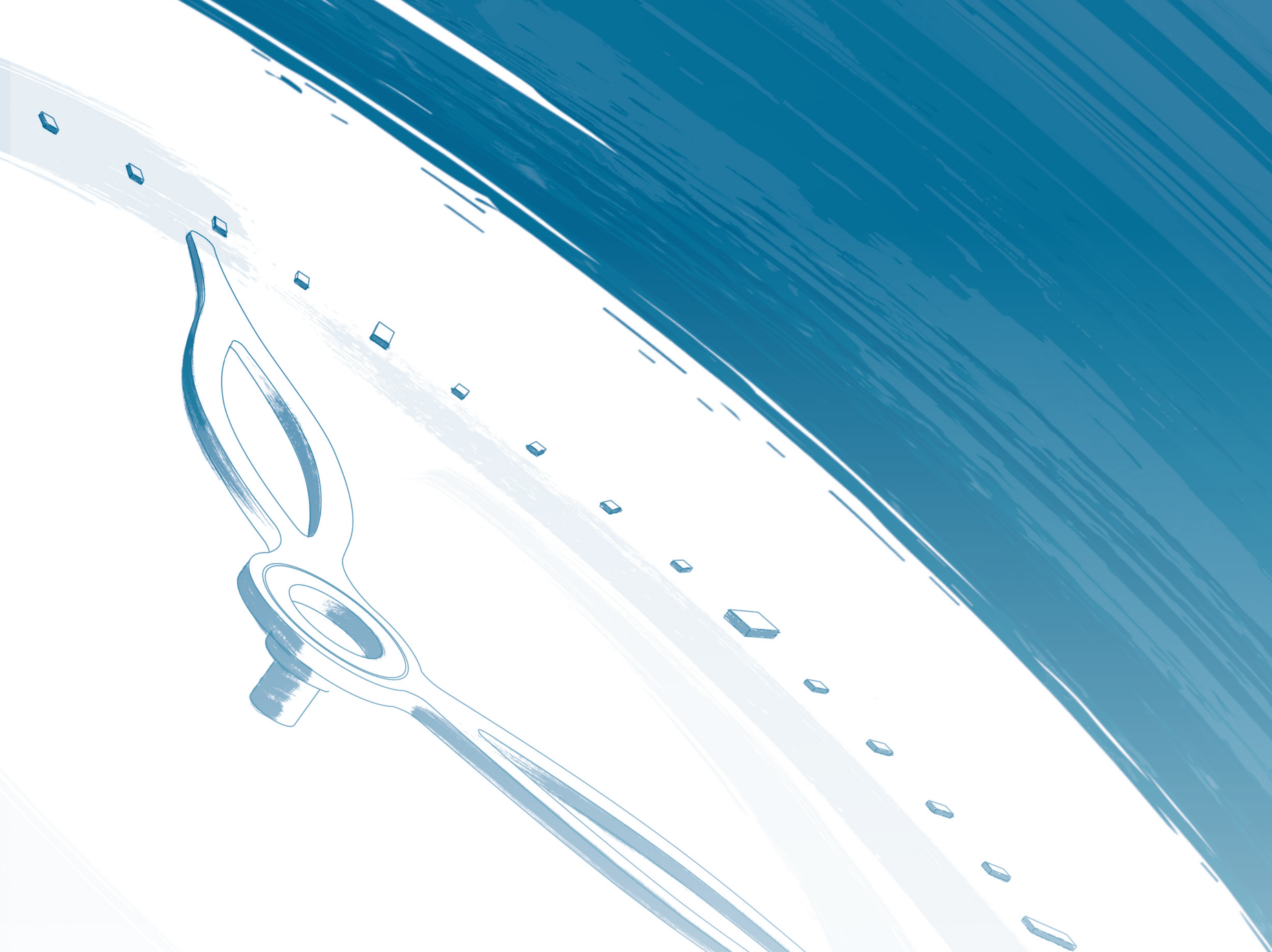
Sincere Watch (Hong Kong) Limited

Stock Code 股份代號：00444
（於開曼群島註冊成立的有限公司）
(incorporated in the Cayman Islands with limited liability)

2020
ANNUAL REPORT 年報



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mrs. CHU Yuet Wah *(Chairman)*
Mr. ZHANG Xiaoliang
(Deputy Chairman and Chief Executive Officer)
Mr. CHU, Kingston Chun Ho
Mr. YANG Guangqiang
Mr. AN Muzong

Independent Non-executive Directors

Ms. LO Miu Sheung, Betty
Mr. YU Zhenxin
Mr. ZONG Hao
Mr. CHIU Sin Nang, Kenny

AUDIT COMMITTEE

Mr. CHIU Sin Nang, Kenny *(Chairman)*
Ms. LO Miu Sheung, Betty
Mr. YU Zhenxin
Mr. ZONG Hao

REMUNERATION COMMITTEE

Mr. YU Zhenxin *(Chairman)*
Ms. LO Miu Sheung, Betty
Mr. CHIU Sin Nang, Kenny

NOMINATION COMMITTEE

Ms. LO Miu Sheung, Betty *(Chairman)*
Mr. CHIU Sin Nang, Kenny
Mr. YU Zhenxin

INVESTMENT COMMITTEE

Mrs. CHU Yuet Wah *(Chairman)*
Mr. CHU, Kingston Chun Ho
Mr. YU Zhenxin

COMPANY SECRETARY

Mr. CHAN Kwong Leung, Eric

AUTHORISED REPRESENTATIVES

Mr. CHU, Kingston Chun Ho
Mr. CHAN Kwong Leung, Eric

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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99 Queen's Road Central
Hong Kong

AUDITOR

BDO Limited
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111 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Tai Fung Bank

STOCK CODE

00444

WEBSITE

http://www.sincerewatch.com.hk

FINANCIAL HIGHLIGHTS

- 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 2.33 HK cents for FY2020 (FY2019: 2.00 HK cents).

- The Board does not recommend the payment of a final dividend for FY2020 (FY2019: Nil).

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Sincere Watch (Hong Kong) Limited, I would like to present the report on the annual results of the Group for the year ended 31 March 2020.

Over the past year, the fierce social movement that occurred in Hong Kong has seriously affected our economy and people's livelihood. At the beginning of this year, the global outbreak of Novel Coronavirus further hammered the world economy. The Group's businesses in Mainland China, Hong Kong and other Asian regions are inevitably affected. Turnover decreased by 36.3% year-on-year, of which turnover of our watch business decreased by 36.6% year-on-year to HK$243,448,000, and property rental income decreased by 31.4% year-on-year to HK$18,324,000, which resulted in further losses of the Group to HK$142,315,000 this year, representing an increase of 15.9% over the corresponding period of last year.

Although the economic situation is expected to remain severe in the coming year, I am convinced that opportunities still co-exist with challenges in the ever-changing market environment. Since the recent threat of pandemic in China, Hong Kong, Taiwan and other Asian regions gradually diminished, the recovery of consumer sentiment and the decline of market rental levels have brought inspiration to the Group's strategies for adjusting and deploying our watch business in the future. The Group's new flagship store in Queen's Road Central, Hong Kong is expected to open in August, which will become the latest milestone in the Group's watch business. As at the date of this annual report, the Group operates an extensive sales network comprising 10 boutiques and 51 retail points of sales across Asia.

Based on the change in the market environment, the Board reviews the resource investment and operating performance of each business segment from time to time. The film project jointly invested by the Group is in the post-production stage. Although the release date has been delayed due to the impact of the pandemic, it is expected that it would grasp the market recovery upon release in the coming year with the benefit of the reduction in production costs. The return on investment is expected to be fully guaranteed. The Group will also closely monitor changes in the PRC's property market to adjust the leasing strategy for the Group's investment properties. As such, the potential of our investment property segment can be quickly released when the market rent rebounds.

There are still many uncertainties for global economy in 2020. However, I believe that with the extensive investment and management experience of the Group's management team, we can turn adversity into opportunity and release the high potential of various investment projects during the low level economic cycle for creating satisfactory returns to the shareholders. On behalf of the Board, I would like to express our heartfelt gratitude to our shareholders, business partners, suppliers, brand principals, customers and employees for their unfailing trust and support throughout the years, and look forward to prospecting together.

Chu Yuet Wah
Chairman

Hong Kong, 29 June 2020

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mrs. CHU Yuet Wah

Chairman and Executive Director

Mrs. CHU Yuet Wah, aged 61, was appointed as an Executive Director and the Chairman of the Company on 29 May 2012 and 13 July 2012 respectively. She has been a director of Sincere Watch Limited, a shareholder of the Company, since 21 May 2012 and is also a director of a number of the Company's subsidiaries. Mrs. Chu is a business woman and possesses over 20 years of experience in financial services industry. She is the chief executive officer, an executive director and the ultimate controlling shareholder of Kingston Financial Group Limited, a company listed on the Main Board of the Stock Exchange.

Mrs. Chu is a member of National Committee of Chinese People's Political Consultative Conference, vice president of Belt and Road General Chamber of Commerce, permanent member of the Friends of Hong Kong Association, founder and permanent honorary chairman of The Chamber of Hong Kong Listed Companies, permanent honorary president and vice chairman of The Institute of Securities Dealers, vice chairman of Hong Kong Securities Professionals Association, standing chairman of Federation of Hong Kong Guangdong Community Organisations, chairman of the Hong Kong Federation of Dongguan Associations, permanent honorary chairman of Federation of Hong Kong Zhuhai Community, chairman of Aplichau Promotion of Tourism Association, chairman of The Aplichau KaiFong Welfare Association, honorary president of Hong Kong Army Cadets Association, honorary president of Hong Kong New Arrivals Services Foundation Limited and director of Sun Yat-Sen University Advisory Board. She was the chairman (2015–2016) and advisory board member (2016–2017) of Po Leung Kuk. Mrs. Chu received an Honorary Ph.D. Degree in Business Management from York University, the USA and holds a Bachelor Degree of Science in Management from Golden Gate University, the USA. She is the mother of Mr. Chu, Kingston Chun Ho, an Executive Director of the Company.

Mr. ZHANG Xiaoliang

Deputy Chairman, Executive Director and Chief Executive Officer

Mr. ZHANG Xiaoliang, aged 49, was appointed as an Executive Director and Co-Chairman of the Company on 22 April 2016. He was re-designated from Co-Chairman to Deputy Chairman on 1 October 2016 and appointed as the Chief Executive Officer of the Company on 14 January 2017. Mr. Zhang is also a director of a number of the Company's subsidiaries.

Mr. Zhang is a computer specialist and also a technical expert in the field of digital audio/video engineering. He is the president and producer of Aquamen Entertainment LLC, a US-based company controlled by him, the president of Beijing Chi-Cha Networks Technology Company Limited (北京奇恰網絡科技有限公司), chairman of Chongqing branch of China International Engineering Design & Consult Company Limited (中外建工程設計與顧問有限公司), founder, a director and chief scientist of Beijing Quanlian Networks Technology Company Limited (北京全聯網絡科技股份有限公司), chief scientist of Channelsoft (Beijing) Technology Co., Ltd (青牛(北京)技術有限公司), a director of The China Yanan Spirit Research Society (中國延安精神研究會) and vice chairman of The China Yanan Association (中國延安兒女聯誼會). Mr. Zhang helped found the China Cultural Chamber of Commerce for the Private Sector (中國民營文化產業商會) in 2012 and was an executive director of All-China Federation of Industry and Commerce (中華全國工商業聯合會) from 2007 to 2012. Before joining the Group in 2016, he has worked at companies including Dun & Bradstreet, Bankers Trust, Bank of New York and Merrill Lynch. Mr. Zhang holds a Master Degree of Business Administration from Bauer College of Business, University of Houston, the USA.

Mr. CHU, Kingston Chun Ho

Executive Director

Mr. CHU, Kingston Chun Ho, aged 35, was appointed as an Executive Director of the Company on 29 May 2012. He was the Vice Chairman and Managing Director of the Company from July 2012 to January 2017. Mr. Chu has been a director of Sincere Watch Limited, a shareholder of the Company, since 21 May 2012 and is also a director of a number of the Company's subsidiaries. He is an executive director of Kingston Financial Group Limited and the chairman and an executive director of Synergis Holdings Limited, both of which are listed on the Main Board of the Stock Exchange. Mr. Chu was also a non-executive director of New Concepts Holdings Limited, a company listed on the Main Board of the Stock Exchange, from September 2016 to November 2017. He is a member of Guangxi Committee of The Chinese People's Political Consultative Conference, member of General Committee of The Chamber of Hong Kong Listed Companies, vice president of Hong Kong CPPCC Youth Association, vice president of Federation of HK Guangxi Community Organisations, honorary chairman of Hong Kong Guangxi Youth Organisations, founder chairman of Youth Committee of Hong Kong Federation of Dongguan Associations, vice chairman of Hong Kong Guangdong Youth Association and vice director of Youth Committee of Hong Kong CPPCC (Provincial) Members Association. Mr. Chu holds a Bachelor Degree of Science in Business Administration from the University of Southern California in the USA. He is the son of Mrs. Chu Yuet Wah, the Chairman and an Executive Director of the Company.

DIRECTORS AND SENIOR MANAGEMENT

Mr. YANG Guangqiang

Executive Director

Mr. YANG Guangqiang, aged 71, was appointed as an Executive Director of the Company on 22 April 2016. He is the president of Greater China of Hongkong Moneykey Corp. Limited, chairman of the board of Dongguan Dongcheng Yu Hua School of Vocational Training (東莞市東城育華職業培訓學校), chairman of Occupational Safety and Health Association of Dongguan City (東莞市職業安全健康協會), standing director of China Artistic Photography Society (中國藝術攝影學會) and vice chairman of Guangdong Artistic Photography Society (廣東省藝術攝影學會). Mr. Yang was a liaison officer of the External Affairs Department of City College of Dongguan University of Technology (東莞理工城市學院).

Mr. AN Muzong

Executive Director

Mr. AN Muzong, aged 56, was appointed as an Executive Director of the Company on 27 August 2016. He is also a director of a number of the Company's subsidiaries and the general manager of Shenyang Development Beida Education Science Park Company Limited (瀋陽發展北大教育科學園有限公司). Mr. An was the general manager of Beijing Beida Sci-Tech Industry Development Center (北京北大科技實業發展中心) from September 2000 to June 2005, during which period he was also the general manager and consultant of several companies within the group, the business of which involves communication, real estate, investment and education. He was also an executive director (from November 2005 to June 2013) and the chairman of the board (from February 2009 to June 2013) of Shenyang Public Utility Holdings Company Limited, a company listed on the Main Board of the Stock Exchange. Mr. An graduated from Beijing Institute of Aeronautics (北京航空學院) in June 1987.

Ms. LO Miu Sheung, Betty

Independent Non-executive Director

Ms. LO Miu Sheung, Betty, aged 58, was appointed as an Independent Non-executive Director of the Company on 19 June 2012. She is a qualified solicitor in Hong Kong and has over 30 years of experience in general legal practice, with specialisation in conveyancing, commercial and probate laws. Ms. Lo has been in active practice since qualification and is currently a consultant of Messrs. K.C. Ho & Fong, Solicitors & Notaries. She graduated from The University of Hong Kong with a Bachelor Degree in Laws (LL.B.) in 1985 and also holds a Postgraduate Certificate in Laws (PCLL). Ms. Lo is currently an independent non-executive director of AEON Stores (Hong Kong) Co., Limited and Kingston Financial Group Limited, both of which are listed on the Main Board of the Stock Exchange.

