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SINCERE WATCH (HONG KONG) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 444)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021

FINANCIAL HIGHLIGHTS ON CONTINUING OPERATIONS

- Revenue from continuing operations for the financial year ended 31 March 2021 ("FY2021") decreased by 47.9% from HK$261,772,000 to HK$136,356,000 when compared with last financial year ("FY2020").
- Loss from continuing operations for FY2021 increased by 48.6% to HK$209,376,000 (FY2020: HK$140,889,000), mainly due to the drastic decline in sales revenue under the severe market environment caused by the global COVID-19 pandemic and loss on fair value change of the investment properties of the Group in Mainland China.
- Loss per share from continuing operations was 3.46 HK cents for FY2021 (FY2020: 2.33 HK cents).
- The Board does not recommend the payment of a final dividend for FY2021 (FY2020: Nil).

FINANCIAL RESULTS

The board (the "Board") of directors (the "Directors") of Sincere Watch (Hong Kong) Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2021 ("2021"), together with the comparative figures for the corresponding year ended 31 March 2020 ("2020").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	NOTES	**2021** **HK$'000**	2020 HK$'000
Continuing operations			
Revenue	*3*	**136,356**	261,772
Cost of sales		**(115,193)**	(169,196)
Gross profit		**21,163**	92,576
Other income and net gains and losses	*4*	**53,500**	7,603
Provision for impairment on property, plant and equipment		**(37,816)**	(41,826)
Selling and distribution costs		**(45,249)**	(75,048)
General and administrative expenses		**(66,420)**	(89,335)
Expected credit losses on financial assets		**(770)**	(12,403)
Reversal of expected credit losses on financial assets		**436**	–
Finance costs	*5*	**(9,473)**	(11,376)
Loss before taxation, exchange gain/(loss), fair value changes of investment properties, financial assets at fair value through profit or loss and derivative financial instruments		**(84,629)**	(129,809)
Realised exchange loss		**(2,467)**	(869)
Unrealised exchange gain/(loss)		**10,149**	(9,041)
Fair value change of investment properties		**(133,306)**	(25,205)
Fair value change of financial assets at fair value through profit or loss ("FVTPL")		**5,727**	17,809
Fair value change of derivative financial instruments		**–**	30
Loss on acquisition of subsidiaries		**(242)**	–
Loss before taxation		**(204,768)**	(147,085)
Income tax (expense)/credit	*6*	**(4,608)**	6,196
Loss for the year from continuing operations	*7*	**(209,376)**	(140,889)
Discontinued operation			
Loss for the year from discontinued operation	*7*	**(924)**	(1,426)
Loss for the year		**(210,300)**	(142,315)

	NOTES	**2021** HK$'000	2020 HK$'000
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")		**32,336**	(19,589)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**46,004**	(42,208)
Other comprehensive income for the year		**78,340**	(61,797)
Total comprehensive income for the year		**(131,960)**	(204,112)
Loss per share from continuing and discontinued operations			
— basic and diluted	9	**(3.48 HK cents)**	(2.35 HK cents)
Loss per share from continuing operations			
— basic and diluted	9	**(3.46 HK cents)**	(2.33 HK cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	NOTES	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment		**53,440**	51,004
Investment properties	10	**574,622**	657,318
Financial assets at FVTPL	11	**–**	7,407
Financial assets at FVOCI	12	**49,455**	17,119
Other receivables	14	**11,068**	5,431
Deferred tax assets		**94**	4,876
		688,679	743,155
Current assets			
Inventories	13	**307,336**	364,536
Trade and other receivables	14	**57,234**	42,753
Amounts due from related parties	15	**–**	258
Financial assets at FVTPL	11	**4,256**	44,111
Bank balances and cash	16	**108,522**	43,616
		477,348	495,274
Current liabilities			
Trade and other payables	17	**92,061**	125,966
Contract liabilities		**1,123**	1,074
Lease liabilities		**31,504**	52,119
Bank borrowing		**7,119**	–
Note payable	18	**–**	149,581
Amounts due to related parties	15	**–**	1,919
Loan from a shareholder		**80,000**	15,000
Taxation payable		**120**	379
		211,927	346,038
Net current assets		**265,421**	149,236
Total assets less current liabilities		**954,100**	892,391
Non-current liabilities			
Bank borrowing		**86,021**	–
Note payable	18	**92,832**	–
Lease liabilities		**49,602**	34,786
		228,455	34,786
Net assets		**725,645**	857,605
Capital and reserves			
Share capital	19	**120,879**	120,879
Reserves		**604,766**	736,726
Total equity		**725,645**	857,605

