group's revenue for the six months ended 30 September 2019. Revenue in this market decreased by 40.7% to HK$65.7 million in H1 FY2020.

Mainland China and Macau

Mainland China and Macau accounted for about 41.9% of the Group's revenue for H1 FY2020. Revenue in this region showed a decrease of 16.3% from HK$77.8 million to HK$65.1 million when compared with the same period last year.

Other locations

Revenue from other locations decreased by 41.8% from HK$23.2 million to HK$13.5 million in H1 FY2020.

Property investment

Mainland China

Rental income of HK$10.9 million (H1 FY2019: HK$14.0 million) was recognised for H1 FY2020 from the Group's investment properties located in Beijing. The decrease in rental income was due to vacancy during the period.

BUSINESS REVIEW

The Group is the sole distributor of FRANCK MULLER watches and accessories in Hong Kong, Macau, Taiwan and Mainland China. The Group also represents five other luxury brands — de GRISOGONO, CVSTOS, Pierre Kunz, European Company Watch and Backes & Strauss.

Distribution network and market penetration

The Group has established its distribution network with 49 retail points of sales and 12 boutiques, making a total of 61 points (62 as at the end of March 2019).

Other than the 10 boutiques run by the Group, the remaining 51 watch retail outlets are run by 24 independent watch dealers throughout our key markets such as Hong Kong, Macau, Taiwan and Mainland China.

Brand enhancement activities

The Group aims not only to create but also sustain brand value among our discerning customers. As such, we have undertaken a number of brand enhancement activities to reinforce the brand leadership with product imagery and focused product placements in relevant media.

The Group has also consistently embarked on niche marketing initiatives to build its image and desirability as one of the leading international watch brands. This included several unique events in our key markets with the aims of increasing brand exposure and extending brand networking.

Hong Kong

3–7 September 2019

World Brand Piazza 2019

Prince Jewellery & Watch Company gathered 13 world renowned watch brands and successfully hosted the 10th edition of World Brand Piazza at the Hong Kong Watch & Clock Fair. A dedicated exhibition area was honoured to FRANCK MULLER to display the latest novelties. The highlight models including the Rainbow Invisible Setting Tourbillion, a ground-breaking bejewelled masterpiece that boosts of a highly complex baguette diamond setting on an in-house tourbillion movement.

Macau

August–September 2019

DFS Four Seasons Luxury Timepiece Exhibition

An exclusive 2 months of FRANCK MULLER exhibition displayed at the Advocacy Zone, Four Seasons Macau to introduce and highlight the latest 2019 Vanguard Crazy Hours Collection. Over 1,100 sq. feet of exhibition booth presented more than 30 luxury timepieces was created to provide a journey for clients to unveil the novelties, as well as the story of the brand with its most iconic collection. The Crazy Hours has taken away the monotony of time telling by offering a unique reading of time, showing hour numerals in the most unconventional order.

China

13 June 2019

FRANCK MULLER Nanjing West Road Boutique Opening

The renowned Swiss luxury watchmaker acclaimed for its exquisite craftsmanship, FRANCK MULLER, unveiled its new boutique on Nanjing West Road in Shanghai. To celebrate the remarkable moment, FRANCK MULLER held a grand opening reception and invited the brand's Asia-Pacific Ambassador Julian Cheung Chi-lam to join Mr. Nicholas Rudaz, Chief Operation Officer of FRANCK MULLER Group, Mr. Kingston Chu, Executive Director of FRANCK MULLER Asia and prestigious guests to officiate the ribbon cutting ceremony of the new boutique. Situated in the most prosperous commercial hub in Shanghai, the boutique is infused with the brand's essence and the panache of its timepieces, a splendid epitome to FRANCK MULLER's continuous quest for exceptional aesthetics.

PROSPECTS

In April 2019, a wholly-owned subsidiary of the Company (the "Purchaser") entered into a memorandum of understanding ("MOU") with potential vendors (the "Vendors") in relation to the possible acquisition of 51% equity interest in an Australian entity principally engaged in international film sales, distribution and production (the "Possible Acquisition"). As at the date of this announcement, the Vendors and the Purchaser were in the final stage of negotiation of the terms and conditions in relation to the transaction contemplated under the Possible Acquisition. Further details were disclosed in the Company's voluntary announcements dated 12 April 2019, 12 August 2019 and 11 November 2019.

The Group will continue its efforts in exploring appropriate investment opportunities in order to diversify its sources of income.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 September 2019, the Group maintained a cash and bank balance of HK$65.8 million when compared with its cash and bank balances of HK$81.8 million as at 31 March 2019. Gearing ratio (debt divided by equity) was 15.4% at 30 September 2019. The Group has no outstanding bank loan.