Mr. YU Zhenxin

Independent Non-executive Director

Mr. YU Zhenxin, aged 49, was appointed as an Independent Non-executive Director of the Company on 27 August 2016. He is a director and the general manager of Suzhou Huaze Nano Material Company Limited (蘇州華澤納米材料有限公司). Mr. Yu was a director of the office of the board of directors and supervisory board of Minsheng Life Insurance Company Limited (民生人壽保險股份有限公司) from 2007 to 2012, and the secretary of the general office of All-China Federation of Industry and Commerce (中華全國工商業聯合會) from 1998 to 2010. He graduated from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in March 1998 with a Master's degree in Investment Economics.

Mr. ZONG Hao

Independent Non-executive Director

Mr. ZONG Hao, aged 50, was appointed as an Independent Non-executive Director of the Company on 10 December 2016. He obtained a degree of the Master of Laws from Buffalo Law School, the State University of New York in 1997. Mr. Zong is currently an executive director and chief executive officer of King Stone Energy Group Limited, a company listed on the Main Board of the Stock Exchange. He was the chief representative of Cherry Lane Music Publishing Company Inc. Beijing office from 2003 to 2010, the executive vice president of Quintana China and Taggart China LLC from 2007 to January 2013 and an independent director of Suzhou Electrical Apparatus Science Academy Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300215), from 2009 to 2015.

DIRECTORS AND SENIOR MANAGEMENT

Mr. CHIU Sin Nang, Kenny

Independent Non-executive Director

Mr. CHIU Sin Nang, Kenny, aged 58, was appointed as an Independent Non-executive Director of the Company on 10 December 2016. He has over 30 years of experience in accounting. Mr. Chiu has held various senior accounting and finance positions in sectors of property investment and development, and information technology development business. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia. Mr. Chiu received a Master of Accountancy degree from The Chinese University of Hong Kong in December 2006, a Bachelor of Laws degree from the Peking University, the People's Republic of China in July 1998, a degree of Master of Commerce in Accounting from The University of New South Wales, Australia in May 1989, a Bachelor of Administrative Studies degree and a Bachelor of Arts (Economics) degree from the York University, Canada in June 1986 and June 1985 respectively. He is currently an executive director of Kin Shing Holdings Limited, an independent non-executive director of KEYNE LTD (formerly known as Nine Express Limited) and an independent non-executive director of Kingston Financial Group Limited, all of which are listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. YANG Yang, aged 45, is the Executive Vice President of the Company since 1 June 2016 and is currently a director of certain subsidiaries of the Company. He is responsible for the development of new businesses, and the merger and acquisition matters of the Company. Mr. Yang graduated from the Tsinghua University with a Master's degree in Architecture. He was an architect of 中國建築科學研究院 (China Architecture Science Academy) from 1998 to 2003 and was the general manager of Australia TDP (2003–2008), 衡源德路北京投資有限公司 (2008–2011), 中外建瑞典 (2008–2014) and Nordickina Investment Limited (2011–2015). Mr. Yang has extensive experience in architecture and management.

Mr. IP Wing Wai, aged 42, is the Chief Financial Officer of the Group since June 2020. He is responsible for the financial reporting and accounting, internal control, corporate finance and treasury functions of the Group. Mr. Ip holds a Bachelor degree in Business Administration in Accounting from The Hong Kong University of Science and Technology. He is a member of The Hong Kong Institute of Certified Public Accountants since 2004. Mr. Ip worked in an international accounting firm and possesses 19 years of experience in accounting, auditing and corporate fields.

Ms. LEE Yuk Mei, Jacqueline, aged 49, is the Marketing and Communications Director of the Group. She is responsible for development and implementation of marketing communication strategy, marketing budget planning and control of the Group. Prior to joining the Group in July 2012, Ms. Lee worked as the Marketing and Communications Director of Jaeger LeCoultre under the portfolio of the Richemont Group of luxury brands, and Brand Director of Dior Watches under LVMH Group, Watch and Jewelry Division. She has over 23 years of experience in marketing communication with over 20 years of experience in the luxury industry. Ms. Lee graduated from The Fashion Institute of Design and Merchandising in Los Angeles, California with an associate of arts degree in fashion design in 1995 and a professional diploma in marketing from University of California, Berkeley Extension in 2003.

Mr. JENG Pei Hwang, Frederick, aged 59, is the General Manager of Sincere Watch Co., Ltd since July 2003. He is responsible for the general management and the administration of the company's operations. Prior to joining the Group, Mr. Jeng had over 15 years of working experience in luxury and watch business in Taiwan handling S.T. Dupont, Alfred Dunhill and watch brands including Chopard, Bvlgari, Hermes and Rado. He graduated with a master degree in business administration from the University of Wisconsin in 1989 and a bachelor degree in business administration from the National Taipei University in 1984.

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 from continuing operations 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).

MANAGEMENT DISCUSSION AND ANALYSIS

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**	**Change in fair value recognised in consolidated statement of profit or loss**	**Change in fair value recognised in consolidated statement of other comprehensive income**
			HK$'000	HK$'000	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 increase 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).

EMPLOYEES

Employees are one of the most important assets and stakeholders of the Group, their contribution and support are valued at all times. 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.

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, the Company and the holder of the Promissory Note consented 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). The Company further obtained a deed of undertaking from the holder of the Promissory Note who has agreed not to demand for repayment of the Promissory Note unless the Company has adequate capital resources before 30 June 2021. 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.

Banking Facility

As at 31 March 2020, investment properties of RMB290,800,000 (equivalent to HK$318,368,000) (2019: Nil) were in possession by a bank as collateral for the purpose of application for the Group's banking facility of RMB80,000,000 (equivalent to HK$87,584,000), which is in progress and has not been duly approved by the bank and made available to the Group at the year end and at the date of this annual report.

CORPORATE GOVERNANCE PRACTICES

The board (the "Board") of directors (the "Directors") of the Company is committed to maintaining high standards of corporate governance. The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code of corporate governance practices.

In the opinion of the Directors, the Company has complied with all code provisions set out in the CG Code throughout the year ended 31 March 2020, except for the deviation disclosed herein.

DIRECTORS' SECURITIES TRANSACTIONS

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.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Group (comprising the Company and its subsidiaries) and oversees the Group's businesses, strategic decisions and performance. The Board has delegated the day-to-day management responsibility to the Executive Directors and senior management who perform their duties under the leadership of the Chief Executive Officer. The Independent Non-executive Directors ensure that the Board accounts for the interests of all shareholders of the Company (the "Shareholders") and that all issues are considered in an objective manner.

The Board is also responsible for performing the corporate governance duties as set out below:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

At 31 March 2020, the Board consisted of nine members, including five Executive Directors, namely 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 four Independent Non-executive Directors, namely Ms. Lo Miu Sheung, Betty, Mr. Yu Zhenxin, Mr. Zong Hao and Mr. Chiu Sin Nang, Kenny.

During the year ended 31 March 2020, the Board at all time met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise. The number of Independent Non-executive Directors also represented at least one-third of the members of the Board.

The Company has received annual confirmation of independence from each of Ms. Lo Miu Sheung, Betty, Mr. Yu Zhenxin, Mr. Zong Hao and Mr. Chiu Sin Nang, Kenny and considers them to be independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

The Board members have no financial, business, family or other material/relevant relationship with each other except as disclosed in the "Directors and Senior Management" of this annual report. Given the nature and business objective of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The list of Directors and their respective biographies are set out on pages 5 to 7 of this annual report. The Company has put in place appropriate and adequate Directors and Officers Liability Insurance to protect the Directors and officers of the Group against their potential legal liabilities.

Under 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. In addition to the regular Board meetings, the Chairman of the Board met with Independent Non-executive Directors without the presence of other Directors.

The members of the Board and the attendance of each member at the Board meetings and annual general meeting held during the year are as follows:

	Attended/Eligible to attend	
Name of Board Members	**Board Meetings**	**Annual General Meeting**
Executive Directors		
Mrs. Chu Yuet Wah *(Chairman)*	1/4	1/1
Mr. Zhang Xiaoliang *(Deputy Chairman and Chief Executive Officer)*	4/4	1/1
Mr. Chu, Kingston Chun Ho	3/4	1/1
Mr. Yang Guangqiang	4/4	1/1
Mr. An Muzong	4/4	1/1
Independent Non-executive Directors		
Ms. Lo Miu Sheung, Betty	4/4	1/1
Mr. Yu Zhenxin	4/4	1/1
Mr. Zong Hao	2/4	1/1
Mr. Chiu Sin Nang, Kenny	4/4	1/1

The Company Secretary assists the Chairman in establishing the meeting agenda, and each Director may request inclusion of items in the agenda. Adequate and appropriate information are circulated normally three days in advance of Board meetings to the Directors. Board and committee minutes are recorded in appropriate details and draft minutes are circulated to all Directors and committee members for comments before being approved by the Board and relevant committees. All minutes are kept by the Company Secretary and are open for inspection by the Directors.

Pursuant to Article 108 of the Company's Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. A retiring Director shall be eligible for re-election. All the Independent Non-executive Directors have entered into letters of appointment with the Company for a specified period of one year in each term, subject to retirement by rotation at annual general meetings of the Company in accordance with the Company's Articles of Association.

Article 112 of the Company's Articles of Association provides that (i) any Director appointed by the Board to fill a casual vacancy shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at the meeting, and (ii) any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the Chairman and the Chief Executive Officer of the Company are held by separate individuals to ensure a balance of power and authority.

Mrs. Chu Yuet Wah, who is the Chairman of the Company, is responsible for the overall formulation of business strategies and market development of the Group. She is also responsible for the leadership and effective running of the Board and ensuring that all significant and key issues were discussed and where required, resolved by the Board timely and constructively.

Mr. Zhang Xiaoliang, who is the Deputy Chairman and Chief Executive Officer of the Company, is responsible for the overall development as well as the strategic planning and positioning and management of the Group's business in the People's Republic of China. He is also delegated with the authority and responsibility to run the Group's business and the day-to-day operation, and implement the Group's strategy with respect to the achievement of its business objectives with the assistance of senior management.

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has provided relevant reading materials published by professional bodies or regulators to the Directors to keep them abreast of the latest development of legal, regulatory and corporate governance. The Company has also devised a training record in order to assist the Directors to record the training they have undertaken and they are requested to provide training records to the Company.

The Company has received from each of the Directors their record of training for the year ended 31 March 2020. According to the records maintained by the Company, the training that the Directors received during the year is summarized as follows:

Name of Directors	Attending seminars/ conferences/courses/ readings relevant to the business, corporate governance or directors' duties
Executive Directors	
Mrs. Chu Yuet Wah	✓
Mr. Zhang Xiaoliang	✓
Mr. Chu, Kingston Chun Ho	✓
Mr. Yang Guangqiang	✓
Mr. An Muzong	✓
Independent Non-executive Directors	
Ms. Lo Miu Sheung, Betty	✓
Mr. Yu Zhenxin	✓
Mr. Zong Hao	✓
Mr. Chiu Sin Nang, Kenny	✓

BOARD COMMITTEES

The Board has set up four committees, namely Audit Committee, Remuneration Committee, Nomination Committee and Investment Committee, to oversee different aspects of the Company's affairs. The most up-to-date terms of reference of these committees are available on the websites of the Stock Exchange and the Company.

Audit Committee

The Audit Committee was established on 19 September 2005. It is responsible for reviewing and overseeing the financial reporting system, risk management and internal control systems of the Company and providing advice and comments to the Board. Meetings of the Audit Committee shall be held at least twice a year.

During the year, the Audit Committee held two meetings. The members of the Audit Committee and the attendance of each member are as follows:

Name of Audit Committee Members	Attended/ Eligible to attend
Independent Non-executive Directors	
Mr. Chiu Sin Nang, Kenny *(chairman)*	2/2
Ms. Lo Miu Sheung, Betty	2/2
Mr. Yu Zhenxin	2/2
Mr. Zong Hao	1/2

During the year, the Audit Committee performed the following duties:

(a) reviewed with the Company's management the accounting principles and practices adopted by the Group as well as financial reporting matters including the review of the audited financial statements for the year ended 31 March 2019 and the unaudited financial statements for the six months ended 30 September 2019 with recommendations to the Board for approval;

(b) reviewed risk management and internal control systems of the Company;

(c) met with the auditor to discuss matters relating to the interim results review and the audit issues arising from the annual audit;

(d) reviewed and made recommendations to the Board on the auditor's re-appointment and remuneration; and

(e) reviewed the terms of reference of the Audit Committee.

All members of the Audit Committee possess in-depth experience in their own profession. The chairman of the Audit Committee, Mr. Chiu Sin Nang, Kenny, possesses appropriate professional qualifications in finance and accounting and the Company meets the requirements of Rule 3.21 of the Listing Rules.

Remuneration Committee

The Remuneration Committee was established on 19 September 2005. It is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all Directors and senior management of the Company. No individual Director or any of his/her associates is involved in decisions relating to his/her own remuneration. The Remuneration Committee has adopted the model under code provision B.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management. Meetings of the Remuneration Committee shall be held at least once a year.

During the year, the Remuneration Committee held one meeting. The members of the Remuneration Committee and the attendance of each member are as follows:

Name of Remuneration Committee Members	Attended/ Eligible to attend
Independent Non-executive Directors	
Mr. Yu Zhenxin *(chairman)*	1/1
Ms. Lo Miu Sheung, Betty	1/1
Mr. Chiu Sin Nang, Kenny	1/1

During the year, the Remuneration Committee performed the following duties:

(a) reviewed and made recommendations to the Board on the approval of the remuneration and bonus to the Executive Directors and senior management;

(b) reviewed and made recommendation to the Board on the voluntary downward adjustment on the monthly salary of an Executive Director from the beginning of the review year; and

(c) reviewed the terms of reference of the Remuneration Committee.

Details of the remuneration paid to the Directors and members of senior management by band for the year ended 31 March 2020 are disclosed in note 12 to the consolidated financial statements.

Nomination Committee

The Nomination Committee was established on 2 August 2011. It is responsible for reviewing the structure, size and composition of the Board, assessing the independence of the Independent Non-executive Directors, making recommendations to the Board on nominations, appointment of Directors and Board succession.

The Board adopted a Nomination Policy and a Board Diversity Policy. The Nomination Policy sets out the key selection criteria and nomination procedures of the Nomination Committee in making recommendations to the Board on the appointment of Directors and succession planning for Directors. The Board Diversity Policy sets out the approach to achieving diversity on the Board. The Company recognises the benefits of diversity of Board members. The Nomination Committee selects candidates for directorship will base on the Company's Nomination Policy as well as the following factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Nomination Committee considered that the Board has sufficient diverse expertise, particularly in corporate management, financial control, business development and human resources management. Meetings of the Nomination Committee shall be held at least once a year.

During the year, the Nomination Committee held one meeting. The members of the Nomination Committee and the attendance of each member are as follows:

Name of Nomination Committee Members	Attended/ Eligible to attend
Independent Non-executive Directors	
Ms. Lo Miu Sheung, Betty *(chairman)*	1/1
Mr. Chiu Sin Nang, Kenny	1/1
Mr. Yu Zhenxin	1/1

During the year, the Nomination Committee performed the following duties:

(a) reviewed the structure, size and composition of the Board;

(b) assessed the independence of the Independent Non-executive Directors with reference to the guidelines under the Listing Rules;

(c) nominated the retiring Directors for re-election at the annual general meeting held on 30 August 2019; and

(d) reviewed the Nomination Policy, the Board Diversity Policy and the terms of reference of the Nomination Committee.

