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SINCERE WATCH (HONG KONG) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 444)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

FINANCIAL HIGHLIGHTS ON CONTINUING OPERATIONS

- Revenue from continuing operations for the financial year ended 31 March 2020 ("FY2020") decreased by 36.3% from HK$410,835,000 to HK$261,772,000 when compared with last financial year ("FY2019").
- Gross margin decreased from 39.9% to 35.4%. Gross profit from continuing operations for FY2020 decreased from HK$163,989,000 to HK$92,576,000.
- Loss from continuing operations for FY2020 increased by 18.1% to HK$140,889,000 (FY2019: HK$119,297,000), mainly due to the severe market environment caused by the Hong Kong social unrest activities as well the global COVID-19 pandemic.
- Loss per share from continuing operations was 2.33HK cents in FY2020 (FY2019: 2.00 HK cents).
- The Board does not recommend the payment of a final dividend for FY2020 (FY2019: Nil).

FINANCIAL RESULTS

The board (the "Board") of directors (the "Directors") of Sincere Watch (Hong Kong) Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2020 ("2020"), together with the comparative figures for the corresponding year ended 31 March 2019 ("2019").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	NOTES	**2020** **HK$'000**	2019 HK$'000 (Re-presented)
Continuing operations			
Revenue	*3*	**261,772**	410,835
Cost of sales		**(169,196)**	(246,846)
Gross profit		**92,576**	163,989
Other income	*4*	**7,603**	1,567
Provision for impairment on property, plant and equipment		**(41,826)**	(9,041)
Selling and distribution costs		**(75,048)**	(95,867)
General and administrative expenses		**(89,335)**	(103,534)
Expected credit losses on financial assets		**(12,403)**	(5,065)
Finance costs	*5*	**(11,376)**	(4,604)
Loss before taxation, exchange (loss)/gain, fair value changes of investment properties, financial assets at fair value through profit or loss and derivative financial instruments		**(129,809)**	(52,555)
Realised exchange (loss)/gain		**(869)**	3,398
Unrealised exchange loss		**(9,041)**	(6,721)
Fair value change of investment properties		**(25,205)**	(1,735)
Fair value change of financial assets at fair value through profit or loss ("FVTPL")		**17,809**	(52,173)
Fair value change of derivative financial instruments		**30**	(7,926)
Loss before taxation		**(147,085)**	(117,712)
Income tax credit/(expense)	*6*	**6,196**	(1,585)
Loss for the year from continuing operations	*7*	**(140,889)**	(119,297)
Discontinued operation			
Loss for the year from discontinued operation	*7*	**(1,426)**	(3,534)
Loss for the year		**(142,315)**	(122,831)

	NOTES	**2020**	2019
		HK$'000	*HK$'000*
			(Re-presented)
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Fair value change of financial assets measured at fair value through other comprehensive income ("FVOCI")		**(19,589)**	(22,750)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(42,208)**	(45,030)
Other comprehensive income for the year		**(61,797)**	(67,780)
Total comprehensive income for the year		**(204,112)**	(190,611)
Loss per share from continuing and discontinued operations			
— basic and diluted	*9*	**(2.35 HK cents)**	(2.06 HK cents)
Loss per share from continuing operations			
— basic and diluted	*9*	**(2.33 HK cents)**	(2.00 HK cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	NOTES	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**51,004**	6,381
Investment properties	10	**657,318**	728,544
Financial assets at FVTPL	11	**7,407**	49,213
Financial assets at FVOCI	12	**17,119**	40,250
Other receivables	13	**5,431**	–
Deferred tax assets		**4,876**	–
		743,155	824,388
Current assets			
Inventories		**364,536**	436,239
Trade and other receivables	13	**42,753**	63,763
Amounts due from related parties	14	**258**	202
Financial assets at FVTPL	11	**44,111**	40,410
Bank balances and cash	15	**43,616**	81,776
		495,274	622,390
Current liabilities			
Trade and other payables	16	**125,966**	228,071
Contract liabilities		**1,074**	2,346
Lease liabilities		**52,119**	–
Note payable	17	**149,581**	–
Amounts due to related parties	14	**1,919**	4,325
Loan from a shareholder		**15,000**	–
Derivative financial instruments		**–**	2,345
Taxation payable		**379**	2,110
		346,038	239,197
Net current assets		**149,236**	383,193
Total assets less current liabilities		**892,391**	1,207,581
Non-current liabilities			
Note payable	17	**–**	144,394
Lease liabilities		**34,786**	–
Deferred tax liabilities		**–**	1,470
		34,786	145,864
Net assets		**857,605**	1,061,717
Capital and reserves			
Share capital	18	**120,879**	120,879
Reserves		**736,726**	940,838
Total equity		**857,605**	1,061,717

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2020 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 21 July 2004 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. The principal activities of the Group are distribution of branded luxury watches, timepieces and accessories in Hong Kong, Macau, Taiwan, Korea and the People's Republic of China (the "PRC"), dining business and property investment.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICY

(a) Adoption of new/revised HKFRSs — effective 1 April 2019

In the current year, the Group has applied the following new Interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 3, Business Combinations	Annual Improvements to HKFRSs 2015–2017 Cycle
Amendments to HKFRS 11, Joint Arrangements	Annual Improvements to HKFRSs 2015–2017 Cycle
Amendments to HKAS 12, Income Taxes	Annual Improvements to HKFRSs 2015–2017 Cycle
Amendments to HKAS 23, Borrowing Costs	Annual Improvements to HKFRSs 2015–2017 Cycle

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 April 2019 did not have any significant impact on the Group's accounting policies.