At 30 September 2019, details of the Group's investments in equity instruments were as below:

		At 30 September 2019		H1 FY2020	
Stock code	**Stock name**	**No. of shares held**	**Fair value**	**Change in fair value recognised in statement of profit or loss**	**Change in fair value recognised in statement of other comprehensive income**
			HK$'000	*HK$'000*	*HK$'000*
3823	Tech Pro Technology Development Ltd.	36,760,000	1,323	(147)	–
3886	Town Health International Medical Group Ltd.	6,600,000	2,614	(13)	–
376	Yunfeng Financial Group Ltd.	–	–	(1,089)	–
2066	Shengjing Bank Co., Ltd. — H Shares	–	–	620	–
8172	Lajin Entertainment Network Group Ltd.	–	–	(206)	–
627	Fullsun International Holdings Group Co., Ltd.	12,065,000	5,429	(1,365)	–
663	King Stone Energy Group Ltd.	317,410,000	31,741	–	(5,007)
1076	Imperial Pacific International Holdings Ltd.	60,480,000	9,677	31,908	–
Total			50,784	29,708	(5,007)

These investments were listed securities which were measured at fair value. As at 30 September 2019, investments in equity instruments amounted to HK$50.8 million.

During the period under review, the Group's portfolio of equity instruments was able to contribute a net fair value gain. A net fair value gain of HK$29.7 million was recognised in the statement of profit or loss while a net loss of HK$5.0 million was charged to the statement of other comprehensive income.

It was noted that the trading in the shares of Tech Pro Technology Development Limited and Town Health International Medical Group Limited has been suspended since 9:00 a.m. on 9 November 2017 and 9:00 a.m. on 27 November 2017 respectively. Details of the suspensions could be found in the announcement made by Tech Pro Technology Development Limited on 9 November 2017 and the announcement made by Town Health International Medical Group Limited on 27 November 2017 respectively.

The Directors will continue to monitor the performance of the above investments, and will assess and then adjust the investment strategies in the future so as to minimise the negative impact of any under-performing investment on the overall return of the investment portfolio of the Group. The performance of the investments in equity instruments will be affected by the degree of volatility in the Hong Kong stock market and subject to other external factors that may affect their values.

The Group's net current assets decreased from HK$383.2 million as at 31 March 2019 to HK$168.7 million as at 30 September 2019. Net assets stood at HK$955.4 million as at 30 September 2019 as compared to HK$1,061.7 million as at 31 March 2019. The Directors believe that the Group's existing financial resources are sufficient to fulfil its commitments and current working capital requirements.

CAPITAL STRUCTURE AND FOREIGN EXCHANGE EXPOSURE

As at 30 September 2019, the total number of issued shares of the Company was 6,043,950,000. There was no change in the capital structure of the Company during the six months ended 30 September 2019.

The Group recorded a realised exchange gain of HK$0.2 million in H1 FY2020 compared with HK$1.5 million in H1 FY2019. In addition, the Group booked an unrealised exchange loss of HK$7.9 million in H1 FY2020 against a loss of HK$8.0 million in H1 FY2019. There was a loss of HK$0.4 million on fair value change of derivative financial instruments recorded in H1 FY2020 against a loss of HK$5.4 million in H1 FY2019.

The Group pursued a prudent policy on financial risk management and the management of foreign currencies and interest rate. The Group continues to benefit from favourable payment terms from its suppliers that may result in unrealised gains or losses from time to time in applying Hong Kong Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates".

CHARGE ON ASSETS

The Group did not have any charge on its assets as at 30 September 2019 (31 March 2019: Nil).

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2019 (31 March 2019: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2019, the Group's work force stood at 156 including Directors (31 March 2019: 167). Employees were paid at market rates with discretionary bonus and medical benefits, and were covered under the mandatory provident fund scheme. The Company has adopted a share option scheme which aims to provide incentive or rewards to staff.

The Group is constantly reviewing its staff remuneration to ensure that it stays competitive with market practice.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares of the Company during the six months ended 30 September 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2019.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 September 2019 have not been audited, but have been reviewed by the Group's independent auditor, 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 Hong Kong Institute of Certified Public Accountants. The report on review of condensed consolidated financial statements by the auditor will be included in the interim report for the six months ended 30 September 2019.

The Audit Committee has also reviewed the Group's unaudited financial statements for the six months ended 30 September 2019.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sincerewatch.com.hk).

The interim report of the Company for the six months ended 30 September 2019 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

By Order of the Board
Sincere Watch (Hong Kong) Limited
Chu Yuet Wah
Chairman

Hong Kong, 28 November 2019

As at the date of this announcement, the Executive Directors of the Company are Mrs. Chu Yuet Wah (Chairman), Mr. Zhang Xiaoliang (Deputy Chairman and Chief Executive Officer), Mr. Chu, Kingston Chun Ho, Mr. Yang Guangqiang and Mr. An Muzong; and the Independent Non-executive Directors of the Company are Ms. Lo Miu Sheung, Betty, Mr. Yu Zhenxin, Mr. Zong Hao and Mr. Chiu Sin Nang, Kenny.