Investment Committee

The Investment Committee was established on 12 December 2014. It is responsible for reviewing and evaluating any investment projects proposed by the Company and making recommendations to the Board on such investment projects. It also monitors the investments of the Group. Meetings of the Investment Committee shall be held at least once a year.

During the year, the Investment Committee held six meetings. The members of the Investment Committee and the attendance of each member are as follows:

Name of Investment Committee Members	Attended/ Eligible to attend
Executive Directors	
Mrs. Chu Yuet Wah *(chairman)*	6/6
Mr. Chu, Kingston Chun Ho	6/6
Independent Non-executive Director	
Mr. Yu Zhenxin	6/6

During the year, the Investment Committee performed the following duties:

(a) reviewed, evaluated and approved the investment projects worth not exceeding HK$50 million; and

(b) reviewed, evaluated and made recommendations to the Board on the investment projects worth over HK$50 million.

AUDITOR'S REMUNERATION

During the year, the remuneration paid and payable to the Company's auditor, BDO Limited, is set out as follows:

Services rendered	Fees paid/ payable HK$
Audit services	1,081,000
Non-audit services:	
Review of continuing connected transactions	20,000
Review of results announcements	20,000
Review of interim financial information	161,000

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors are responsible for the preparation of the accounts of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group. Similar to last year, in preparing the accounts for the six months ended 30 September 2019 and for the year ended 31 March 2020, the Directors have adopted suitable accounting policies and applied them consistently. The accounts for the reporting year have been prepared on a going concern basis.

The responsibilities of the auditor to the Shareholders are set out in the Independent Auditor's Report on pages 34 to 38 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

Goals and objectives

The Board acknowledged that it is its responsibility to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems ("Systems"). Such Systems are designed to manage rather than eliminate risks of failure to achieve business objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

Main features of the risk management and internal control systems

The Company has not established an internal audit department and the Directors are of the view that given the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professional firms to perform the review on internal control function for the Group in order to meet its needs.

In FY2020, the Group had complied with all the code provisions on risk management and internal control under the CG Code. The Board considers that the Systems are effective and adequate.

Control structure

The Board	• responsible for the Systems and reviewing their effectiveness • oversee the Systems on an ongoing basis with the assistance of the Audit Committee • ensure the maintenance of appropriate and effective Systems • define management structure with clear lines of responsibility and limit of authority • determine the nature and extent of significant risks that the Company is willing to take in achieving the strategic objectives and formulate the Group's risk management strategies
Audit Committee	• review and discuss the Systems with the management annually to ensure that the management has performed its duty to have effective Systems • review the internal control report covering financial, operational and procedural compliance functions prepared by the independent internal control consultancy firm • consider major findings on internal control matters (if any) raised by independent internal control consultancy firm or any audit issues raised by external auditor and make recommendations to the Board
The management (includes heads of business units, departments and divisions)	• design, implement and monitor the Systems properly and ensure the Systems are executed effectively • monitor risks and take measures to mitigate risks in their day-to-day operations • give prompt responses to, and follow up the findings (if any) on internal control matters raised by external auditor or independent internal control consultancy firm

Control approach and tools

During the year, the management had analysed the control environment, identified risk pertaining thereto, and implemented various controls therein.

Approach taken: The Company through the independent internal control consultancy firm conducted interviews with relevant staff members, reviewed relevant documentation of the Systems, evaluated findings of any deficiencies in the design of the Group's Systems, provided recommendations for improvement and assessed the effectiveness of implementation of such recommendations, where appropriate. The scope and findings of review on the Systems have been reported to and reviewed by the Audit Committee annually.

Procedure manuals and operational guidelines: They are in place to safeguard the assets against unauthorised use or disposition, ensuring maintenance of proper accounting records in compliance with the applicable laws, rules and regulations for the provision of reliable financial information for internal use and/or external publication.

Management information system and technology: Such use to control over the business activities allows close tracking of various inputs and outputs of the Company's business such as inventory, human resources, products and customer relationship. It also tracks audit trails in the authorisation system, under which permissions and responsibility of authorisation are clearly identified and adequate records can be maintained in the Systems.

Reports and variance analysis: Such reports and analysis of each operating segment are conducted on regular basis such that the performance of each point of sales and each product category can be easily accessible.

Information flow: The transparent information flow alerts us promptly of any deviations. Benchmarking with historical database and comparisons with the same also acts as a detecting device for spotting unusual activities.

Control process

There is an on-going process to safeguard the effectiveness of the Systems and the following key measures, policies and procedures are used or adopted to ensure effective functioning of the Group's financial, operational or compliance areas:

Safeguarding of assets: Insurance coverage on inventory is periodically reviewed by the management for sufficient coverage, and to ensure compliance with the terms and conditions of the insurance policies. To safeguard shops' assets, security systems are installed and properly maintained in good condition at each shop. In addition, tests are carried out on a daily basis to ensure the proper functioning of the security system.

Quality control: Luxury watches are tested in-house with our own experts and professional equipment to assure the quality fulfills good standard requirement. The Company also provides assurance of high quality products and after-sale service to enhance the protection of our customers' interest.

Proper authorisation on sales discounts: Discount policies are properly maintained, controlled and administered by the management and shop managers according to discount policies in place. Discount policies and pricing strategy are reviewed from time to time.

Financial reporting management:

- proper controls are in place for the recording of complete, accurate and timely accounting and management information;
- annual budget and cashflow forecast are prepared and approved by the management before being adopted;
- the management monitors the business activities closely and reviews monthly financial results of operations against budgets/forecast;
- monthly updates on internal financial statements were provided to all Directors which give a balanced and understandable assessment of the Group's performance, financial position and prospects in sufficient details; and
- annual audit by external auditor is carried out to ensure that the consolidated financial statements are prepared in accordance with generally accepted accounting principles, the Group's accounting policies and the applicable laws and regulations.

Cash flow management: Daily available fund report is reviewed to monitor the cash flows against budgets/forecast.

Systems and procedures on disclosure of inside information to ensure that any material information which comes to the knowledge of any one or more officers should be promptly identified, assessed and escalated, where appropriate, for the attention of the Board.

Whistle-blowing policy for the employees of the Group to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters. Such arrangement will be reviewed by the Audit Committee which ensures that proper arrangement is in place for fair and independent investigation of the matters.

Group risk management

Risk management process

The risk management process includes risk identification, risk evaluation, risk management measures and risk control and review.

The management is entrusted with duties to identify, analyse, evaluate, respond, monitor and communicate risks associated with any activity, function or process within its scope of responsibility and authority. Risks are evaluated by the Board and management based on (i) the severity of the impact of the risks on the Company's financial results; (ii) the probability that the risks will occur; and (iii) the velocity or speed at which risks could occur.

Based on the risk evaluation, the Company will manage the risk as follows:

- **Risk elimination** — management may identify and implement certain changes or controls that in effect eliminate the risk entirely.

- **Risk mitigation** — management may implement risk mitigation plan designed to reduce the likelihood, velocity or severity of the risk to an acceptable level.

- **Risk control and monitoring** — accidents and other situations involving loss or near-loss will be investigated and properly documented as part of the effort to manage risks.

- **Risk retention** — management may decide that the risk rating is low enough that the risk is acceptable level and no action is required. The risk will continue to be monitored as part of the risk management program to ensure the level of risk does not increase to an unacceptable level.

COMPANY SECRETARY

Mr. Chan Kwong Leung, Eric is engaged and appointed by the Company from an external secretarial services provider as its Company Secretary. The primary contact person with the Company Secretary during the year was Mr. Hong Sze Lung, the Chief Financial Officer of the Company. For the year ended 31 March 2020, Mr. Chan Kwong Leung, Eric has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS

The Company follows a policy of disclosing relevant information to the Shareholders in a timely manner. The Company also recognises that people other than the Shareholders, such as the potential investors and the investment community generally may have an interest in information about the Company.

Annual and interim reports offer comprehensive operational and financial performance information to the Shareholders and the annual general meeting is a valuable avenue for the Board to enter into a dialogue directly with the Shareholders. The Company regards the annual general meeting as an important event and all Directors, senior management and external auditor will make an effort to attend the annual general meeting of the Company to address Shareholders' queries. All the Shareholders are given a minimum of 20 clear business days' notice of the date and venue of the annual general meeting of the Company. The Company has also complied with the requirements concerning voting by poll under the Listing Rules. Details of the poll voting procedures and the rights of Shareholders to demand a poll are explained by the chairman of general meeting at the meeting. All resolutions proposed at general meeting are voted separately.

All the annual and interim reports, circulars, announcements and notices of general meetings, as well as the terms of reference of the Board committees can be viewed from the websites of the Company and the Stock Exchange.

The shareholder communication policy is reviewed regularly by the Company's management to reflect current regulatory, community and investor requirements. In particular, the policy will be updated in response to the changes in internal structure, legislative, regulatory and market developments.

The Company adopted its dividend policy on 28 January 2019, details of which are published on the websites of the Stock Exchange and the Company. Under the dividend policy, the Board shall take into account, among others, the Group's actual and expected financial performance, retained earnings and distributable reserves, working capital requirements, capital expenditure requirements and future expansion plans, liquidity position, Shareholders' interests, general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group and other factors that the Board deems appropriate. The dividend to be proposed or declared shall be determined at the sole discretion of the Board.

SHAREHOLDERS' RIGHTS

Procedures for convening an extraordinary general meeting and putting forward proposals

Pursuant to Article 64 of the Company's Articles of Association, any one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company can deposit a written request to convene an extraordinary general meeting ("EGM") for the transaction of any business specified in such requisition to the Board or the Company Secretary at Offices Nos. 6101-6103, 61st Floor, The Center, 99 Queen's Road Central, Hong Kong. Shareholders can also put forward proposal(s) at Shareholders' meetings in the same manner.

The Company will verify the request with the Company's branch share registrar and transfer office in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to convene an EGM by serving sufficient notice to all the registered Shareholders in accordance with the requirements set out in the Listing Rules and the Company's Articles of Association. In the event that the request has been verified as not in order, the Shareholders concerned will be advised of this outcome and accordingly, the EGM will not be convened as requested.

Such EGM shall be held within two months after the deposit of the requisition. If within 21 days of such deposit of the requisition, the Board fails to proceed to convene an EGM, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for sending enquiries to the Board

Shareholders may at any time send their enquiries to the Board in writing for the attention of the Board or Company Secretary via the followings:

Address	:	Offices Nos. 6101–6103, 61st Floor, The Center, 99 Queen's Road Central, Hong Kong
Fax	:	(852) 2506 1866
E-mail	:	info@sincerewatch.com.hk

CONSTITUTIONAL DOCUMENTS

There was no significant change in the Company's constitutional documents for the year ended 31 March 2020.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") present their annual report and the audited consolidated financial statements for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries 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.

Details of the Company's significant subsidiaries as at 31 March 2020 are set out in note 36 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2020 is set out under the section headed "Management Discussion and Analysis" on pages 8 to 13 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 39 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2020.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 March 2020, under the Companies Law Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of the Memorandum and Articles of Association of the Company and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. At 31 March 2020, the Company's reserves available for distribution to shareholders amounted in total to approximately HK$875,523,000 (2019: HK$1,014,732,000).

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as set out in note 31 to the consolidated financial statements and in the section headed "Share Option Scheme" on page 28 of this annual report, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers contributed approximately 22.8% of the Group's total sales for the year. The largest customer of the Group accounted for approximately 8.6% of the Group's total sales. The Company is committed to deliver excellent quality services to its customers and enhance customers' loyalty by increasing interaction with customers through events, promotion activities and social media platforms. Our retail shops are all located at prime locations to allow customers to enjoy private, nice and leisure environment for exchange of expert knowledge and insights of timepieces with our staff. We encourage customers' feedback for improvements on our products and services.

The Group's five largest suppliers contributed approximately 99.4% of the Group's total purchases for the year. The largest supplier of the Group accounted for approximately 83.9% of the Group's total purchases. The Company has established and maintained strong relationships with our major suppliers who are well-known luxury European watch brands. These brands are accredited for their supreme quality and excellent craftsmanship. Their products are required to comply with high production standards and pass through various testing procedures to ensure quality. The Company considers the suppliers' reputation and commitment to quality products before establishing business relationship with them.

Franck Muller Pte Ltd, a wholly-owned subsidiary of Sincere Watch Limited ("SWL", a substantial shareholder of the Company), was one of the Group's five largest suppliers during the year whereas SWL is wholly owned by Mrs. Chu Yuet Wah (a Director and a substantial shareholder of the Company). Other than Mrs. Chu Yuet Wah and SWL, at no time during the year did any of the Directors, their close associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$5,979,000 as addition to property, plant and equipment to renovate its stores and expand its operations.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the investment properties are set out in note 16 to the consolidated financial statements.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mrs. Chu Yuet Wah *(Chairman)*
Mr. Zhang Xiaoliang *(Deputy Chairman and Chief Executive Officer)*
Mr. Chu, Kingston Chun Ho
Mr. Yang Guangqiang
Mr. An Muzong

Independent Non-executive Directors

Ms. Lo Miu Sheung, Betty
Mr. Yu Zhenxin
Mr. Zong Hao
Mr. Chiu Sin Nang, Kenny

Pursuant to Article 108 of the Company's Articles of Association, Mr. Yu Zhenxin, Mr. Zong Hao and Mr. Chiu Sin Nang, Kenny shall retire by rotation from office at the forthcoming annual general meeting and, being eligible, have offered themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with any members of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

At 31 March 2020, none of the Directors was interested in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

MANAGEMENT CONTRACTS

Save for the Directors' service contracts and contracts of service with persons engaged in the full-time employment of the Company, no contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisting during the year.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders (if any) during the year ended 31 March 2020.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 31 March 2020, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of Director	Capacity	Number of shares held (long position)	Approximate percentage of the Company's issued shares
Chu Yuet Wah	Beneficial owner	265,000,000	4.38%
	Interest of controlled corporation *(Note)*	325,920,000	5.39%

Note: These 325,920,000 shares were held by Sincere Watch Limited, which was wholly owned by Be Bright Limited and Be Bright Limited was wholly owned by Mrs. Chu Yuet Wah. Accordingly, Mrs. Chu Yuet Wah was deemed to be interested in these 325,920,000 shares of the Company by virtue of the SFO.

Save as disclosed above, none of the Directors nor chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code and none of the Directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SHARE OPTION SCHEME

A share option scheme (the "Scheme") was adopted by the Company pursuant to a resolution passed at the annual general meeting of the Company held on 26 August 2016. No share option has been granted since the adoption of the Scheme.

A summary of the principal terms of the Scheme is as follows:

(1) The purpose of the Scheme is to motivate the eligible participants to optimise their performance efficiency for the benefit of the Group, and to attract and retain or otherwise maintain an on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth and value of the Group.

(2) Share options may be granted to the eligible participants of the Scheme, being any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; any directors (including Independent Non-executive Directors) of the Company or any of its subsidiaries; and any advisers, consultants, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Company or any of its subsidiaries.

(3) The total number of shares available for issue under the Scheme is 415,200,000 shares representing approximately 6.87% of the issued shares of the Company as at the date of this annual report.

(4) The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to and including the date of grant shall not exceed 1% of the shares in issue as at the date of grant unless it is approved by shareholders (other than the grantees and/or their respective associates) in a general meeting of the Company.