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2021 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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") and property investment.

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

2. PRINCIPAL ACCOUNTING POLICY

(a) Adoption of new/revised HKFRSs — effective 1 April 2020

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").

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

Other than the amendments to HKFRS 3, none of these new/revised HKFRSs has significant impact on Group's financial statements.

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

The Group elected to apply the amendments prospectively to acquisitions for which the acquisition date is on or after 1 January 2020. During the year, the Group acquired sets of activities and assets in December 2020 and elected to apply the concentration test to that transaction and the transaction met the concentration test. Based on the assessment of elements of a business, the Group concluded that the acquired sets 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.

Amendments to HKAS 39, HKFRS 7 and HKFRS 9, Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

(b) 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 HKAS 1	Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[5]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[5]
Amendments to HKAS 8	Definition of Accounting Estimates[5]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[5]
Amendments to HKAS 16	Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[3]
HKFRS 17	Insurance Contracts[5]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 16	COVID-19 Related rent concessions beyond 30 June 2021[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[3]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 April 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022
5 Effective for annual periods beginning on or after 1 January 2023
6 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

The key amendments to HKAS 1 include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;

- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

Amended HKFRS Practice Statement 2 includes guidance and two additional examples on the application of materiality to accounting policy disclosures.

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. These amendments clarify whether the initial recognition exemption applies to certain transactions that often result in both an asset and a liability being recognised simultaneously. Such instances might include the initial recognition of leases from the perspective of a lessee or asset retirement obligations/decommissioning liabilities.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

HKFRS 17, Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a "General Model", which is modified for insurance contracts with direct participation features, described as the "Variable Fee Approach". The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Amendment to HKFRS 16 — COVID-19-Related Rent Concessions beyond 30 June 2021

Amendment to HKFRS 16 — COVID-19-Related Rent Concessions beyond 30 June 2021 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 2022;

- There is no substantive change to other terms and conditions of the lease.

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

Annual Improvements to HKFRSs 2018–2020

The annual improvements amends a number of standards, including:

— HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

— HKFRS 9, Financial Instruments, which clarify the fees included in the "10 per cent" test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

— HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

— HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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

3. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the Executive Directors of the Company, who are the chief operating decision maker, that are used to allocate resources and assess performance. The Group has two business operations, being the watch distribution and dining business, and property investment, which are for the analysis based on the geographical locations of the sales. The Group ceased dining business during the year ended 31 March 2020 and reclassified it as discontinued operation for the year ended 31 March 2020.

(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, reversal of 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.