(i) Impact of the adoption of 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 consolidated statement of financial position as right-of-use assets and 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. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach where the comparative information presented in 2019 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 following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 March 2019 to that of 1 April 2019 as follows (increase/(decrease)):

	HK$'000
Right-of-use assets presented in property, plant and equipment	98,360
Lease liabilities (non-current)	61,770
Lease liabilities (current)	38,842
Accrued lease liabilities relating to rent free period at 1 April 2019	(2,252)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 April 2019:

	HK$'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as of 31 March 2019	125,396
Less: short term leases for which lease terms end within 31 March 2020	(16,755)
Less: future interest expenses	(8,029)
Total lease liabilities as of 1 April 2019	100,612

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 April 2019 is 7.1%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

For the Group, leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

The Group has leased out its investment property to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these consolidated financial statements.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before 1 April 2019. The comparative information presented in 2019 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.

The Group has elected to recognise all the right-of-use assets at 1 April 2019 for leases previously classified operating leases under HKAS 17. 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; (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 (1 April 2019) and accounted for those leases as short-term leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group’s lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income ("FVOCI") if specified conditions are met — instead of at fair value through profit or loss ("FVTPL").

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

(b) Amended HKFRSs that have been issued and early adopted

Amendment to HKFRS 16 — COVID-19-Related Rent Concessions

Amendment to HKFRS 16 — COVID-19-Related Rent Concessions allow lessee to elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. Such practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021;
- There is no substantive change to other terms and conditions of the lease.

The Group has early adopted the amendment on 1 April 2019 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the year ended 31 March 2020. The rent concessions amounted to HK$6,336,000 has been credited to "Other income" in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2020.

(c) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a business[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[1]

[1] Effective for annual periods beginning on or after 1 January 2020

Amendments to HKFRS 3 — Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process". Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 — Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and consolidated financial statements.

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. The Group has two business operations, being the watch distribution and dining business, and property investment, which are for the analysis based on the geographical locations of the sales. The Group ceased dining business during the year ended 31 March 2020 and reclassified as discontinued operation for the years ended 31 March 2020 and 2019.

Segment results represent the loss before taxation by each segment and excluding interest income, other income, finance costs, deprecation of property, plant and equipment, provision for impairment on property, plant and equipment, ECLs on financial assets, fair value changes of investment properties, financial assets at FVTPL and derivative financial instruments. Unallocated segment results mainly represent directors' remunerations, staff costs and professional fees. Unallocated assets mainly included financial assets at FVTPL and financial assets at FVOCI. Unallocated liabilities mainly included note payable and accruals. 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 location of the Group's revenue from external customers.

Year ended 31 March 2020

	Continuing operations							Discontinued operation	
	Watch distribution				Property investment	Unallocated		Dining business	
	Hong Kong	Mainland China and Macau	Other locations	Sub-total	Mainland China		Sub-total	Hong Kong	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE									
External sales	100,335	118,320	24,793	243,448	18,324	–	261,772	802	262,574
RESULT									
Segment result	(35,693)	37,893	(7,578)	(5,378)	(3,516)	(20,657)	(29,551)	(1,492)	(31,043)
Interest income	125	31	3	159	556	7	722	–	722
Other income	1,249	5,087	–	6,336	–	545	6,881	67	6,948
Finance costs	(3,448)	(1,984)	(49)	(5,481)	(708)	(5,187)	(11,376)	–	(11,376)
Deprecation of property, plant and equipment	(21,824)	(28,240)	(819)	(50,883)	(1,250)	(33)	(52,166)	–	(52,166)
Provision for impairment on property, plant and equipment	(31,864)	–	–	(31,864)	(9,962)	–	(41,826)	(1)	(41,827)
ECLs on financial assets	(194)	(41)	(149)	(384)	(12,019)	–	(12,403)	–	(12,403)
Fair value change of investment properties	–	–	–	–	(25,205)	–	(25,205)	–	(25,205)
Fair value change of financial assets at FVTPL	–	–	–	–	–	17,809	17,809	–	17,809
Fair value change of derivative financial instruments	30	–	–	30	–	–	30	–	30
Loss before taxation	(91,619)	12,746	(8,592)	(87,465)	(52,104)	(7,516)	(147,085)	(1,426)	(148,511)
Income tax credit/(expense)	–	362	(24)	338	5,858	–	6,196	–	6,196
Loss for the year	(91,619)	13,108	(8,616)	(87,127)	(46,246)	(7,516)	(140,889)	(1,426)	(142,315)
Segment assets	337,553	94,432	42,674	474,659	692,753	–	1,167,412	35	1,167,447
Unallocated assets	–	–	–	–	–	70,982	70,982	–	70,982
Total assets	337,553	94,432	42,674	474,659	692,753	70,982	1,238,394	35	1,238,429
Segment liabilities	142,019	60,003	1,649	203,671	23,882	–	227,553	315	227,868
Unallocated liabilities	–	–	–	–	–	152,956	152,956	–	152,956
Total liabilities	142,019	60,003	1,649	203,671	23,882	152,956	380,509	315	380,824
Additions to non-current assets	3,167	36,458	1,673	41,298	–	–	41,298	1	41,299