Any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company or any of their respective associates which will result in the number of shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding), in aggregate over 0.1% of the shares in issue and with an aggregate value (based on the official closing price of the shares at the date of each grant) in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, in any 12-month period up to and including the date of such grant, are subject to shareholders' approval in general meeting of the Company.

(5) An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion. No option may be granted more than 10 years after the date of approval of the Scheme.

(6) The Scheme does not specify a minimum period for which an option must be held before it can be exercised. However, the Board may, at its sole discretion, specify any minimum period(s) for which an option must be held before it can be exercised at the time of grant of the options.

(7) Upon acceptance of the option, a nominal consideration of HK$1.00 will be paid by each grantee for each lot of share option(s) granted on or before the relevant acceptance date as stated in the offer letter.

(8) The exercise price of an option must be at least the higher of:

(a) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a trading day;

(b) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and

(c) the nominal value of a share.

(9) The Scheme is valid and effective for a period of 10 years commencing from 26 August 2016.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

Continuing Connected Transactions

Inventory Control Agreement

The Company and SWL, a shareholder of the Company and a company indirectly wholly owned by Mrs. Chu Yuet Wah (an Executive Director and the Chairman of the Company), entered into the Inventory Control Agreement on 1 April 2019 for a term from 1 April 2019 to 31 March 2022 to govern the continuing connected transactions with the annual cap of (a) HK$5,000,000 for sale of the products by the Group to members of SWL and its subsidiaries ("SWL Group"), and (b) HK$14,000,000 for purchase of the products by the Group from members of SWL Group for each of the three financial years ending 31 March 2020, 31 March 2021 and 31 March 2022.

During the year, the Group had the following continuing connected transactions with SWL Group:

i. The Group sold watches to SWL Group for sale and distribution on an as needed basis when SWL Group is out of certain models of watches. Such sales amounted to a total of approximately HK$2,499,000 and did not exceed the cap amount of HK$5,000,000 as mentioned in the announcement of the Company dated 1 April 2019.

ii. The Group purchased watches from SWL Group on an as needed basis to meet customers' demand when certain models of watches are out of stock in the PRC, Hong Kong, Macau, Taiwan and Korea. Such purchases amounted to a total of approximately HK$3,640,000 and did not exceed the cap amount of HK$14,000,000 as mentioned in the announcement of the Company dated 1 April 2019.

Tenancy Agreement

On 12 October 2018, Sincere Brand Management Limited ("Tenant"), a wholly-owned subsidiary of the Company, entered into the Tenancy Agreement with The Center (61) Limited ("Landlord"), a company which was 17% beneficially owned by Mrs. Chu Yuet Wah (an Executive Director and the Chairman of the Company) at the time when the Tenancy Agreement was entered into and became 100% owned by Mrs. Chu Yuet Wah from 16 April 2019, in respect of the lease of the premises situated at Offices Nos. 6101–6103, 61st Floor, The Center, 99 Queen's Road Central, Hong Kong ("Premises") as the new head office and principal place of business of the Company in Hong Kong for a term of 3 years commencing from 1 November 2018 and expiring on 31 October 2021.

The lease of the Premises pursuant to the Tenancy Agreement became a continuing connected transaction of the Company on 16 April 2019 under Chapter 14A of the Listing Rules and is subject to the annual caps of HK$9,300,000, HK$9,400,000 and HK$5,500,000 for each of the three financial years ending 31 March 2020, 31 March 2021 and 31 March 2022 respectively.

During the year, the total amount of rental expenses (inclusive of government rent and rates and management charges) paid by the Group was approximately HK$8,653,000 and did not exceed the cap amount of HK$9,300,000 as mentioned in the announcement of the Company dated 16 April 2019.

Review of Continuing Connected Transactions

Pursuant to the Listing Rules, the Independent Non-executive Directors had reviewed the above continuing connected transactions and confirmed that the transactions were entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or on terms no less favourable to the Company than terms available from independent third parties; (iii) in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (iv) have not exceeded the relevant maximum amount capped in accordance with the announcements of the Company as mentioned above.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter will be provided by the Company to the Stock Exchange.

Connected Transaction

Cooperation Agreement and Supplemental Agreement

On 23 May 2017, Harmony Cultural Holdings Limited ("Party A"), a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company, Aquamen Entertainment LLC ("Party B"), a company established in California, the United States with limited liability and Mr. Zhang Xiaoliang ("Guarantor"), an Executive Director of the Company, entered into the Cooperation Agreement in relation to the Film Project to be developed by Party B, pursuant to which, Party A will make an investment in the amount of HK$45,000,000 in consideration of the Total Investment Returns from the Film Project upon expiry of the term of the Cooperation.

As (1) Party A is a wholly-owned subsidiary of the Company; (2) Party B is controlled by Mr. Zhang Xiaoliang, an Executive Director (Deputy Chairman of the Board and the Chief Executive Officer), i.e. a connected person of the Company, and the Guarantor under the Cooperation Agreement; and (3) one or more of the applicable ratios in respect of the transaction under the Cooperation Agreement exceed 0.1% but all of them are below 5%, the transaction contemplated under the Cooperation Agreement constitutes a connected transaction for the Company.

On 30 May 2019, Party A, Party B and the Guarantor entered into the Supplemental Agreement to reflect the amendments to some of the terms of the Cooperation Agreement. The parties agreed that, by entering into the Supplemental Agreement, inter alia, Party B would return the investment amount of HK$45,000,000 to the Group 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.

Details of the above transactions and the capitalised terms in the above paragraphs were set out and defined in the announcements of the Company dated 23 May 2017 and 30 May 2019.

The related party transactions as disclosed in note 35 to the consolidated financial statements also fell under the definition of "connected transactions" or "continuing connected transactions" in Chapter 14A of the Listing Rules. The Group has complied with the disclosure requirements, where applicable, in accordance with Chapter 14A of the Listing Rules.

Other than disclosed above, no contracts of significance to which the Company, any of its fellow subsidiaries or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, the Directors and officers of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain in or about the execution of their duties in their respective offices or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2020, the following persons (other than the interests disclosed above in respect of the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company, were as follows:

Name of shareholder	Capacity	Number of shares held (long position)	Approximate percentage of the Company's issued shares
Sun Hung Kai Structured Finance Limited	Person having a security interest in shares	2,078,490,000	34.38%
Shipshape Investments Limited	Interest of controlled corporation *(Note 1)*	2,078,490,000	34.38%
Sun Hung Kai & Co. Limited	Interest of controlled corporation *(Note 1)*	2,078,490,000	34.38%
Allied Properties (H.K.) Limited	Interest of controlled corporation *(Note 1)*	2,078,490,000	34.38%
Allied Group Limited	Interest of controlled corporation *(Note 1)*	2,078,490,000	34.38%
Lee Seng Hui	Interest of controlled corporation *(Note 1)*	2,078,490,000	34.38%
Lee Su Hwei	Interest of controlled corporation *(Note 1)*	2,078,490,000	34.38%
Lee Seng Huang	Interest of controlled corporation *(Note 1)*	2,078,490,000	34.38%
Sky League Limited	Beneficial owner	1,294,370,000	21.42%
Wang Fang	Interest of controlled corporation *(Note 2)*	1,294,370,000	21.42%
Allied Crown Investment Limited	Beneficial owner	1,061,950,000	17.57%
Asia Gate Holdings Co., Ltd.	Interest of controlled corporation *(Note 3)*	1,061,950,000	17.57%
Brilliant World Limited	Beneficial owner	550,960,000	9.12%
Bai Ning	Interest of controlled corporation *(Note 4)*	550,960,000	9.12%
Sincere Watch Limited	Beneficial owner	325,920,000	5.39%
Be Bright Limited	Interest of controlled corporation *(Note 5)*	325,920,000	5.39%

Notes:

1. Sun Hung Kai Structured Finance Limited was a wholly-owned subsidiary of Shipshape Investments Limited, a wholly-owned subsidiary of Sun Hung Kai & Co. Limited, which in turn was a non wholly-owned subsidiary of Allied Properties (H.K.) Limited. Allied Properties (H.K.) Limited was a non wholly-owned subsidiary of Allied Group Limited in which Lee Seng Hui, Lee Su Hwei and Lee Seng Huang were the trustees of Lee and Lee Trust, being a discretionary trust. Lee and Lee Trust controlled approximately 74.95% of the total number of issued shares of Allied Group Limited (inclusive of Lee Seng Hui's personal interests) as at 31 March 2020. Accordingly, all these parties were deemed to have the same long position as Sun Hung Kai Structured Finance Limited.

2. These 1,294,370,000 shares were held by Sky League Limited, which was wholly owned by Wang Fang. Accordingly, Wang Fang was deemed to be interested in these 1,294,370,000 shares of the Company by virtue of the SFO.

3. These 1,061,950,000 shares were held by Allied Crown Investment Limited, which was wholly owned by Asia Gate Holdings Co., Ltd.. Accordingly, Asia Gate Holdings Co., Ltd. was deemed to be interested in these 1,061,950,000 shares of the Company by virtue of the SFO.

4. These 550,960,000 shares were held by Brilliant World Limited, which was wholly owned by Bai Ning. Accordingly, Bai Ning was deemed to be interested in these 550,960,000 shares of the Company by virtue of the SFO.

5. These 325,920,000 shares were held by Sincere Watch Limited, which was wholly owned by Be Bright Limited. Accordingly, Be Bright Limited was deemed to be interested in these 325,920,000 shares of the Company by virtue of the SFO.

Save as disclosed above, as at 31 March 2020, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, any of its fellow subsidiaries or subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

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 during the year, except for the deviation as disclosed in the Corporate Governance Report on pages 14 to 24 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 March 2020, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are recommended by the Remuneration Committee and decided by the Board, having regard to the Group's operating results, individual performance and comparable market trends.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the environment as the foundation for corporate presence and development and the Group endeavours to achieve sustainable business growth. The Group reduces its environmental impact mainly through implementing procedures and measures relating to waste management and resources conservation in its day-to-day operations.

For details, please refer to our standalone "Environmental, Social and Governance Report 2020".

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares is held by public as at the date of this annual report.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

Chu Yuet Wah
Chairman
Hong Kong
29 June 2020

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SINCERE WATCH (HONG KONG) LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sincere Watch (Hong Kong) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 39 to 111, which comprise the consolidated statement of financial position as at 31 March 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at and for the year ended 31 March 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Preparation of the consolidated financial statements on a going concern basis

For the year ended 31 March 2020, the Group incurred a net loss of HK$142.3 million.

To support the going concern basis in preparing the consolidated financial statements, management has prepared a cash flow forecast of the Group covering the next twelve months from the date of report and concluded that there will be sufficient funds from the Group's existing cash resources and cash flows to be generated from its operations to finance its future operations, also the shareholders committed financial support for the Group, which enable it to meet its financial obligations as and when they fall due in the next twelve months from the date of report.

We identified the going concern as a key audit matter because it involves consideration of future events and application of significant judgements and estimates. The cash flow forecast involved key assumptions that required significant management judgement, such as revenue growth and gross profit margin to the Group.

Refer to notes 3(c) and 5(g) to the consolidated financial statements for the basis of preparation of the consolidated financial statements.

KEY AUDIT MATTERS (continued)

Preparation of the consolidated financial statements on a going concern basis (continued)

Our response:

Our procedures in relation to the going concern assessment included:

— Challenging the reasonableness of key assumptions adopted in the cash flow forecast, including revenue growth and gross profit margin by referencing to actual performance of the Group and our business knowledge obtained in our audit;

— Testing the mathematical accuracy of the projections;

— Assessing the adequacy of financial resources from the shareholders providing the financial supports; and

— Assessing the appropriateness of the related disclosures in the consolidated financial statements.

Provision for write-down of inventories

The carrying amount of the Group's inventories at 31 March 2020 was HK$364.5 million.

These inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Management estimated the net realisable value of inventories at the end of the reporting period, and made provision for write-down in value, if any. Estimates are based on management's monitoring of the aging and current market conditions, and the historical experience of selling the inventories of similar nature.

We identified the provision for inventories as a key audit matter because of its significance to the consolidated financial statements and the estimations used in applying this methodology are subject to uncertainty and management judgment as a result of changes of economy condition, competitor actions, cost to make the sale for the products and customer taste.

Refer to notes 5(c) and 19 to the consolidated financial statements and the significant accounting policies in note 4(j) to the consolidated financial statements.

Our response:

Our procedures in relation to the provision for write-down of inventories included:

— Testing management's controls over purchases of inventories;

— Performing substantive procedures relating to the costs and net realisable value with reference to the purchase invoices and subsequent sales records;

— Evaluating key assumptions adopted by the Group's management on provision for write-down of inventories; and

— Recalculating the provision.

KEY AUDIT MATTERS (continued)

Valuation of investment properties

Management estimated the fair value of the Group's investment properties to be HK$657.3 million at 31 March 2020, with a revaluation loss of HK$25.2 million for the year ended 31 March 2020 recorded in the consolidated statement of profit or loss and other comprehensive income. Independent external valuations were obtained for the investment properties in order to support management's estimates. The valuations are dependent on certain key assumptions that require significant management judgement, including capitalisation rates and fair market rents.

We identified the valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's consolidated financial statements and the valuation process is dependent upon certain assumptions and a determination of key inputs, which are judgmental. Any changes to these inputs may have a significant impact on the fair value.

Refer to notes 5(d) and 16 to the consolidated financial statements and the significant accounting policies in note 4(e) to the consolidated financial statements.

Our response:

Our procedures in relation to management's valuation of investment properties included:

— Evaluating the independent external valuers' competence, capabilities and objectivity;

— Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry in the People's Republic of China; and

— Checking, on a sample basis, the accuracy and relevance of the input data used.

Provision for impairment on property, plant and equipment

The carrying amount of the Group's property, plant and equipment at 31 March 2020 was HK$51.0 million. Management carried out the valuation of the recoverable amounts of each of the cash-generating units ("CGUs") of the Group as at 31 March 2020. The recoverable amounts were determined based on the value-in-use calculation of each of the CGUs. The valuations are dependent on certain key assumptions that require significant management judgement, including forecast revenue growth rate, gross profit margin and pre-tax discount rate in the projection period.

We identified the valuation of property, plant and equipment as a key audit matter because of the significance of property, plant and equipment to the Group's consolidated financial statements and significant judgement involved in the determination of recoverable amounts. Any changes to these assumptions may have a significant impact on the carrying amount.

Refer to notes 5(b) and 15 to the consolidated financial statements and the significant accounting policies in notes 4(d) and 4(f) to the consolidated financial statements.