Year ended 31 March 2021

	Continuing operations							Discontinued operation	
	Watch distribution				Property investment	Unallocated		Dining business	
	Hong Kong	Mainland China and Macau	Other locations	Sub-total	Mainland China		Sub-total	Hong Kong	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE									
External sales	49,058	63,646	14,838	127,542	8,814	–	136,356	–	136,356
RESULT									
Segment result	(37,792)	6,041	3,449	(28,302)	(6,522)	(8,497)	(43,321)	(924)	(44,245)
Interest income							206	–	206
Other income							53,294	–	53,294
Finance costs							(9,473)	–	(9,473)
Deprecation of property, plant and equipment							(39,745)	–	(39,745)
Provision for impairment on property, plant and equipment							(37,816)	–	(37,816)
ECLs on financial assets							(770)	–	(770)
Reversal of ECLs on financial assets							436	–	436
Fair value change of investment properties							(133,306)	–	(133,306)
Fair value change of financial assets at FVTPL							5,727	–	5,727
Loss before taxation							(204,768)	(924)	(205,692)
Income tax expense							(4,608)	–	(4,608)
Loss for the year							(209,376)	(924)	(210,300)
Segment assets	279,545	108,806	41,476	429,827	680,700	–	1,110,527	–	1,110,527
Unallocated assets	–	–	–	–	–	55,500	55,500	–	55,500
Total assets	279,545	108,806	41,476	429,827	680,700	55,500	1,166,027	–	1,166,027
Segment liabilities	(183,423)	(60,997)	(2,937)	(247,357)	(98,416)	–	(345,773)	–	(345,773)
Unallocated liabilities	–	–	–	–	–	(94,609)	(94,609)	–	(94,609)
Total liabilities	(183,423)	(60,997)	(2,937)	(247,357)	(98,416)	(94,609)	(440,382)	–	(440,382)
Additions to non-current assets	42,303	37,014	–	79,317	27	–	79,344	–	79,344

Year ended 31 March 2020

	Continuing operations							Discontinued operation	
	Watch distribution				Property investment	Unallocated		Dining business	
	Hong Kong	Mainland China and Macau	Other locations	Sub-total	Mainland China		Sub-total	Hong Kong	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note)*	*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							722	–	722
Other income							6,881	67	6,948
Finance costs							(11,376)	–	(11,376)
Deprecation of property, plant and equipment							(52,166)	–	(52,166)
Provision for impairment on property, plant and equipment							(41,826)	(1)	(41,827)
ECLs on financial assets							(12,403)	–	(12,403)
Fair value change of investment properties							(25,205)	–	(25,205)
Fair value change of financial assets at FVTPL							17,809	–	17,809
Fair value change of derivative financial instruments							30	–	30
Loss before taxation							(147,085)	(1,426)	(148,511)
Income tax credit							6,196	–	6,196
Loss for the year							(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

Note: The dining business has been reclassified as discontinued operation for the year ended 31 March 2020.

(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 2021

	Continuing operations	Discontinued operation	
	Watch distribution *HK$'000*	**Dining business** *HK$'000*	**Total** *HK$'000*
Primary geographical markets			
Hong Kong	**49,058**	**–**	**49,058**
Mainland China and Macau	**63,646**	**–**	**63,646**
Other locations *(Note)*	**14,838**	**–**	**14,838**
	127,542	**–**	**127,542**
Major products and services			
Wholesales of watch	**81,394**	**–**	**81,394**
Retail sales of watch	**43,301**	**–**	**43,301**
Repair of watch	**2,847**	**–**	**2,847**
Food and beverage	**–**	**–**	**–**
	127,542	**–**	**127,542**
Timing of revenue recognition			
At a point in time	**127,542**	**–**	**127,542**
Transferred over time	**–**	**–**	**–**
	127,542	**–**	**127,542**

For the year ended 31 March 2020

	Continuing operations	Discontinued operation	
	Watch distribution	Dining business	Total
	HK$'000	*HK$'000*	*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

Note: Other locations include Singapore, Taiwan and Korea.

Information about major customers

There were no customers contributing over 10% of the total sales of the Group for the years ended 31 March 2021 and 2020.

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:

	2021	2020
	HK$'000	*HK$'000*
Hong Kong	**–**	–
Mainland China and Macau	**626,821**	705,957
Other locations	**1,241**	2,365
	628,062	708,322

4. OTHER INCOME AND OTHER NET GAINS AND LOSSES

	2021	2020
	HK$'000	*HK$'000*
Continuing operations		
Interest income	**206**	722
Regional branding support income	**101**	138
Dividend income	**–**	78
Rent concession *(Note (a))*	**21,726**	6,336
Gain on modification of note payable *(note 18)*	**4,179**	–
Gain on lease modification *(Note (b))*	**22,687**	–
Government subsidy	**3,414**	–
Commission income	**250**	–
Others	**937**	329
	53,500	7,603

Notes:

(a) Rent concession represents the change in lease payment arising from COVID-19-related rent concession of HK$21,726,000 (2020: HK$6,336,000).