Year ended 31 March 2019 (Re-presented)

	Continuing operations							Discontinued operation	
	Watch distribution				Property investment	Unallocated		Dining business	
	Hong Kong	Mainland China and Macau	Other locations	Sub-total	Mainland China		Sub-total	Hong Kong	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE									
External sales	181,857	172,164	30,086	384,107	26,728	–	410,835	3,762	414,597
RESULT									
Segment result	(37,648)	28,357	(3,862)	(13,153)	5,636	(25,489)	(33,006)	(3,502)	(36,508)
Interest income	133	65	14	212	669	20	901	–	901
Other income	–	–	–	–	–	666	666	–	666
Finance costs	–	–	–	–	–	(4,604)	(4,604)	–	(4,604)
Deprecation of property, plant and equipment	(1,185)	(4,155)	(175)	(5,515)	(162)	(52)	(5,729)	(3)	(5,732)
Provision for impairment on property, plant and equipment	(7,193)	–	(1,848)	(9,041)	–	–	(9,041)	(29)	(9,070)
ECLs on financial assets	(61)	–	–	(61)	(5,004)	–	(5,065)	–	(5,065)
Fair value change of investment properties	–	–	–	–	(1,735)	–	(1,735)	–	(1,735)
Fair value change of financial assets at FVTPL	–	–	–	–	–	(52,173)	(52,173)	–	(52,173)
Fair value change of derivative financial instruments	(7,926)	–	–	(7,926)	–	–	(7,926)	–	(7,926)
Loss before taxation	(53,880)	24,267	(5,871)	(35,484)	(596)	(81,632)	(117,712)	(3,534)	(121,246)
Income tax (expense)/credit	–	(1,265)	123	(1,142)	(443)	–	(1,585)	–	(1,585)
Loss for the year	(53,880)	23,002	(5,748)	(36,626)	(1,039)	(81,632)	(119,297)	(3,534)	(122,831)
Segment assets	425,932	60,928	60,183	547,043	762,495	–	1,309,538	863	1,310,401
Unallocated assets	–	–	–	–	–	136,377	136,377	–	136,377
Total assets	425,932	60,928	60,183	547,043	762,495	136,377	1,445,915	863	1,446,778
Segment liabilities	210,003	14,232	693	224,928	12,970	–	237,898	801	238,699
Unallocated liabilities	–	–	–	–	–	146,362	146,362	–	146,362
Total liabilities	210,003	14,232	693	224,928	12,970	146,362	384,260	801	385,061
Additions to non-current assets	8,389	4,471	3,244	16,104	54	–	16,158	33	16,191

Note: The dining business has been reclassified as discontinued operation for the years ended 31 March 2020 and 2019 and the segment information has been re-presented.

Note: Other locations include Singapore, Taiwan and Korea.

Information about major customers

Revenue from customers contributing over 10% of the total sales of the Group are as follows:

Revenue from the distribution of branded luxury watches:

	2020	2019
	HK$'000	*HK$'000*
Customer A (Note)	**–**	57,948

Note: Customer A generated revenue to the Group in Hong Kong.

Other segment information

The information of the Group's non-current assets other than financial instruments and deferred tax assets by geographical location is detailed below:

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**–**	15
Mainland China and Macau	**705,957**	733,719
Other locations	**2,365**	1,191
	708,322	734,925

The following is an analysis of the Group's revenue from its major operations:

	2020	2019
	HK$'000	*HK$'000*
		(Re-presented)
Continuing operations		
Watch distribution	**243,448**	384,107
Property investment	**18,324**	26,728
	261,772	410,835
Discontinued operation		
Dining business	**802**	3,762

4. OTHER INCOME

	2020	2019
	HK$'000	*HK$'000*
Continuing operations		
Interest income	**722**	901
Regional branding support income	**138**	139
Dividend income	**78**	272
Rent concession *(Note)*	**6,336**	–
Others	**329**	255
	7,603	1,567

Note: Rent concession represents the change in lease payment arising from COVID-19-related rent concession of HK$6,336,000.

5. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Continuing operations		
Interest on note payable	**5,187**	4,604
Interest on lease liabilities	**6,117**	–
Interest on loan from a shareholder	**72**	–
	11,376	4,604

6. INCOME TAX (CREDIT)/EXPENSE

	2020	2019
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
Hong Kong	**–**	–
Other jurisdictions	**–**	2,259
	–	2,259
Under/(over) provision in prior years:		
Hong Kong	**–**	–
Other jurisdictions	**199**	(117)
	199	(117)
Deferred tax charge		
Current year	**(6,395)**	(557)
	(6,196)	1,585

During the years ended 31 March 2020 and 2019, no deferred tax asset has been recognised in respect of certain unused tax losses due to the unpredictability of future profit streams.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. All the Group's subsidiaries in Hong Kong did not have any assessable profits for both years ended 31 March 2020 and 2019.