Our response:

Our procedures in relation to management's valuation of property, plant and equipment included:

— Challenging the reasonableness of the key assumptions based on our knowledge of the business and industry;

— Evaluating the assumptions, taking into account the historical accuracy of the Group's cash flow projection, by comparing the forecasts with the historical performance;

— Testing the mathematical accuracy of the calculation of the valuation models; and

— Reconciling input data to supporting evidence, such as the forecast and considering the reasonableness.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Lee Ka Leung, Daniel
Practising Certificate no. P01220
Hong Kong
29 June 2020

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	7	**261,772**	410,835
Cost of sales		**(169,196)**	(246,846)
Gross profit		**92,576**	163,989
Other income	8	**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	9	**(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)	10	**6,196**	(1,585)
Loss for the year from continuing operations	11	**(140,889)**	(119,297)
Discontinued operation			
Loss for the year from discontinued operation	11	**(1,426)**	(3,534)
Loss for the year		**(142,315)**	(122,831)
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	14	**(2.35 HK cents)**	(2.06 HK cents)
Loss per share from continuing operations — basic and diluted	14	**(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	15	**51,004**	6,381
Investment properties	16	**657,318**	728,544
Financial assets at FVTPL	17	**7,407**	49,213
Financial assets at FVOCI	18	**17,119**	40,250
Other receivables	20	**5,431**	–
Deferred tax assets	28	**4,876**	–
		743,155	824,388
Current assets			
Inventories	19	**364,536**	436,239
Trade and other receivables	20	**42,753**	63,763
Amounts due from related parties	21	**258**	202
Financial assets at FVTPL	17	**44,111**	40,410
Bank balances and cash	22	**43,616**	81,776
		495,274	622,390
Current liabilities			
Trade and other payables	23	**125,966**	228,071
Contract liabilities	24	**1,074**	2,346
Lease liabilities	30	**52,119**	–
Note payable	27	**149,581**	–
Amounts due to related parties	21	**1,919**	4,325
Loan from a shareholder	25	**15,000**	–
Derivative financial instruments	26	**–**	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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	NOTES	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Note payable	27	**–**	144,394
Lease liabilities	30	**34,786**	–
Deferred tax liabilities	28	**–**	1,470
		34,786	145,864
Net assets		**857,605**	1,061,717
Capital and reserves			
Share capital	29	**120,879**	120,879
Reserves		**736,726**	940,838
Total equity		**857,605**	1,061,717

Chu Yuet Wah
Executive Director

Zhang Xiaoliang
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Share capital HK$'000 (note 29)	Share premium HK$'000 (note 37)	Investments revaluation reserve HK$'000	FVOCI reserve HK$'000 (note 18)	Special reserve HK$'000 (Note)	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2018	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 arising from translation of foreign operations	–	–	–	–	–	(45,030)	–	(45,030)
Fair value change of financial assets measured at FVOCI	–	–	–	(22,750)	–	–	–	(22,750)
Loss for the year	–	–	–	–	–	–	(122,831)	(122,831)
Total comprehensive income for the year	–	–	–	(22,750)	–	(45,030)	(122,831)	(190,611)
Placing of shares (note 29)	21,239	162,621	–	–	–	–	–	183,860
At 31 March 2019 and 1 April 2019	120,879	963,553	–	(8,400)	801	(28,972)	13,856	1,061,717
Exchange difference arising from translation of foreign operations	–	–	–	–	–	(42,208)	–	(42,208)
Fair value change of financial assets measured at FVOCI	–	–	–	(18,547)	–	–	(1,042)	(19,589)
Loss for the year	–	–	–	–	–	–	(142,315)	(142,315)
Total comprehensive income for the year	–	–	–	(18,547)	–	(42,208)	(143,357)	(204,112)
At 31 March 2020	**120,879**	**963,553**	**–**	**(26,947)**	**801**	**(71,180)**	**(129,501)**	**857,605**

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000 (Re-presented)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(147,085)**	(117,712)
Loss before taxation from discontinued operation	**(1,426)**	(3,534)
	(148,511)	(121,246)
Adjustments for:		
Expected credit losses on financial assets	**12,403**	5,065
Write-down of inventories	**17,311**	13,784
Interest income	**(722)**	(901)
Fair value change of investment properties	**25,205**	1,735
Provision for impairment of property, plant and equipment	**41,827**	9,070
Write off of inventories	**140**	613
Depreciation of property, plant and equipment	**52,166**	5,732
Write off of property, plant and equipment	**–**	10
Change in fair value of financial assets at FVTPL	**(17,809)**	52,173
Finance costs	**11,376**	4,604
Unrealised exchange loss	**9,041**	6,721
Change in fair value of derivative financial instruments	**(30)**	7,926
Rent concession	**(6,336)**	–
Operating loss before working capital changes	**(3,939)**	(14,714)
Decrease/(increase) in inventories	**51,216**	(75,264)
Decrease in trade and other receivables	**2,065**	5,946
(Increase)/decrease in amounts due from related parties	**(56)**	2
Decrease in trade and other payables	**(98,380)**	(9,393)
(Decrease)/increase in contract liabilities	**(1,272)**	2,346
(Decrease)/increase in amounts due to related parties	**(2,406)**	966
Cash outflow on derivative financial instruments	**(2,315)**	(5,777)
Cash used in operations	**(55,087)**	(95,888)
Macau Profits Tax paid	**(1,321)**	(42)
PRC Profits Tax paid	**(608)**	(970)
Korea Profits Tax paid	**(1)**	(68)
NET CASH USED IN OPERATING ACTIVITIES	**(57,017)**	(96,968)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000 (Re-presented)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets measured at FVTPL	–	(30,000)
Purchase of property, plant and equipment	(5,979)	(16,191)
Net cash outflow for acquisition of investment properties through acquisition of subsidiaries	–	(38,384)
Proceeds from disposal of financial assets measured at FVOCI	3,542	–
Proceeds from disposal of financial assets measured at FVTPL	55,914	71,942
Interest received	722	901
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	54,199	(11,732)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loan from a shareholder	15,000	–
Repayment of principal portion of lease liabilities	(40,598)	–
Interest paid	(6,117)	–
NET CASH USED IN FINANCING ACTIVITIES	(31,715)	–
NET DECREASE IN CASH AND CASH EQUIVALENTS	(34,533)	(108,700)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	81,776	194,027
Effect of foreign exchange rate changes	(3,627)	(3,551)
Cash and cash equivalents at end of the year, represented by bank balances and cash	43,616	81,776

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. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(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 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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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

(i) Impact of the adoption of HKFRS 16 (continued)

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 (note 15)	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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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

(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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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

(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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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

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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(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. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

3. BASIS OF PREPARATION (continued)

(b) Basis of measurement (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(c) Going concern assumption

The Group continues to adopt the going concern basis in preparing its consolidated financial statements. The Group has continued to sustain loss with an increase in loss for the year. The loss for the year ended 31 March 2020 amounted to HK$142,315,000 and the net current assets and the net assets had decreased to HK$149,236,000 and HK$857,605,000 respectively as at 31 March 2020. Out of which, note payable of HK$149,581,000 would be due for repayment within 12 months from the date of the consolidated financial statements in accordance with the repayment dates of the respective agreements and supplementary agreement, while the Group only maintained its cash and cash equivalents of HK$43,616,000.

Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis as the directors have given careful consideration to the impact of the current and anticipated future liquidity of the Group and are satisfied that:

(i) Four shareholders have confirmed that they will provide financial support to the Group to finance its operations for at least twelve months from the end of the reporting period and one shareholder has confirmed not to recall the shareholder loan until the Group has the ability to repay.

(ii) The management closely monitors the Group's financial performance and liquidity position. The management has been implementing measures to improve profitability, control operating costs and contain capital expenditures in order to improve the Group's operating performance and alleviate its liquidity risk. These measures include (i) laying off redundant staff and undergoing pay reduction, (ii) negotiating with the landlords for rental reduction, and (iii) relocation of flagship store upon the expiry of relevant tenancy agreement. The management believes that these measures will result in improvement in operating profitability and the resulting cash flows.

(iii) On 29 April 2020, the Company entered into the extension agreement with the noteholder to extend the maturity date of the promissory note to 31 August 2020. The Company then obtained deed of undertaking from the noteholder who has agreed to extend the maturity date of the promissory note to 30 June 2021.

Having taken into account the above, the directors consider that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

(d) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

(d) Property, plant and equipment

Property, plant and equipment held for use in the supply of goods, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and amortisation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

An item of property, plant and equipment is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	33$\frac{1}{3}$% or over the term of the relevant lease of the rented premises, whichever period is shorter
Furniture and fixtures	33$\frac{1}{3}$%–50%
Office equipment	33$\frac{1}{3}$%
Computers	33$\frac{1}{3}$%
Motor vehicles	20%

(e) Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

When the Group holds a property interest under an operating lease to earn rental income, the Group chooses not to classify and account for these property interests as investment property.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f)A Leasing (accounting policies applied from 1 April 2019)

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 accounting policy choices exist 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.

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 (see below for the accounting policy to account for 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.

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 and are carried at fair value. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are 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 uses 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, the Group measures 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.

Accounting as a lessor

The Group has leased out its investment property to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f)B Leasing (accounting policies applied until 31 March 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(g) Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and any accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured at the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment losses on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to disposal and value-in-use ("VIU"). In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(i) Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial Instruments (continued)

(i) Financial assets (continued)

Debt instruments (continued)

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables, other receivables, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other receivables and other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial Instruments (continued)

(ii) Impairment loss on financial assets (continued)

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, lease liabilities, note payable, amounts due to related parties and loan from a shareholder are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial Instruments (continued)

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using specific identification basis for watches; first-in-first-out basis for other inventories. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(k) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Revenue recognition (continued)

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sales of goods

Income from sales of goods is recognised at a point in time when the goods are delivered to customers and title has passed.

Rental income

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income

Interest income from financial assets is accrued on a time basis on the principal outstanding at the applicable effective interest rate.

Contract liabilities

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(l) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Taxation (continued)

Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(m) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Goodwill and fair value adjustment on identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

(n) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution pension plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity);

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Provision for impairment of trade and other receivables

The impairment of trade and other receivables are assessed on lifetime and 12-month ECLs basis to determine whether the credit risk of a financial asset has increased significantly since initial recognition. Assessments are done based on the Group's historical credit losses experience, existing market conditions as well as forward looking estimates at the end of each reporting period. The provision of ECL is sensitive to changes in estimates. As at 31 March 2020, the carrying amount of trade and other receivables is approximately HK$48,184,000 (2019: HK$63,763,000), net of provision made of approximately HK$16,941,000 (2019: HK$ HK$5,132,000).

(b) Impairment of non-financial assets other than goodwill

If a triggering event occurs indicating that the carrying amount of an asset may not be recoverable, an assessment of the carrying amount of that asset will be performed. Triggering events include significant adverse changes in the market value of an asset, changes in the business or regulatory environment, or certain legal events. The interpretation of such events requires judgement from management with respect to whether such an event has occurred. Upon the occurrence of triggering events, the carrying amounts of non-financial assets are reviewed to assess whether their recoverable amounts have declined below their carrying amounts. The recoverable amount is the present value of estimated net future cash flows which the Group expects to generate from the future use of the asset, plus residual value of the asset on disposal. Where the recoverable amount of non-financial assets is less than its carrying value, an impairment loss is recognised to write the assets down to its recoverable amount. The impairment assessment is performed based on the discounted cash flow analysis. This analysis relies on factors such as forecast of future performance and long-term growth rates and the selection of discount rates. If these forecast and assumptions prove to be inaccurate or circumstances change, further write-down or reversal of the write-down of the carrying value of the non-financial assets may be required.

(c) Allowance for inventories

Management reviews the inventory ageing on a periodic basis. This review involves comparison of the carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether an allowance is required to be made in the consolidated financial statements for slow-moving items. Management is satisfied that adequate allowance for inventories has been made in the consolidated financial statements. As at 31 March 2020, the carrying amount of inventories is approximately HK$364,536,000 (2019: HK$436,239,000), after net of allowance for inventories of approximately HK$193,356,000 (2019: HK$176,874,000).

(d) Fair value of investment properties

The Group carries its investment properties at fair value with changes in the fair value recognised in the consolidated statement of profit or loss. It obtains independent valuations at least annually. In making the judgement, consideration is given to assumptions that are mainly based on market conditions existing at the reporting date, using Income Approach of valuation which use direct capitalisation approach by capitalising the rental income from the existing tenancies. Changes in subjective input assumptions can materially affect the fair value estimate. The key assumptions used in the valuation in determining fair value for the Group's properties are set out in note 16 in the consolidated financial statements.

As at 31 March 2020, the aggregate fair value of the Group's investment properties amounted to HK$657,318,000 (2019: HK$728,544,000) based on the valuation performed by independent professional valuers.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(e) Fair value measurement

A number of assets and liabilities included in the Group's consolidated financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Investment properties (note 16);
- Financial assets at FVTPL (note 17);
- Financial assets at FVOCI (note 18);
- Derivative financial instruments (note 26)

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

(f) Discount rate determination

The Group uses the lessee's incremental borrowing rates ("IBR") to discount future lease payments since interest rates implicit in the leases are not readily determinable. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In determining the discounts rates for its leases, the Group refers to a rate that is readily observable as the starting point and then applies judgement and adjusts such observable rate to determine the incremental borrowing rate.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(g) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the operating results of the Group's operations and financing plan assessed using cash flows forecasts as detailed in note 3(c) to these consolidated financial statements. However, because not all future events or conditions can be predicted, this assumption is not a guarantee as to the Group's ability to continue as a going concern.

6. 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.

(a) Segment revenue and results

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 change 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.

6. SEGMENT INFORMATION (continued)

(a) Segment revenue and results (continued)

Year ended 31 March 2020

	Continuing operations							Discontinued operation	
	Watch distribution				Property investment	Unallocated		Dining business	
	Hong Kong HK$'000	Mainland China and Macau HK$'000	Other locations HK$'000	Sub-total HK$'000	Mainland China HK$'000	HK$'000	Sub-total HK$'000	Hong Kong HK$'000 (Note)	Total 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

6. SEGMENT INFORMATION (continued)

(a) Segment revenue and results (continued)

Year ended 31 March 2019 (Re-presented)

	Continuing operations							Discontinued operation	
	Watch distribution				Property investment	Unallocated		Dining business	
	Hong Kong HK$'000	Mainland China and Macau HK$'000	Other locations HK$'000	Sub-total HK$'000	Mainland China HK$'000	HK$'000	Sub-total HK$'000	Hong Kong HK$'000 (Note)	Total 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.

6. SEGMENT INFORMATION (continued)

(b) Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical markets, major products and service lines and timing on revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

For the year ended 31 March 2020

	Continuing operations Watch distribution HK$'000	Discontinued operation Dining business HK$'000	Total HK$'000
Primary geographical markets			
Hong Kong	100,335	802	101,137
Mainland China and Macau	118,320	–	118,320
Other locations (Note)	24,793	–	24,793
	243,448	802	244,250
Major products and services			
Wholesales of watch	113,183	–	113,183
Retail sales of watch	124,198	–	124,198
Repair of watch	6,067	–	6,067
Food and beverage	–	802	802
	243,448	802	244,250
Timing of revenue recognition			
At a point in time	243,448	802	244,250
Transferred over time	–	–	–
	243,448	802	244,250

6. SEGMENT INFORMATION (continued)

(b) Disaggregation of revenue (continued)

For the year ended 31 March 2019

	Continuing operations Watch distribution HK$'000	Discontinued operation Dining business HK$'000	Total HK$'000
Primary geographical markets			
Hong Kong	181,857	3,762	185,619
Mainland China and Macau	172,164	–	172,164
Other locations (Note)	30,086	–	30,086
	384,107	3,762	387,869
Major products and services			
Wholesales of watch	186,651	–	186,651
Retail sales of watch	190,339	–	190,339
Repair of watch	7,117	–	7,117
Food and beverage	–	3,762	3,762
	384,107	3,762	387,869
Timing of revenue recognition			
At a point in time	384,107	3,762	387,869
Transferred over time	–	–	–
	384,107	3,762	387,869

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

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

6. SEGMENT INFORMATION (continued)

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

7. REVENUE

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

	2020 HK$'000	2019 HK$'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

The following table provides information about trade receivables and contract liabilities from contracts with customers.