(b) During the year ended 31 March 2021, the Group made lease modifications to existing leases by early termination of leases. The re-measurement of the carrying amount of lease liabilities of HK$22,687,000 has been recognised in profit or loss as gain on lease modification.

5. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Continuing operations		
Interest on note payable	**419**	5,187
Interest on lease liabilities	**4,877**	6,117
Interest on loan from a shareholder	**2,835**	72
Interest on bank borrowing	**1,342**	–
	9,473	11,376

6. INCOME TAX EXPENSE/(CREDIT)

	2021	2020
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
Hong Kong	**–**	–
Other jurisdictions	**–**	–
	–	–
(Over)/under provision in prior years:		
Hong Kong	**–**	–
Other jurisdictions	**(407)**	199
	(407)	199
Deferred tax charge		
Current year	**5,015**	(6,395)
	4,608	(6,196)

During the years ended 31 March 2021 and 2020, 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 2021 and 2020.

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 expense/(credit) 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:

	2021	2020
	HK$'000	*HK$'000*
Loss before taxation		
Continuing operations	**(204,768)**	(147,085)
Discontinued operation	**(924)**	(1,426)
	(205,692)	(148,511)
Tax at the domestic income tax rate of 16.5% (2020: 16.5%)	**(33,939)**	(24,504)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(9,983)**	(3,611)
Tax effect of income not taxable in determining taxable profit	**(2,993)**	(5,673)
Tax effect of expenses not deductible in determining taxable profit	**2,632**	13,019
Tax effect of tax losses not recognised	**18,809**	15,840
Tax effect of temporary differences not recognised	**26,236**	(1,296)
Utilisation of tax losses previously not recognised	**(762)**	(170)
Write-down of deferred tax assets	**5,015**	–
(Over)/under provision in prior years	**(407)**	199
Income tax expense/(credit) for the year	**4,608**	(6,196)

7. LOSS FOR THE YEAR

(a) Continuing operations

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

	2021	2020
	HK$'000	*HK$'000*
Directors' remuneration	**5,621**	11,549
Other staff costs	**28,135**	41,312
Other staff's retirement benefits scheme contributions	**988**	804
Total staff costs	**34,744**	53,665
Auditor's remuneration	**1,100**	1,282
Depreciation of property, plant and equipment	**39,745**	52,166
Interest on lease liabilities	**4,877**	6,117
Short-term lease expenses *(Note (a))*	**77**	16,458
Rent concession *(Note (b))*	**(21,726)**	(6,336)
Gain on lease modification	**(22,687)**	–
Gain on modification of note payable	**(4,179)**	–
Cost of inventories recognised as an expense (including write-down of inventories HK$14,770,000 (2020: HK$17,311,000))	**115,193**	169,196
Direct operating expenses arising from investment property that generated rental income during the year	**789**	796
Provision for impairment of property, plant and equipment	**37,816**	41,826
ECLs on financial assets	**770**	12,403
Reversal of ECLs on financial assets	**(436)**	–
Interest income	**(206)**	(722)

Notes:

(a) The short-term lease expenses in respect of rented premises excluding contingent rent of HK$1,900,000 for the year ended 31 March 2021 (2020: HK$1,489,000). 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.

(b) 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$21,726,000 (2020: HK$6,336,000) has been credited to "Other income and net gains and losses" in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2021.