The subsidiaries in the PRC and Macau are subject to the enterprise income tax and corporate income tax respectively.

Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax (credit)/expense for the year can be reconciled to the loss before taxation in the consolidated statement of profit or loss and other comprehensive income as follows:

	2020	2019
	HK$'000	*HK$'000*
		(Re-presented)
Loss before taxation		
Continuing operations	**(147,085)**	(117,712)
Discontinued operation	**(1,426)**	(3,534)
	(148,511)	(121,246)
Tax at the domestic income tax rate of 16.5% (2019: 16.5%)	**(24,504)**	(20,006)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(3,611)**	(394)
Tax effect of income not taxable in determining taxable profit	**(5,673)**	(399)
Tax effect of expenses not deductible in determining taxable profit	**13,019**	3,465
Tax effect of tax losses not recognised	**15,840**	20,320
Tax effect of temporary differences not recognised	**(1,296)**	(1,284)
Utilisation of tax losses previously not recognised	**(170)**	–
Under/(over) provision in prior years	**199**	(117)
Income tax (credit)/expense for the year	**(6,196)**	1,585

7. LOSS FOR THE YEAR

(a) Continuing operations

Loss before taxation is arrived at after charging/(crediting):

	2020	2019
	HK$'000	*HK$'000*
		(Re-presented)
Directors' remuneration	**11,549**	16,322
Other staff costs	**41,312**	47,029
Other staff's retirement benefits scheme contributions	**804**	912
Total staff costs	**53,665**	64,263
Auditor's remuneration	**1,282**	1,278
Depreciation of property, plant and equipment *(Note (a))*	**52,166**	5,729
Minimum lease payments in respect of rented premises *(Note (b))*	**–**	71,239
Interest on lease liabilities	**6,117**	–
Short-term lease expenses *(Note (b))*	**16,458**	–
Rent concession *(Note (c))*	**(6,336)**	–
Cost of inventories recognised as an expense (including write-down of inventories HK$17,311,000 (2019: HK$13,784,000))	**169,196**	246,846
Direct operating expenses arising from investment property that generated rental income during the year	**796**	380
Provision for impairment of property, plant and equipment	**41,826**	9,041
Write off of property, plant and equipment	**–**	10
Expected credit losses on financial assets	**12,403**	5,065
Interest income	**(722)**	(901)

Notes:

(a) The Group has initially applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset relating to leases which were previously classified as operating leases under HKAS 17 at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before 1 April 2019. After initial recognition of right-of-use assets at 1 April 2019, the Group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated. See note 2(a).

(b) The short-term lease expenses in respect of rented premises excluding contingent rent of HK$1,489,000 (2019: minimum lease payments excluded HK$2,246,000) for the year ended 31 March 2020. Contingent rent was charged by the lessors if certain percentage of turnover of the related boutiques reached the minimum levels as stated in the tenancy agreements.

(c) The Group has certain leases granted with rent concession as a direct consequence of the COVID-19 pandemic and the Group has applied practical expedient not to recognise as lease modification. All of the rent concessions amounted to HK$6,336,000 has been credited to "Other income" in the consolidated statement of profit or loss and other comprehensive income.

(b) Discontinued operation

On 19 January 2020, the Group closed the dining business upon the expiry of its tenancy agreement. The financial performance of its operating period (1 April 2019 to 19 January 2020) during the year ended 31 March 2020 are as follows:

	1 April 2019 to 19 January 2020 *HK$'000*	1 April 2018 to 31 March 2019 *HK$'000*
Turnover	**802**	3,762
Expenses	**(2,228)**	(7,296)
Loss before taxation	**(1,426)**	(3,534)
Income tax expense	**–**	–
Loss for the year from discontinued operation	**(1,426)**	(3,534)
Operating cash flows	**(1,387)**	(3,070)
Investing cash flows	**(1)**	(33)
Financing cash flows	**1,029**	3,110
Total cash flows	**(359)**	7

8. DIVIDEND

During the year ended 31 March 2020, no final dividend for the year ended 31 March 2019 was declared and paid (2019: no final dividend declared and paid in respect of the year ended 31 March 2018).

The Board does not propose the payment of a final dividend for the year ended 31 March 2020. In respect of the year ended 31 March 2019, the Board did not propose the payment of a final dividend.

9. LOSS PER SHARE

From continuing and discontinued operations

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

	2020 *HK$'000*	2019 *HK$'000*
Loss for the purpose of basic and diluted earnings per share	**(142,315)**	(122,831)

	2020 *'000*	2019 *'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**6,043,950**	5,959,576

Diluted loss per share for the years ended 31 March 2020 and 2019 are the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during both years.

From continuing operations

	2020	2019
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted earnings per share	**(140,889)**	(119,297)

	2020	2019
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**6,043,950**	5,959,576

From discontinued operation

	2020	2019
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted earnings per share	**(1,426)**	(3,534)

	2020	2019
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**6,043,950**	5,959,576

10. INVESTMENT PROPERTIES

	2020	2019
	HK$'000	*HK$'000*
At 1 April	**728,544**	375,857
Addition	**–**	401,441
Fair value change	**(25,205)**	(1,735)
Exchange realignment	**(46,021)**	(47,019)
At 31 March	**657,318**	728,544

During the year ended 31 March 2019, 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 such investment properties was RMB323,873,000 (equivalent to HK$401,441,000).