	2020 HK$'000	2019 HK$'000
Continuing operations		
Receivables	6,025	17,365
Contract liabilities (note 24)	1,074	2,082
Discontinued operation		
Receivables	–	9
Contract liabilities (note 24)	–	264

The contract liabilities mainly relate to the consideration received from customers in advance.

The Group has applied the practical expedient to its sales contracts for watch distribution and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for watch distribution that had an original expected duration of one year or less.

8. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Continuing operations		
Interest income	**722**	901
Regional branding support income (note 35(a))	**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.

9. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Continuing operations		
Interest on note payable	**5,187**	4,604
Interest on lease liabilities	**6,117**	–
Interest on loan from a shareholder (note 35(a))	**72**	–
	11,376	4,604

10. INCOME TAX (CREDIT)/EXPENSE

	2020 HK$'000	2019 HK$'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 (note 28)		
Current year	**(6,395)**	(557)
	(6,196)	1,585

10. INCOME TAX (CREDIT)/EXPENSE (continued)

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 **HK$'000**	2019 HK$'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

11. LOSS FOR THE YEAR

(a) Continuing operations

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

	2020 **HK$'000**	2019 HK$'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
ECLs 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.

11. LOSS FOR THE YEAR (continued)

(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

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION

Directors' remuneration

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) for the year ended 31 March 2020 is as follows:

Name of directors	**Fees HK$'000**	**Salary, allowance and benefits HK$'000**	**Performance bonus HK$'000 (Note)**	**Contributions to retirement benefits schemes HK$'000**	**Total HK$'000**
Executive directors					
Mr. An Muzong	**–**	**1,363**	**–**	**44**	**1,407**
Mrs. Chu Yuet Wah	**–**	**3,540**	**–**	**18**	**3,558**
Mr. Chu, Kingston Chun Ho	**–**	**2,407**	**–**	**18**	**2,425**
Mr. Yang Guangqiang	**–**	**590**	**–**	**–**	**590**
Mr. Zhang Xiaoliang	**–**	**2,612**	**–**	**13**	**2,625**
Independent non-executive directors					
Mr. Chiu Sin Nang, Kenny	**236**	**–**	**–**	**–**	**236**
Ms. Lo Miu Sheung, Betty	**236**	**–**	**–**	**–**	**236**
Mr. Yu Zhenxin	**236**	**–**	**–**	**–**	**236**
Mr. Zong Hao	**236**	**–**	**–**	**–**	**236**
	944	**10,512**	**–**	**93**	**11,549**

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION (continued)

Directors' remuneration (continued)

Mr. Zhang Xiaoliang is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

The remuneration of each director for the year ended 31 March 2019 is set out below:

Name of directors	Fees HK$'000	Salary, allowance and benefits HK$'000	Performance bonus HK$'000 (Note)	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Executive directors					
Mr. An Muzong	–	1,372	–	41	1,413
Mrs. Chu Yuet Wah	–	3,600	–	18	3,618
Mr. Chu, Kingston Chun Ho	–	2,419	–	18	2,437
Mr. Wu Ting Yuk, Anthony (Retired on 31 August 2018)	–	2,100	–	7	2,107
Mr. Yang Guangqiang	–	600	–	–	600
Mr. Zhang Xiaoliang	–	5,175	–	12	5,187
Independent non-executive directors					
Mr. Chiu Sin Nang, Kenny	240	–	–	–	240
Ms. Lo Miu Sheung, Betty	240	–	–	–	240
Mr. Yu Zhenxin	240	–	–	–	240
Mr. Zong Hao	240	–	–	–	240
	960	15,266	–	96	16,322

Note: The performance bonus are determined with reference to the individual performance for both years.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION (continued)

Employees' emoluments

For the year ended 31 March 2020, the five highest paid individuals included four (2019: four) directors, details of whose remuneration are included above. The remuneration of the one (2019: one) highest paid individual in 2020 were as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries, allowances and other benefits	**1,228**	1,233
Performance related incentive payments	**–**	204
Contributions to retirement benefits schemes	**18**	18
	1,246	1,455

The emoluments of the employees were within the following bands:

	Number of employees	
	2020	2019
HK$1,000,001 to HK$1,500,000	**1**	1
HK$Nil to HK$1,000,000	**–**	–

No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any remuneration in both years.

13. 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.

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

	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

From discontinued operation

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

	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

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computers HK$'000	Motor vehicles HK$'000	Right-of-use assets HK$'000	Total HK$'000
At 1 April 2018							
Cost	98,797	16,804	6,414	2,665	771	–	125,451
Accumulated depreciation and impairment loss	(94,030)	(16,770)	(6,359)	(2,400)	(771)	–	(120,330)
Net book amount	4,767	34	55	265	–	–	5,121
Net book amount							
At 1 April 2018	4,767	34	55	265	–	–	5,121
Additions	15,350	295	184	362	–	–	16,191
Write off	(10)	–	–	–	–	–	(10)
Depreciation	(5,456)	(79)	(40)	(157)	–	–	(5,732)
Impairment loss	(8,591)	(104)	(141)	(234)	–	–	(9,070)
Exchange realignment	(105)	(2)	(1)	(11)	–	–	(119)
At 31 March 2019	5,955	144	57	225	–	–	6,381
At 31 March 2019							
Cost	96,289	13,330	5,573	2,780	771	–	118,743
Accumulated depreciation and impairment loss	(90,334)	(13,186)	(5,516)	(2,555)	(771)	–	(112,362)
Net book amount	5,955	144	57	225	–	–	6,381
Net book amount							
At 1 April 2019	5,955	144	57	225	–	–	6,381
Initial application of HKFRS 16 (note 2(a)(i))	–	–	–	–	–	98,360	98,360
Additions	5,792	83	48	56	–	35,320	41,299
Depreciation	(3,427)	(87)	(27)	(117)	–	(48,508)	(52,166)
Impairment loss	(2,610)	(28)	(34)	(49)	–	(39,106)	(41,827)
Exchange realignment	(267)	–	(3)	(10)	–	(763)	(1,043)
At 31 March 2020	**5,443**	**112**	**41**	**105**	**–**	**45,303**	**51,004**
At 31 March 2020							
Cost	**101,229**	**13,395**	**5,625**	**2,768**	**771**	**132,596**	**256,384**
Accumulated depreciation and impairment loss	**(95,786)**	**(13,283)**	**(5,584)**	**(2,663)**	**(771)**	**(87,293)**	**(205,380)**
Net book amount	**5,443**	**112**	**41**	**105**	**–**	**45,303**	**51,004**

15. PROPERTY, PLANT AND EQUIPMENT (continued)

During the year, the Group entered into leases for shops and offices with right-of-use assets amounted to approximately HK$45,303,000 (31 March 2019: Nil) recognised.

The COVID-19 pandemic and social event in Hong Kong posed negative impact on the Group's watch distribution operations. The Group performed an impairment assessment on property, plant and equipment of the Group's on each separately identifiable CGU in geographical segments, in accordance with the accounting policy on impairment of non-financial assets. Based on the assessment, an impairment loss of approximately HK$41,827,000 (2019: HK$9,070,000) was recognised and charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2020. The recoverable amounts of these property, plant and equipment of approximately HK$85,962,000 (2019: HK$84,177,000) using VIU calculation were determined by the discounted cash flows generated from each segment based on a management's financial budget plan covering a period within five-year, management's assumptions and estimates, a pre-tax discount rate of 17% (2019: 10%).

16. INVESTMENT PROPERTIES

	2020 **HK$'000**	2019 HK$'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 **HK$'000**	2019 HK$'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

16. INVESTMENT PROPERTIES (continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Properties	Location	Fair value hierarchy	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
2020						
Units A and A1 of Level 1 and the entire floor of Level 2 of HP Tower ("Property A")	No. 112 Jianguo Road, Chaoyang District, Beijing, the PRC	Level 3	Income Approach	Current Daily Rent	RMB8.29 per square metre ("psm") to RMB16.80 psm	The higher the current daily rent, the higher the fair value
				Daily Market Rent	RMB10.5 psm to RMB18.50 psm	The higher the daily market rent, the higher the fair value
				Term Yield	4.5%	The higher the term yield, the lower the fair value
				Reversionary Yield	5%	The higher the reversionary yield, the lower the fair value
Dong Shan Shu, Building 1 ("Property B")	No. 7 East 4th Ring North Road, Chaoyang District, Beijing, the PRC	Level 3	Income Approach	Current Daily Rent	N/A	The higher the current daily rent, the higher the fair value
				Daily Market Rent	RMB13.20 psm to RMB20.30 psm	The higher the daily market rent, the higher the fair value
				Term Yield	4.5%	The higher the term yield, the lower the fair value
				Reversionary Yield	5%	The higher the reversionary yield, the lower the fair value

16. INVESTMENT PROPERTIES (continued)

Properties	Location	Fair value hierarchy	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
2019						
Units A and A1 of Level 1 and the entire floor of Level 2 of HP Tower	No. 112 Jianguo Road, Chaoyang District, Beijing, the PRC	Level 3	Income Approach	Current Daily Rent	RMB8.29 per square metre ("psm")	The higher the current daily rent, the higher the fair value
				Daily Market Rent	RMB10.5 psm to RMB20.06 psm	The higher the daily market rent, the higher the fair value
				Term Yield	4.5%	The higher the term yield, the lower the fair value
				Reversionary Yield	5%	The higher the reversionary yield, the lower the fair value
Dong Shan Shu, Building 1	No. 7 East 4th Ring North Road, Chaoyang District, Beijing, the PRC	Level 3	Income Approach	Current Daily Rent	RMB9.48 psm	The higher the current daily rent, the higher the fair value
				Daily Market Rent	RMB13.68 psm to RMB21 psm	The higher the daily market rent, the higher the fair value
				Term Yield	4.5%	The higher the term yield, the lower the fair value
				Reversionary Yield	5%	The higher the reversionary yield, the lower the fair value

The fair value measurement is based on the highest and best use of the investment properties, which does not differ from their actual use. Property A and Property B are used for office and commercial purposes respectively.

The land use rights for Property A and Property B have been granted for terms both expiring in 2044.

Rental income of HK$18,324,000 from investment properties was recognised during the year ended 31 March 2020 (2019: HK$26,728,000).

As at 31 March 2020, none of the investment properties were pledged. (2019: none)

17. FINANCIAL ASSETS AT FVTPL

	Notes	**2020 HK$'000**	2019 HK$'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

18. FINANCIAL ASSETS AT FVOCI

	2020 HK$'000	2019 HK$'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

19. INVENTORIES

All inventories are finished goods at the end of both reporting periods.

According to the purchase agreement signed between Multicontinental Distribution (Asia) DMCC ("DMCC") and Sincere Brand Management Limited, a wholly-owned subsidiary of the Group, the Group has to purchase watches from DMCC at a minimum of CHF40 million (equivalent to HK$317.3 million) annually. During the year ended 31 March 2020, the Group purchased CHF12 million (equivalent to HK$95.2 million) of watches from DMCC. As a result, CHF28 million (equivalent to HK$222.1 million) was under-purchased.

20. TRADE AND OTHER RECEIVABLES

	2020 **HK$'000**	2019 HK$'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

20. TRADE AND OTHER RECEIVABLES (continued)

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.

21. 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.

22. 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.

23. TRADE AND OTHER PAYABLES

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

24. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Contract liabilities arising from:		
Watch distribution (Note a)	**1,074**	2,082
Dining business (Note b)	**–**	264
	1,074	2,346

Typical payment terms on the amount of contract liabilities are as follows:

Note a:

Watch distribution
The Group's watch distribution contracts mainly relate to the consideration received from customers in advance.

24. CONTRACT LIABILITIES (continued)

Note a: (continued)

Movements in contract liabilities:

	HK$'000
Balance as at 1 April 2018	1,039
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(1,039)
Increase in contract liabilities as a result of billing in advance of watch distribution activities	2,078
Exchange difference	4
Balance as at 31 March 2019 and 1 April 2019	2,082
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(1,988)
Increase in contract liabilities as a result of billing in advance of watch distribution activities	979
Exchange difference	1
Balance as at 31 March 2020	1,074

Note b:

Dining business
The Group's dining business contracts mainly relate to the consideration received from customers in advance.

Movements in contract liabilities:

	HK$'000
Balance as at 1 April 2018	312
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(188)
Increase in contract liabilities as a result of billing in advance of dining business activities	140
Balance as at 31 March 2019 and 1 April 2019	264
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(1)
Increase in contract liabilities as a result of billing in advance of dining business activities	–
Reallocation to receipt in advance	(263)
Balance as at 31 March 2020	–

25. LOAN FROM A SHAREHOLDER

The loan was unsecured, interest bearing at 6% (2019: Nil) per annum and for a term of six months.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 HK$'000	2019 HK$'000
Financial liability		
Foreign currency forward contracts	–	(2,345)
	–	(2,345)

During the year ended 31 March 2020, fair value gain of approximately HK$30,000 (2019: loss of approximately HK$7,926,000) was recognised directly in profit or loss.

The Group has used foreign currency forward contracts to hedge future transactions and cash flows. The foreign currency forward contracts were measured at fair value at the end of the reporting period.

The disclosures set out in the table below include financial liability that are subject to an enforceable master netting arrangement irrespective of whether they are offset in the Group's consolidated statement of financial position.

Financial liability subject to an enforceable master netting agreement:

	Gross amount of recognised financial liability	Gross amount of recognised financial asset set off in the statement of financial position	Net amount of financial liability presented in the statement of financial position	Related amount not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral pledged	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2020						
Foreign exchange forward contracts	–	–	–	–	–	–
As at 31 March 2019						
Foreign exchange forward contracts	2,345	–	2,345	–	–	2,345

27. 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 **HK$'000**	2019 HK$'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.

28. DEFERRED TAX ASSETS/(LIABILITIES)

The followings are the major deferred tax assets/(liabilities) recognised and movements thereon during the current and prior years:

	Accelerated accounting depreciation HK$'000	**Revaluation of investment properties** HK$'000	**Total** HK$'000
At 1 April 2018	(128)	(2,038)	(2,166)
Exchange realignment	5	134	139
Charged to profit or loss for the year (note 10)	123	434	557
At 31 March 2019 and 1 April 2019	–	(1,470)	(1,470)
Exchange realignment	–	(49)	(49)
Charged to profit or loss for the year (note 10)	94	6,301	6,395
At 31 March 2020	**94**	**4,782**	**4,876**

The Group has unused tax losses of HK$494,162,000 (2019: HK$404,829,000) available for offset against future profits. Of the unrecognised tax losses, HK$29,168,000 (2019: HK$25,765,000) will expire from 2021 to 2025 (2019: expire from 2020 to 2024). Other tax losses may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Under the laws and regulations in Taiwan, withholding tax of 21% is imposed on dividends declared in respect of profits earned by a subsidiary incorporated and operating in Taiwan. Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the undistributed retained profits earned by that Taiwan subsidiary amounting to HK$14,109,000 (2019: HK$14,579,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

29. 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.

30. LEASE LIABILITIES

HKFRS 16 was adopted 1 April 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 April 2019, see note 2(a). The accounting policies applied subsequent to the date of initial application, 1 April 2019, as disclosed in note 4(f)A.

Nature of leasing activities (in the capacity as lessee)

The Group leases a number of properties in the jurisdictions from which it operates. In some jurisdictions property leases the periodic rent is fixed over the lease term.