The fair value of the Group's investment properties as at 31 March 2020 have been arrived on the basis of valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL") on 22 June 2020. 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 31 March 2020 is determined using the Income Approach by taking into account the net rental income of a property derived from its existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

The fair value of investment properties of the Group is derived by Level 3 recurring fair value measurement as at 31 March 2020.

There were no transfers into or out of Level 3 during the year. A reconciliation of the opening and closing Level 3 fair value balance is provided below:

	2020	2019
	HK$'000	*HK$'000*
At 1 April (Level 3 recurring fair value)	**728,544**	375,857
Addition	**–**	401,441
Change in fair value recognised in profit or loss	**(25,205)**	(1,735)
Exchange realignment	**(46,021)**	(47,019)
At 31 March (Level 3 recurring fair value)	**657,318**	728,544

11. FINANCIAL ASSETS AT FVTPL

		2020	2019
	Notes	***HK$'000***	*HK$'000*
Other long term investment	*(a)*	**46,933**	49,213
Listed equity securities in Hong Kong	*(b)*	**4,585**	40,410
		51,518	89,623
Classified as			
Non-current asset		**7,407**	49,213
Current asset		**44,111**	40,410
		51,518	89,623

Notes:

(a) On 23 May 2017, the Group entered into a cooperation agreement ("Cooperation Agreement") with Aquamen Entertainment LLC ("Aquamen") and Mr. Zhang Xiaoliang (the "Guarantor"), executive director of the Group to invest HK$45,000,000 in a film project being developed by Aquamen. The investment is classified as financial assets at FVTPL.

On 30 May 2019, the Group, Aquamen and the Guarantor entered into a supplemental agreement (the "Supplemental Agreement"). Based on the terms of the Cooperation Agreement and the Supplemental Agreement, Aquamen will return the full amount of the investment amount of HK$45,000,000 to the Group on or before 31 March 2021. Furthermore, the Group will receive an investment return from Aquamen on or before 30 September 2021 at the higher of proportionate sharing of net profit or 20% of the investment amount.

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

The movement in listed equity securities are summarised as follows:

	HK$'000
As at 1 April 2018	–
Reclassified as financial assets measured at FVTPL upon initial application of HKFRS 9	136,788
Additions	30,000
Disposals	(71,942)
Fair value change of financial assets measured at FVTPL	(54,436)
As at 31 March 2019 and 1 April 2019	40,410
Disposals	(55,914)
Fair value change of financial assets measured at FVTPL	20,089
As at 31 March 2020	4,585

12. FINANCIAL ASSETS AT FVOCI

	2020	2019
	HK$'000	*HK$'000*
Listed equity securities in Hong Kong	**17,119**	40,250

At 1 April 2018, the Group made an irrevocable election to designate this investment at FVOCI. 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.

The movement in listed equity securities are summarised as follows:

	HK$'000
As at 1 April 2018	–
Reclassified as financial assets measured at FVOCI upon initial application of HKFRS 9	63,000
Fair value change of financial assets measured at FVOCI	(22,750)
As at 31 March 2019 and 1 April 2019	40,250
Disposals	(4,584)
Fair value change of financial assets measured at FVOCI	(18,547)
As at 31 March 2020	17,119

13. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Current assets		
Trade receivables	**20,504**	22,502
Less: ECLs of trade receivables *(Note (a))*	**(14,479)**	(5,128)
Trade receivables *(Note (a))*	**6,025**	17,374
Non-current assets		
— Other receivables *(Note (c))*	**7,088**	–
Current assets		
— Other receivables, deposits and prepayments *(Note (c))*	**37,533**	46,393
	44,621	46,393
Less: ECLs of other receivables *(Note (b))*	**(2,462)**	(4)
Other receivables, deposits and prepayments	**42,159**	46,389
Total trade and other receivables	**48,184**	63,763
Classified as		
Non-current assets		
— Other receivables	**5,431**	–
Current assets		
— Trade receivables	**6,025**	17,374
— Other receivables	**6,033**	8,968
— Deposits	**26,829**	26,146
— Prepayments	**3,866**	11,275
	42,753	63,763
	48,184	63,763

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

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

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**4,881**	11,066
31–90 days	**1,095**	6,042
Over 90 days	**49**	266
	6,025	17,374

Management closely monitors the credit quality of trade and other receivables and considers trade and other receivables that are neither past due nor impaired are of good credit quality.

As at 31 March 2020, loss allowances of HK$14,479,000 (2019: HK$5,128,000) were made against the gross amount of trade receivables.

Movement in the loss allowances amount in respect of trade receivables during the year is as follows:

	HK$'000
Balance as at 1 April 2018	41
ECLs recognised during the year	5,065
Exchange realignment	22
Balance as at 31 March 2019 and 1 April 2019	5,128
ECLs recognised during the year	9,895
Exchange realignment	(544)
Balance as at 31 March 2020	14,479

Note (b): As at 31 March 2020, loss allowances of HK$2,462,000 (2019: HK$4,000) were made against the gross amount of other receivables.

Movement in the loss allowances amount in respect of other receivables during the year is as follows:

	HK$'000
Balance as at 1 April 2018, 31 March 2019 and 1 April 2019	4
ECLs recognised during the year	2,508
Exchange realignment	(50)
Balance as at 31 March 2020	2,462

Note (c): As at 31 March 2020, loans to independent third parties of HK$10,373,000 (2019: HK$Nil) are included in other receivables with interest rates ranging from 0.3% to 12% per annum.

14. AMOUNTS DUE FROM/TO RELATED PARTIES

As at 31 March 2020, amounts due from/to related parties were unsecured, non-interest bearing and repayable within 1 year.

15. BANK BALANCES AND CASH

Bank balances and cash comprise cash at bank and fixed time deposits. Cash at bank is held by the Group at prevailing market interest rates ranging from 0.001% to 3.30% (2019: 0.001% to 4.30%) per annum.

Fixed time deposits carry fixed interest rates ranging from 1.00% to 1.40% (2019: 0.50% to 1.40%) per annum and mature within 1 month (2019: 1 month). Therefore, the amounts are classified as current.

At 31 March 2020, cash at bank of HK$76,000 (2019: HK$154,000) and fixed time deposits of HK$Nil (2019: HK$Nil) were deposited in the security accounts of a related party which is a company engaged in dealing and advising in securities services.

16. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**37,816**	138,920
Other payables and accrued charges	**88,150**	89,151
	125,966	228,071

The following is an aged analysis of trade payables:

	2020	2019
	HK$'000	*HK$'000*
Within 90 days	**11,760**	47,869
91 days–365 days	**22,378**	89,865
Over 365 days	**3,678**	1,186
	37,816	138,920

The Group's trade payables that are denominated in CHF and EUR, which are currencies other than functional currency of the relevant group entities are set out below:

	2020	2019
	HK$'000	*HK$'000*
Denominated in CHF	**37,700**	138,564
Denominated in EUR	**116**	266

17. NOTE PAYABLE

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

	2020	2019
	HK$'000	*HK$'000*
Classified as		
Current liability	**149,581**	–
Non-current liability	**–**	144,394
	149,581	144,394

The promissory note is unsecured and non-interest bearing. It is measured at amortised cost using the effective interest method. During the year, the Vendor assigned the promissory note to an independent third party with the principal amount and the terms remained the same.

On 29 April 2020, the Company entered into the extension agreement with the independent third party to extend the maturity date of the promissory note to 31 August 2020.

18. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$'000
Authorised:		
At 31 March 2019 and 2020		
— 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 31 March 2020		
— 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue from continuing operations for the year ended 31 March 2020 decreased by 36.3% from HK$410.8 million to HK$261.8 million when compared with last financial year.

Gross profit decreased by 43.5% from HK$164.0 million in FY2019 to HK$92.6 million in FY2020. The gross margin decreased from 39.9% to 35.4%.

Selling and distribution costs decreased by 21.8% from HK$95.9 million last year to HK$75.0 million mainly due to savings from rental expenses for boutiques. General and administrative expenses decreased by 13.7% from HK$103.5 million last year to HK$89.3 million mainly due to decrease in staff costs and premises expenses.

Realised foreign exchange loss of the Group was HK$0.9 million in FY2020 as compared with a gain of HK$3.4 million in FY2019. Unrealised exchange loss was HK$9.0 million in FY2020 as compared with HK$6.7 million loss in FY2019. Loss on fair value change of investment properties was HK$25.2 million in FY2020 as compared with HK$1.7 million loss in FY2019. There was HK$30,000 gain on fair value change of derivative financial instruments in FY2020 as compared with HK$7.9 million loss in FY2019.

Unrealised exchange difference arose from receivables and payables denominated in foreign currencies, which were translated at the exchange rates prevailing at the balance sheet dates. Any differences in valuation were then recognised in the consolidated statement of profit or loss as unrealised gains or losses.

Excluding the realised and unrealised exchange differences, fair value changes of investment properties, non-derivative financial assets and derivative financial instruments, the Group's loss before taxation was HK$129.8 million in FY2020 against HK$52.6 million in FY2019.

Net loss from continuing operations was HK$140.9 million in FY2020 as compared to HK$119.3 million in FY2019.

Loss per share from continuing operations was 2.33 HK cents in FY2020 against 2.00 HK cents in FY2019. Net asset value per share was 14.2 HK cents as at 31 March 2020 against 17.6 HK cents as at 31 March 2019.

Trade receivables decreased from HK$17.4 million as at 31 March 2019 to HK$6.0 million as at 31 March 2020.

KEY PERFORMANCE INDICATORS: INVENTORY TURNOVER AND CURRENT RATIO

Inventories as at 31 March 2020 decreased by 16.4% to HK$364.5 million when compared with 31 March 2019. Inventory Turnover Period, which is calculated by Inventories balance divided by Cost of Sales, increased from 645 days to 786 days in FY2020. As the Company is going to open up a new flagship store in Central and two new dealer shops in the Mainland China, it is expected that inventory turnover will be significantly boosted.