31 March 2020

	Lease contracts Number	Fixed payments HK$'000
Property leases with fixed payments	**13**	**50,251**

31 March 2020

	Premises HK$'000	Motor vehicle HK$'000	Total HK$'000
Recognition of lease liabilities upon adoption of HKFRS 16 on 1 April 2019	**100,301**	**311**	**100,612**
Additions	**35,320**	**–**	**35,320**
Interest expense	**6,089**	**28**	**6,117**
Lease payments	**(46,547)**	**(168)**	**(46,715)**
Others	**(6,336)**	**–**	**(6,336)**
Foreign exchange movements	**(2,095)**	**2**	**(2,093)**
	86,732	**173**	**86,905**

30. LEASE LIABILITIES (continued)

Future lease payments are due as follows:

	Minimum lease payments 31 March 2020 HK$'000	**Interest 31 March 2020 HK$'000**	**Present value 31 March 2020 HK$'000**
Not later than one year	**55,497**	**3,378**	**52,119**
Later than one year and not later than two years	**27,754**	**1,141**	**26,613**
Later than two years and not later than five years	**8,474**	**301**	**8,173**
	91,725	**4,820**	**86,905**

	Minimum lease payments 1 April 2019 HK$	Interest 1 April 2019 HK$	Present value 1 April 2019 HK$
Not later than one year	44,341	5,499	38,842
Later than one year and not later than two years	43,546	2,591	40,955
Later than two years and not later than five years	21,874	1,059	20,815
	109,761	9,149	100,612

Note: The Group has initially 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 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 March 2019 has not been restated and relates solely to leases previously classified as finance leases. See note 2(a) for further details about transition.

The present value of future lease payments are analysed as:

	31 March 2020 HK$'000	1 April 2019 HK$'000
Current liabilities	**52,119**	38,842
Non-current liabilities	**34,786**	61,770
	86,905	100,612

From continuing and discontinued operations

	2020 HK$'000
Short term lease expense	**16,958**
Aggregate undiscounted commitments for short term leases	**452**

30. LEASE LIABILITIES (continued)

Operating leases — lessee

The Group leases the majority of its properties. The terms of property leases vary from country to country, although they all tend to be tenant repairing with rent reviews every 2 to 5 years and many have break clauses. Contingent rent arises on eight of the Group's properties, whereby 5% to 15% per month (2019: 5% to 15% per month) premium is added to the rental amount if revenue generated from the watch distribution segment exceeds from range HK$Nil to HK$990,000 (2019: HK$Nil to HK$969,000).

The lease payments recognised as expenses are as follows:

	2020 HK$'000	2019 HK$'000
Short term lease expense	**16,958**	–
Minimum leases payments	**–**	71,239
Contingent rents	**1,489**	2,246
	18,447	73,485

The total future minimum lease payments are due as follows:

	2020 HK$'000	2019 HK$'000
Not later than one year	**452**	62,793
Later than one year and not later than two years	**–**	62,603
	452	125,396

Operating leases — lessor

The Group's investment properties are leased to a number of tenants for varying terms. The lease rental income during the year ended 31 March 2020 was HK$18,324,000 (2019: HK$26,728,000).

The minimum rent receivables under non-cancellable operating leases are as follows:

	2020 HK$'000	2019 HK$'000
Not later than one year	**8,496**	19,091
Later than one year and not later than two years	**8,496**	7,660
Later than two years and not later than three years	**6,703**	7,660
Later than three years and not later than four years	**1,329**	5,745
Later than four years and not later than five years	**196**	–
	25,220	40,156

31. SHARE-BASED PAYMENT TRANSACTIONS

At the annual general meeting of the Company held on 26 August 2016 (the "Adoption Date"), shareholders of the Company have adopted a new share option scheme (the "Share Option Scheme").

Pursuant to the Share Option Scheme, the total numbers of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Company must not in aggregate exceed 10% of the aggregate of the Shares of the Company in issue on the date of adoption. The Company may renew this 10% limit with shareholders' approval provided that such renewal may not exceed 10% of the shares in the Company in issue as at the date of the shareholders' approval.

The total number of shares of the Company which may be issued upon exercise of all outstanding options to be granted and yet to be exercised under the Share Option Scheme and all outstanding options granted and yet to be exercised under any other share option scheme adopted by the Company should not exceed 30% of the shares in issue from time to time.

Unless approved by the shareholders of the Company in general meeting, the total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant (including both exercised and unexercised options) under the Share Option Scheme and any other share option schemes adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the date of grant of the options. The exercise of options may also be subject to any conditions imposed by the Company at the time of offer.

The subscription price for the shares of the Company to be issued upon exercise of the options must be at least the higher of (i) the official closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant; (ii) the average of the official closing prices of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share of the Company on the date of grant. The subscription price will be approved by the board of directors at the time the option is offered to the participants.

Since the Adoption Date, the Company had no share option being granted, outstanding, lapsed or cancelled pursuant to the Share Option Scheme as at 31 March 2020.

32. NOTES SUPPORTING CASH FLOW STATEMENT

(a) Major non-cash transactions

During the year ended 31 March 2020, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$35,320,000 and HK$35,320,000, respectively, in respect of lease arrangements for premises (2019: Nil). In addition, the Group had non-cash rent concession of HK$6,336,000 given by certain landlords due to direct consequence of COVID-19 pandemic (2019: Nil).

(b) Reconciliation of liabilities arising from financing activities

	Loan from a shareholder (note 25) HK$'000	Lease liabilities (note 30) HK$'000	Total HK$'000
At 1 April 2019	–	100,612	100,612
Changes from cash flows:			
Proceeds from loan from a shareholder	15,000	–	15,000
Repayment of principal portion of lease liabilities	–	(40,598)	(40,598)
Interest paid	–	(6,117)	(6,117)
Total changes from financing cash flows	15,000	(46,715)	(31,715)
Other changes:			
Interest expenses	72	6,117	6,189
Interest accrued	(72)	–	(72)
Increase in lease liabilities from entering into new leases during the year	–	35,320	35,320
Rent concession	–	(6,336)	(6,336)
Exchange realignment	–	(2,093)	(2,093)
Total other changes	–	33,008	33,008
At 31 March 2020	**15,000**	**86,905**	**101,905**

33. COMMITMENTS

Capital commitments

	2020 HK$'000	2019 HK$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**369**	615

34. RETIREMENT BENEFITS SCHEMES

The Group operates a mandatory provident fund scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the rules and regulations of the Mandatory Provident Fund Authority. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. Contributions are made based on a percentage of the participating employee relevant income from the Group and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.

The Group also participates a defined contribution plan under the Labor Pension Act ("LPA") in Taiwan. Under this scheme, the employers are required to make contribution to the scheme at the rates specified in LPA. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

The employees in the Group's subsidiaries in the PRC and Macau are members of the state-managed retirement benefit schemes operated by the PRC government and the Macau government respectively. Those subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

35. RELATED PARTY TRANSACTIONS

(a) Related party and continuing connected party transactions

In addition to the balances with related parties as disclosed in notes 21 and 25, the Group had the following transactions with the related parties, which are also regarded as connected parties pursuant to chapter 14A of the Listing Rules:

	2020 **HK$'000**	2019 HK$'000
Sales to a related company	**2,499**	641
Purchase from a related company	**3,640**	10,021
Administrative service fee paid to a related company	**240**	240
Financial advisory fee paid to a related company	**179**	177
Brokerage fee paid to a related company	**149**	230
Regional branding support income from a related company (note 8)	**138**	139
Interest paid to a shareholder (note 9)	**72**	–
Rental and other related expenses paid to a related company	**8,653**	–

A shareholder of the Company is also a director and shareholder of the related company.

(b) Compensation of key management personnel

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 12.

36. SUBSIDIARIES

Details of the Company's subsidiaries at 31 March 2020 and 31 March 2019 are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company				Principal activity
			Directly		Indirectly		
			2020	2019	**2020**	2019	
Sincere Brand Holdings Limited	British Virgin Islands ("BVI")	US$200	**100%**	100%	**–**	–	Investment holding
Sincere Brand Management Limited	Hong Kong	HK$1,000,000	**–**	–	**100%**	100%	Watch distribution
Sincere Watch Co. Ltd.	Taiwan	NTD5,000,000	**–**	–	**100%**	100%	Watch distribution
Pendulum (Macau) Limited	Macau	MOP25,000	**–**	–	**100%**	100%	Watch distribution
Pendulum Limited	Hong Kong	HK$2	**–**	–	**100%**	100%	Investment holding
Sincere Watch Trading Co. Ltd.	Hong Kong	HK$1	**–**	–	**100%**	100%	Investment holding
Sincere Health Care Limited	Hong Kong	HK$1	**100%**	100%	**–**	–	Investment holding
心施(上海)投資資訊有限公司 (note a)	PRC	US$500,000	**–**	–	**100%**	100%	Inactive
Sincere Distribution Limited	BVI	USD100	**100%**	100%	**–**	–	Investment holding
Shanghai Franck Muller Fine Watch Co. Ltd. (note a)	PRC	HK$40,000,000	**–**	–	**100%**	100%	Watch distribution
法穆蘭鐘錶(北京)有限責任公司 (note b)	PRC	RMB4,000,000	**–**	–	**100%**	100%	Watch distribution
Franck Muller Fine Dining Limited	Hong Kong	HK$5,000	**–**	–	**100%**	100%	Dining
True Classic Holdings Ltd	BVI	US$1	**100%**	100%	**–**	–	Investment holding
Giant Bright Holdings Limited	Hong Kong	HK$1	**–**	–	**100%**	100%	Inactive
Empire Jade Limited	BVI	US$100	**100%**	100%	**–**	–	Investment holding
Hong Kong Jade Bird South Sea Investment Limited	Hong Kong	HK$100	**–**	–	**100%**	100%	Investment holding

36. SUBSIDIARIES

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company				Principal activity
			Directly		Indirectly		
			2020	2019	**2020**	2019	
三亞青鳥旅遊產業投資有限公司 (note a)	PRC	HK$5,000,000	**–**	–	**100%**	100%	Investment holding
北京沈發物業管理有限公司 (note c)	PRC	RMB500,000	**–**	–	**100%**	100%	Property investment
上海圖升國際貿易有限公司 (note c)	PRC	RMB10,000,000	**–**	–	**100%**	100%	Inactive
Allied Champion Development Limited	BVI	US$1	**100%**	100%	**–**	–	Investment holding
Allied Honest Group Limited	Hong Kong	HK$10,000	**–**	–	**100%**	100%	Investment holding
上海墨承商務諮詢有限公司 (note a)	PRC	US$200,000	**–**	–	**100%**	100%	Investment holding
北建新業（北京）商貿有限公司 (note c)	PRC	RMB1,000,000	**–**	–	**100%**	100%	Property investment
Orient Tycoon Limited	BVI	US$1	**100%**	100%	**–**	–	Investment holding
Harmony Cultural Holdings Limited	Hong Kong	HK$1	**–**	–	**100%**	100%	Investment holding
Sincere Watch Korea Ltd.	Korea	KRW100,000,000	**–**	–	**100%**	100%	Watch distribution
甘肅盛世星耀國際貿易有限公司 (note c)	PRC	RMB500,000,000	**–**	–	**100%**	100%	Inactive
北京海神文化發展有限公司 (note c)	PRC	RMB20,000,000	**–**	–	**100%**	100%	Inactive

Notes:

(a) These subsidiaries are registered as foreign joint venture under the law of PRC.

(b) This subsidiary is registered as wholly foreign owned enterprises under the law of PRC.

(c) These subsidiaries are registered as limited liability companies under the law of PRC.

None of the subsidiaries had issued any debt securities at the end of the year, or at any time during the year.

37. INFORMATION ABOUT THE FINANCIAL POSITION OF THE COMPANY

Information about the financial position of the Company at the end of the reporting period includes:

	2020 **HK$'000**	2019 HK$'000
Non-current assets		
Property, plant and equipment	**–**	15
Unlisted investments in subsidiaries	**403,652**	480,632
Loans to subsidiaries	**90,000**	90,000
	493,652	570,647
Current assets		
Amounts due from subsidiaries	**654,267**	705,769
Other current assets	**1,413**	5,527
	655,680	711,296
Current liabilities		
Note payable	**149,581**	–
Other current liabilities	**3,349**	1,938
	152,930	1,938
Net current assets	**502,750**	709,358
Non-current liability		
Note payable	**–**	144,394
Net assets	**996,402**	1,135,611
Capital and reserves		
Share capital (note 29)	**120,879**	120,879
Reserves (Note)	**875,523**	1,014,732
	996,402	1,135,611

37. INFORMATION ABOUT THE FINANCIAL POSITION OF THE COMPANY (continued)

Note:

The movement of the reserves of the Company is as follows:

	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2018	800,932	76,780	(14,676)	863,036
Loss and total comprehensive income for the year	–	–	(10,925)	(10,925)
Issue of shares	162,621	–	–	162,621
At 31 March 2019 and 1 April 2019	963,553	76,780	(25,601)	1,014,732
Loss and total comprehensive income for the year	–	–	(139,209)	(139,209)
At 31 March 2020	**963,553**	**76,780**	**(164,810)**	**875,523**

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
FVTPL		
— Other long term investment	**46,933**	49,213
— Listed equity investments	**4,585**	40,410
FVOCI		
— Listed equity investments	**17,119**	40,250
Amortised cost		
— Bank balances and cash	**43,616**	81,776
— Trade and other receivables	**43,204**	46,332
— Amounts due from related parties	**258**	202
Financial liabilities		
Amortised cost		
— Trade and other payables	**106,421**	220,494
— Amounts due to related parties	**1,919**	4,325
— Loan from a shareholder	**15,000**	–
— Note payable	**149,581**	144,394
— Lease liabilities	**86,905**	–
FVTPL		
— Derivative financial instruments	**–**	2,345

38. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include listed equity instruments, other long term investment, trade and other receivables, balances with related parties, bank balances and cash, trade and other payables, derivative financial instruments, lease liabilities, loan from a shareholder and note payable. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The interest rate risk exposure is minimal. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

Interest rate risk

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The Group is also exposed to fair value interest rate risk which relates primarily to its fixed rate short-term bank deposits. The directors of the Company consider the Group's exposure of the short term bank deposits to interest rate risk is not significant as interest bearing bank balance are within short maturity.

Currency risk

Several subsidiaries of the Company have foreign currency denominated monetary assets and liabilities, which arose from foreign currency purchases and sales, thus exposing the Group to foreign currency risk. All of the Group's purchases are denominated in currencies other than the functional currency of the Group entity making the purchases.

The carrying amounts of the Group entities' foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Currency	Assets		Liabilities	
		2020	2019	**2020**	2019
		HK$'000	HK$'000	**HK$'000**	HK$'000
Euro	EUR	**88**	91	**116**	266
Renminbi	RMB	**17**	20	**–**	–
Singapore dollars	SGD	**144**	82	**3,423**	3,067
Swiss Franc	CHF	**244**	693	**37,753**	138,564
Hong Kong dollars	HKD	**3,056**	6,294	**–**	–
Taiwan dollars	TWD	**1**	1	**–**	–
United States dollars	USD	**445**	3,145	**–**	–
South Korean Won	KRW	**–**	10	**–**	–

The Group currently does not have a formally written foreign exchange hedging policy to eliminate the currency exposures. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise. The Group has entered into foreign currency forward contracts to minimise the effect of exchange rate fluctuations between Hong Kong dollars and CHF.

38. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(i) ***Market risk*** (continued)

Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to the fluctuation in exchange rate of CHF.