Our Current Ratio, which is calculated by Current Assets divided by Current Liabilities, was 1.4 as at 31 March 2020 (31 March 2019: 2.6). The decrease in Current Ratio is mainly attributable to the HK$150 million promissory note which is falling due on 30 April 2020 (further extended to 31 August 2020).

BUSINESS REVIEW

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

The Group has consistently embarked on niche marketing initiatives to grow brand awareness and desirability of its global watch brands. This included several unique events in our key markets with a view to increasing brand exposure and extending brand networking.

Distribution network and market penetration

The Group has established its extensive distribution network with 51 retail points of sales and 10 boutiques, making a total of 61 points (31 March 2019: 62).

Other than the 8 boutiques run by the Group, the remaining 53 watch retail outlets are run by 23 independent watch dealers.

During the year under review, the Group actively explored every opportunity to open up new retail points of sales in the regions. New points of sales were added in Hong Kong, Taiwan and Mainland China through various watch dealers.

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.

20 October 2019

Oriental Watch Sha Tin Trophy "Gentlemen's Bow Tie Raceday"

In support of the annual Oriental Watch Sha Tin Trophy event, FRANCK MULLER once again participated together with 8 international watch brands. Renowned actor Mr. Adam Pak was awarded the "Best Bow Tie Attire Award" by winning an exquisite FRANCK MULLER Vintage collection. Catwalk show was staged at The Jockey Club Box, and model was dressed in the bejewelled Vanguard Crazy Hours Lady Asia Exclusive, the dial shows time in an unconventional manner with brand's signature numerals, an embodiment of sophistication and femininity.

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.

Mainland 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.

21 December 2019

FRANCK MULLER VIP Cocktail

An exclusive afternoon cocktail was hosted at FRANCK MULLER Zheng Zhou boutique, the prestige guests were presented to the latest Vanguard collection, while they were welcomed to create their own personalised scented candle plate as a souvenir which was exclusively offered at the event only.

Performance by business operations and geographical markets

Watch distribution

Hong Kong, Mainland China and Macau remained the key revenue drivers, contributing together HK$218.7 million which accounted for 83.5% of the Group's total revenue in FY2020.

Hong Kong

Hong Kong continues to be the Group's major market, accounting for 38.3% of the Group's revenue in FY2020. Performance in this market recorded a decrease in revenue by 44.9% from HK$181.9 million in the previous year to HK$100.3 million this year.

Mainland China and Macau

The percentage contribution of Mainland China and Macau to the Group's total revenue increased from 41.9% in FY2019 to 45.2% in FY2020. Sales in this region showed a decrease of 31.3% to HK$118.3 million from HK$172.2 million last year.

Other locations

The Group's other locations' (i.e. Taiwan, Singapore and Korea) segment recorded a revenue of HK$24.8 million in FY2020, 17.6% lower than HK$30.1 million last year.

Property investment

Revenue from property investment in Mainland China amounted to HK$18.3 million in FY2020, 31.5% lower than HK$26.7 million in FY2019 due to decrease in occupancy rate. During the year, the Group did not acquire or dispose of any investment property.

Loss for the year from continuing operations

As a result of the foregoing, the Group's loss for the year from continuing operations increased by HK$21.6 million, or 18.1%, from HK$119.3 million for the year ended 31 March 2019 to HK$140.9 million for the year ended 31 March 2020.

Loss from a discontinued operation

Loss from a discontinued operation for the year ended 31 March 2020 was HK$1.4 million as compared to a loss of HK$3.5 million for the year ended 31 March 2019. The change was primarily a result of the cessation of the dining business on 19 January 2020.

PROSPECTS

Going forward, the Group will move to further strengthen its distribution network in Hong Kong, Macau and China, as well as explore new markets in other Asian countries. In addition, the Group will review the tenancy situation including occupancy and rental level of our investment properties in the PRC so as to improve the rental yield. The Group will also closely monitor the status of our film production project, which is expected to generate considerable returns to the Group in the year of 2021.

In April 2019, the Group entered into a memorandum of understanding with potential vendors in relation to the possible acquisition of 51% equity interest in an Australian entity principally engaged in international film sales, distribution and production. Further details were disclosed in the Company's voluntary announcements dated 12 April 2019, 12 August 2019 and 11 November 2019. Due to the global pandemic of the COVID-19 virus since January 2020, there is no further negotiation with the potential vendors. The Company will make announcement promptly if there is any progress on this potential investment.

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 31 March 2020, the Group had cash and bank balances totaling HK$43.6 million when compared with HK$81.8 million as at 31 March 2019. At 31 March 2020, the Group's gearing ratio (net debt divided by equity) was 14.1%. The Group has no outstanding bank loan.

At 31 March 2020, details of the Group's investments in equity instruments were as below:

		At 31 March 2020		FY2020	
Stock Code	**Stock Name**	**No. of shares held**	**Fair value** *HK$'000*	**Change in fair value recognised in consolidated statement of profit or loss** *HK$'000*	**Change in fair value recognised in consolidated statement of other comprehensive income** *HK$'000*
3823	Tech Pro Technology Development Ltd.	36,760,000	1,235	(235)	–
3886	Town Health International Medical Group Ltd.	6,600,000	2,155	(471)	–
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	1,194	(5,600)	–
663	King Stone Energy Group Ltd.	317,020,000	17,119	–	(19,589)
1076	Imperial Pacific International Holdings Ltd.	–	–	27,070	–
Total			21,703	20,089	(19,589)

These investments were listed and delisted securities measured at fair value. As at 31 March 2020, investments in equity instruments amounted to HK$21.7 million.

In FY2020, a net fair value gain of HK$20.1 million was charged to the consolidated statement of profit or loss directly while a net fair value loss of HK$19.6 million was charged to consolidated statement of other comprehensive income to reflect the overall decrease in fair value of the investments in equity instruments.

During the year under review, the Hong Kong equity market experienced fluctuations with various composite indices showing negative returns. The performance of the Group's investments in equity instruments had been in line with market performance.

It was noted that 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 which are referred to 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. It was further noted that the shares of Tech Pro Technology Development Limited was delisted starting from 9:00 a.m. on 2 March 2020, details of which are referred to in the announcement issued by the Stock Exchange on 26 February 2020 on its official website.

The Directors will continue to monitor the performance of the above investments, and will assess and then adjust the investment strategies in the future so as to minimise the negative impact of any under-performing investment on the overall return of the investment portfolio of the Group. The performance of the investments in equity instruments of the Group 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$149.2 million as at 31 March 2020. Net assets reduced to HK$857.6 million as at 31 March 2020 as compared to HK$1,061.7 million as of 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 PRINCIPAL RISK: FOREIGN EXCHANGE EXPOSURE

As at 31 March 2020, the total number of issued shares of the Company was 6,043,950,000. During the year, no new shares were allotted and issued by the Company.

The Group recorded a realised exchange loss of HK$0.9 million in FY2020 compared to a gain of HK$3.4 million in FY2019. In addition, the Group booked an unrealised exchange loss of HK$9.0 million in FY2020 against a loss of HK$6.7 million in FY2019. There was a loss of HK$25.2 million on fair value change of investment properties in FY2020 while a loss of HK$1.7 million in FY2019. There was HK$17.8 million gain on fair value change of financial assets recorded in FY2020 compared to a loss of HK$52.2 million in FY2019.

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

CHARGE ON ASSETS

The Group did not have any material charge on its assets as at 31 March 2020 (31 March 2019: no material charge).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 March 2020, the Group’s work force stood at 134 including Directors (31 March 2019: 167). Employees were paid at market rates with discretionary bonus and medical benefits, 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 it stays competitive with market practice.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the year ended 31 March 2020, except for the following deviation.

In respect of code provision A.1.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the year, a regular Board meeting was convened with less than 14 days’ notice to enable the Board members to react timely and make expeditious decision in respect of transactions which were of significance to the Group’s business. The Board will do its best endeavours to meet the requirement of code provision A.1.3 of the CG Code in the future.

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 throughout the year ended 31 March 2020.

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 listed securities of the Company during the year ended 31 March 2020.

REVIEW OF FINANCIAL STATEMENTS

The Group's consolidated financial statements for the year ended 31 March 2020 have been reviewed by the Audit Committee of the Company, which comprises four Independent Non-executive Directors, namely Mr. Chiu Sin Nang, Kenny (Chairman of the Audit Committee), Ms. Lo Miu Sheung, Betty, Mr. Yu Zhenxin and Mr. Zong Hao.

EVENTS AFTER THE REPORTING PERIOD

Extension of Promissory Note

References are made to the announcements of the Company dated 13 February 2018 and 30 April 2018 and the circular of the Company dated 6 April 2018 in relation to, among other matters, an acquisition involving the issue of a promissory note in the principal amount of HK$150,000,000 maturing on 30 April 2020 (the "Promissory Note").

On 29 April 2020, both the Company and the holder of the Promissory Note consent to extension of the maturity date under the Promissory Note from 30 April 2020 to 31 August 2020 (by executing a Deed of Extension which serves as a supplemental to the Promissory Note). All other terms in the Promissory Note shall remain valid and in force.

The Directors considered that the extension of the maturity date of the Promissory Note is in the interest of the Company and its shareholders.

Loan from the Chairman and Executive Director

To cope with the short-term working capital needs of the Group in the special situation under the pandemic of COVID-19, Sincere Brand Management Limited (a wholly-owned subsidiary of the Company, the "Borrower") seeks financial assistance from Mrs. Chu Yuet Wah ("Mrs. Chu"), the Chairman and Executive Director of the Company by borrowing an unsecured loan of HK$15 million for 6 months with annual interest rate of 6% on 28 February 2020. Mrs. Chu further granted an unsecured loan of HK$20 million for 12 months with annual interest rate of 6% to the Borrower on 7 May 2020.

Since Mrs. Chu is a connected person of the Company, the above transactions were continuing connected transactions of the Company but were fully exempted under Rule 14A.90 of the Listing Rules because the terms are better than the market rate and requires no pledge of assets of the Borrower or the Company.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sincerewatch.com.hk). The annual report of the Company for the year ended 31 March 2020 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, 29 June 2020

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.