The following table details the Group's sensitivity to a 10% (2019: 10%) weakening and strengthening in Hong Kong dollars against CHF. 10% (2019: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% (2019: 10%) change in foreign currency rate. The increase/decrease in loss for the year is mainly attributable to the exposure on outstanding trade payables net of bank balances denominated in Swiss Franc at the year end date.

	Swiss Franc impact	
	2020	2019
	HK$'000	HK$'000
Increase/Decrease in post-tax loss for the year	**3,132**	11,512

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year.

Other price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities in Hong Kong. The sensitivity analysis has been estimated based on the exposure to equity price risk at the end of the reporting period when the equity price has been 10% higher/lower, total comprehensive income would increase/decrease by HK$2,170,000 (2019: HK$8,066,000) as a result of the changes in fair value of financial assets at FVTPL and FVOCI.

The Group has no exposure to currency risk for the outstanding foreign exchange forward contracts at 31 March 2020 since all of the foreign exchange forward contracts have been expired during the year ended 31 March 2020. For the foreign exchange forward contracts at 31 March 2019, the sensitivity analysis has been estimated based on the contracts outstanding at the end of reporting period. When the relevant market forward exchange rate of CHF against HKD strengthens/weakens by 10%, the potential effect on post-tax loss for the year will be decreased/increased by approximately HK$7,640,000.

The details of the foreign exchange forward contracts are set out in note 26.

38. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(ii) Credit risk

As at 31 March 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in consolidated statement of financial position.

In order to manage the credit risk in relation to trade receivables, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk on trade receivables as at 31 March 2020 from five major customers which accounted for 17% (2019: 76%) of trade receivables. They are assessed by the management as high credit rating customers as they are reputable watch retailers with major operations in Hong Kong and with good repayment record during the past years.

The Group's concentration of geographical risk on trade receivables mainly from Hong Kong which accounted for 66% (2019: 88%) of the total trade receivables. The Group has closely monitored the sales performance and would seek for the chance to diversify its customer bases.

Trade receivables

The Group applies the simplified approach to providing for ECLs prescribed by HKFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The ECLs on trade receivables are estimated by reference to past two years default experience of the debtors and current market condition in relation to each debtor's exposure. The ECLs also incorporate forward-looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables. To measure ECLs, the trade receivables have been grouped based on share credit risk characteristics and the days past due according to the ageing as disclosed in Note 20. Expected loss rate of current trade receivables are determined as below as the trade receivables mainly represent amounts due from the customers with high credit rating and no history of default. There is change in the expected loss rate for trade receivables for the year ended 31 March 2020 mainly due to significant change in the forward-looking information of trade receivables based on which the expected loss rate is determined.

38. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(ii) Credit risk (continued)

Trade receivables (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix as at 31 March 2020 and 2019:

31 March 2020

	Expected loss rate	Gross carrying amount HK$000	Loss allowance HK$000	Net carrying amount HK$000
Current (not past due)	2.82%	5,500	155	5,345
1–30 days past due	2.82%	66	2	64
31–60 days past due	2.82%	584	17	567
61–90 days past due	2.82%	9	–	9
More than 90 days past due	8.22%	44	4	40
		6,203	178	6,025
Credit impaired customer	100%	14,301	14,301	–
		20,504	14,479	6,025

31 March 2019

	Expected loss rate	Gross carrying amount HK$000	Loss allowance HK$000	Net carrying amount HK$000
Current (not past due)	0.42%	13,305	56	13,249
1–30 days past due	0.42%	3,774	16	3,758
31–60 days past due	0.42%	119	–	119
61–90 days past due	0.42%	–	–	–
More than 90 days past due	10.64%	278	30	248
		17,476	102	17,374
Credit impaired customer	100%	5,026	5,026	–
		22,502	5,128	17,374

38. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(ii) Credit risk (continued)

Other receivables

Upon adoption of HKFRS 9, the management of the Group takes into account two years historical default experience and forward-looking information, as appropriate, for example the Group considers the consistently low historical default rates of counterparties. The Group always measures the loss allowance for other financial assets (including other receivables and amounts due from related parties) at an amount equal to 12-month ECLs. It concludes that credit risk inherent in the Group's outstanding other financial assets is insignificant for the year ended 31 March 2019.

There is change in the expected loss rate for other financial assets for the year ended 31 March 2020, mainly due to significant change in the forward-looking information of other financial assets based on which the expected loss rate is determined. The management of the Group has assessed that other financial assets have a significant increase in credit risk since risk of default is significant, therefore the ECLs for these financial assets are material under the 12-month ECLs and loss allowance provision amounted to HK$2,508,000 was recognised during the year.

Set out below is the information about the credit risk exposure on the Group's other receivables using a provision matrix as at 31 March 2020 and 2019:

31 March 2020

	Gross carrying amount HK$000	**12-month loss allowance HK$000**	**Net carrying amount HK$000**
Other receivables	**13,926**	**2,462**	**11,464**
Amounts due from related parties	**258**	**–**	**258**
	14,184	**2,462**	**11,722**

31 March 2019

	Gross carrying amount HK$000	12-month loss allowance HK$000	Net carrying amount HK$000
Other receivables	8,972	4	8,968
Amounts due from related parties	202	–	202
	9,174	4	9,170

38. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(iii) Liquidity risk

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows at the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

	Weighted average effective interest rate %	Less than 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 March 2020						
Non-derivative financial liabilities						
Trade and other payables		**106,421**	**–**	**–**	**106,421**	**106,421**
Lease liabilities		**55,497**	**27,754**	**8,474**	**91,725**	**86,905**
Amounts due to related parties		**1,919**	**–**	**–**	**1,919**	**1,919**
Loan from a shareholder		**15,000**	**–**	**–**	**15,000**	**15,000**
Note payable	**3.6%**	**150,000**	**–**	**–**	**150,000**	**149,581**
		328,837	**27,754**	**8,474**	**365,065**	**359,826**

	Weighted average effective interest rate %	Less than 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 March 2019						
Non-derivative financial liabilities						
Trade and other payables		220,494	–	–	220,494	220,494
Amounts due to related parties		4,325	–	–	4,325	4,325
Note payable	3.6%	–	150,000	–	150,000	144,394
		224,819	150,000	–	374,819	369,213

(c) Fair value

The fair value of financial assets and financial liabilities carried at amortised cost is determined using generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximate their fair values.

38. FINANCIAL INSTRUMENTS (continued)

(d) Fair value measurements recognised in the consolidated statement of financial position

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

Financial assets/ financial liabilities	Fair value as at 31 March 2020	Fair value as at 31 March 2019	Fair value hierarchy	Valuation techniques and key inputs
Foreign currency forward contracts (note 26)	**Nil**	Financial liabilities HK$2,345,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counter parties.
Listed equity investments	**Financial assets at FVTPL HK$1,195,000 (note 17)** **Financial assets at FVOCI HK$17,119,000 (note 18)**	Financial assets at FVTPL HK$36,313,000 (note 17) Financial assets at FVOCI HK$40,250,000 (note 18)	Level 1	Quoted market prices in an active market.
Suspended and Delisted shares classified as financial assets at FVTPL (note 17)	**HK$1,235,000** **HK$2,155,000**	HK$1,470,000 HK$2,627,000	Level 3 Level 3	Index return method Guideline public company method (Note)
Other long term Investment (note 17)	**HK$46,933,000**	HK$49,213,000	Level 3	Discounted cash flow. Future cash flows are estimated based on the minimum investment return and discount rate.

Note: The directors have determined that guideline public company method is to be applied as there are reliable and latest updated financial information of the investee available to the public. Further, the enterprise value to revenue multiple is adopted by the valuer as the most preferable valuation multiple as the investee's earnings are highly correlated with its revenue.

The fair values of listed equity investments are based on quoted market prices, except for certain listed securities, the trading of which on the Stock Exchange has been suspended and delisted by the Securities and Futures Commission. The fair values of these Suspended and Delisted Shares are based on the reference to market comparable companies. The valuation methods are based on assumptions that are not supported by observable market prices or rates. The valuation requires making estimates about the movements of share prices of other comparable companies during the suspension and discount for lack of marketability. Management believes that the estimated fair value resulting from the valuation technique is reasonable, and that it was the most appropriate value at the end of the reporting period.

38. FINANCIAL INSTRUMENTS (continued)

(d) Fair value measurements recognised in the consolidated statement of financial position (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative analysis as at 31 March 2020:

	Valuation technique	Significant unobservable input	Range/Amount	Sensitivity of fair value to the input
Suspended and Delisted shares classified as financial assets at FVTPL	Index Return Method	Change in share price of comparable companies during the suspension period	–125.28% to 13.01% (2019: -63.18% to 20.15%)	10% increase/decrease in the change in share price would result in decrease/ increase in fair value by HK$59,000/ HK$Nil (2019: HK$37,000/HK$Nil)
		Discount for lack of marketability	33.4% (2019: 33.4%)	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in fair value by HK$184,000 (2019: HK$221,000)
	Guideline Public Company Method	Enterprise value to revenue multiple of comparable companies	0.31 to 1.45 (2019: 0.40 to 2.31)	10% increase/decrease in the change in enterprise value to revenue multiple would result in increase/decrease is fair value by approximately HK$40,000 (2019: HK$86,000)
		Discount for lack of marketability	33.4% (2019: 33.4%)	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in fair value by HK$324,000 (2019: HK$396,000)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 March 2020

	Fair value measurement using			
	Quoted market price in active markets Level 1 HK$'000	Significant observable inputs Level 2 HK$'000	Significant unobservable inputs Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
— Other long term investment	–	–	46,933	46,933
— Listed equity investments	1,195	–	3,390	4,585
Financial assets at FVOCI				
— Listed equity investments	17,119	–	–	17,119
	18,314	–	50,323	68,637

38. FINANCIAL INSTRUMENTS (continued)

(d) Fair value measurements recognised in the consolidated statement of financial position (continued)

As at 31 March 2019

	Fair value measurement using			
	Quoted market price in active markets Level 1 HK$'000	Significant observable inputs Level 2 HK$'000	Significant unobservable inputs Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
— Other long term investment	–	–	49,213	49,213
— Listed equity investments	36,313	–	4,097	40,410
Financial assets at FVOCI				
— Listed equity investments	40,250	–	–	40,250
	76,563	–	53,310	129,873
Financial liabilities at FVTPL				
— Foreign currency forward contracts	–	2,345	–	2,345

During the years ended 31 March 2020 and 2019, there was no transfer between Level 1 and 2 fair value hierarchy or transfer into or out of Level 3.

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

Listed equity investments

	Financial assets at FVTPL HK$'000
At 1 April 2018	5,542
Total losses:	
— in profit or loss (included in fair value change of financial assets at FVTPL)	(1,445)
At 31 March 2019 and 1 April 2019	4,097
Total losses:	
— in profit or loss (included in fair value change of financial assets at FVTPL)	(707)
At 31 March 2020	**3,390**

38. FINANCIAL INSTRUMENTS (continued)

(d) Fair value measurements recognised in the consolidated statement of financial position (continued)

Except for the listed equity instruments disclosed above, the Group's financial assets at FVTPL represent the investment in the film project. The fair value of other long term investment in the film project is estimated using a discounted cash flow method with significant unobservable input including discount rate of 13.85% (2019: 4.82%). To discount the principal amount of the investment of HK$45,000,000 due on 31 March 2021 (2019: 31 March 2020) and minimum investment return of HK$9 million (2019: HK$6.75 million) due on 30 September 2021 (2019: 30 September 2020).

If the discount rate is 1% higher/lower while all other variables were held constant, the carrying amount of the other long term investment would decrease/increase by approximately HK$441,000/HK$449,000 (2019: HK$496,000/HK$506,000) respectively as at 31 March 2020.

The classification of the measurement of the fair value of financial assets at FVTPL as at 31 March 2020 and 2019 is determined using Level 3 of fair value hierarchy.

There were no changes in valuation techniques during the year.

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

Other long term investment

	Financial assets at FVTPL HK$'000
At 1 April 2018	46,950
Total gains:	
— in profit or loss (included in fair value change of financial assets at FVTPL)	2,263
At 31 March 2019 and 1 April 2019	49,213
Total loss:	
— in profit or loss (included in fair value change of financial assets at FVTPL)	(2,280)
31 March 2020	**46,933**

39. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital. The Group's overall strategy remains unchanged from prior year.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debts.

The capital structure of the Group consists of equity attributable to owners of the Company only, comprising issued share capital and reserves including retained profits.

The capital structure of the Group consists of debts, which include the loan from a shareholder and note payable disclosed in notes 25 and 27 respectively, bank balance and cash and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in notes 22 and 29 respectively. The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital.

39. CAPITAL RISK MANAGEMENT (continued)

The debt to equity ratio at reporting date was as follows:

	2020 HK$'000	2019 HK$'000
Debt	**164,581**	144,394
Cash and cash equivalents	**(43,616)**	(81,776)
Net debt	**120,965**	62,618
Equity	**857,605**	1,061,717
Net debt to equity ratio	**14.1%**	5.9%

40. EVENTS AFTER THE REPORTING PERIOD

(a) Loan from a shareholder

On 7 May 2020, a wholly-owned subsidiary of the Company as the borrower (the "Borrower") and a shareholder of the Company (the "Lender"), entered into a loan agreement (the "Loan Agreement") to provide a loan of HK$20,000,000, interest bearing at 6% per annum for a term of 12 months. On 15 June 2020, the Lender has confirmed that she will not request the Borrower to repay the outstanding loan and accrued interest until the Borrower is in a position to do so.

(b) Extension of promissory note

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.

(c) Banking facilities

As at 31 March 2020, investment properties of RMB290,800,000 (equivalent to HK$318,368,000) (2019: Nil) were in possession by a bank as collateral for the purpose of application for the Group's banking facilities of RMB80,000,000 (equivalent to HK$87,584,000), which was in progress and has not been duly approved by the bank and made available to the Group at the year end and at the date of this report.

(d) Impact of COVID-19

The pandemic of COVID-19 has affected business and economic activities in the globe, which resulted in significant decrease in revenue of the Group. The Group has already assessed the overall impact of the situation on the operation of the Group and taken all possible effective measures to limit and keep the impact in control. The Group will continue to closely monitor the development of the situation and make timely response and adjustments in the future.

Up the date, the Group has undertaken a series of measures to mitigate the potential impact of the COVID-19 outbreak, including application to the Employment Support Scheme and Retail Sector Subsidy Scheme under the Anti-epidemic Fund provided by local government and implementation of prevention and control policies released by the relevant local government authorities. The Group will pay close attention to the development of the COVID-19 outbreak and is evaluating its impact on the financial position and operating results of the Group.

41. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 29 June 2020.

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**262,574**	414,597	387,026	356,553	303,400
Loss before taxation	**(148,511)**	(121,246)	(58,352)	(155,086)	(125,863)
Income tax credit/(expense)	**6,196**	(1,585)	(1,620)	(3,849)	(17,628)
Loss for the year	**(142,315)**	(122,831)	(59,972)	(158,935)	(143,491)
Loss per share					
Basic (HK cents)	**(2.35)**	(2.06)	(1.20)	(3.43)	(3.48)

ASSETS AND LIABILITIES

	At 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,238,429**	1,446,778	1,312,329	1,274,214	1,678,191
Total liabilities	**(380,824)**	(385,061)	(243,816)	(172,523)	(579,440)
Total equity	**857,605**	1,061,717	1,068,513	1,101,691	1,098,751