(b) Discontinued operation

On 19 January 2020, the Group closed the dining business upon the expiry of its tenancy agreement. The financial performance of the discontinued operation during the year ended 31 March 2021 are as follows:

	1 April 2020 to 31 May 2020 *HK$'000*	1 April 2019 to 31 March 2020 *HK$'000*
Turnover	**–**	802
Expenses	**(924)**	(2,228)
Loss before taxation	**(924)**	(1,426)
Income tax expense	**–**	–
Loss for the year from discontinued operation	**(924)**	(1,426)
Operating cash flows	**(1,415)**	(1,387)
Investing cash flows	**–**	(1)
Financing cash flows	**1,390**	1,029
Total cash flows	**(25)**	(359)

8. DIVIDEND

During the year ended 31 March 2021, no final dividend for the year ended 31 March 2020 was declared and paid (2020: no final dividend declared and paid in respect of the year ended 31 March 2019).

The Board does not propose the payment of a final dividend for the year ended 31 March 2021. In respect of the year ended 31 March 2020, the Board did not propose the payment of a final dividend.

9. LOSS PER SHARE

From continuing and discontinued operations

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

	2021	2020
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted earnings per share	**(210,300)**	(142,315)

	2021	2020
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**6,043,950**	6,043,950

Diluted loss per share for the years ended 31 March 2021 and 2020 are the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during both years.

From continuing operations

	2021	2020
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted earnings per share	**(209,376)**	(140,889)

	2021	2020
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**6,043,950**	6,043,950

From discontinued operation

	2021	2020
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted earnings per share	**(924)**	(1,426)

	2021	2020
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**6,043,950**	6,043,950

10. INVESTMENT PROPERTIES

	2021	2020
	HK$'000	*HK$'000*
At 1 April	**657,318**	728,544
Fair value change	**(133,306)**	(25,205)
Exchange realignment	**50,610**	(46,021)
At 31 March	**574,622**	657,318

The fair value of the Group's investment properties as at 31 March 2021 have been arrived on the basis of valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"). 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 2021 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 2021.

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:

	2021	2020
	HK$'000	*HK$'000*
At 1 April (Level 3 recurring fair value)	**657,318**	728,544
Change in fair value recognised in profit or loss	**(133,306)**	(25,205)
Exchange realignment	**50,610**	(46,021)
At 31 March (Level 3 recurring fair value)	**574,622**	657,318

11. FINANCIAL ASSETS AT FVTPL

	Notes	2021 HK$'000	2020 HK$'000
Other long term investment	*(a)*	**–**	46,933
Listed equity securities in Hong Kong			
Listed equity securities in Hong Kong	*(b)*	**2,508**	1,195
Suspended equity securities in Hong Kong	*(b)*	**241**	2,155
Delisted equity securities in Hong Kong	*(b)*	**1,507**	1,235
		4,256	4,585
Total financial assets at FVTPL		**4,256**	51,518
Classified as			
Non-current asset		**–**	7,407
Current asset		**4,256**	44,111
		4,256	51,518

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 "First Supplemental Agreement"). Based on the terms of the Cooperation Agreement and the First 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.

On 31 March 2021, the Group, Aquamen and the Guarantor entered into a second supplemental agreement (the "Second Supplemental Agreement"). Based on the terms of the Cooperation Agreement, First Supplemental Agreement and Second Supplemental Agreement, Aquamen will return the full investment amount of HK$45,000,000 to the Group on or before 30 June 2021. Furthermore, the Group will receive an investment return from Aquamen on or before 30 September 2022 at the higher of proportionate sharing of net profit or 20% of the investment amount.

On 31 March 2021, the Group, Aquamen, the Guarantor and holder of the promissory note entered into a Deed of Assignment. Based on the terms of the Deed of Assignment, the Group agreed to execute the Deed of Assignment and assigned to the holder of the promissory note all its rights, title and interests in relation to other long term investment for partial settlement of the promissory note without recourse (note 18).

(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 Stock Exchange (the "Suspended Shares" and "Delisted Shares"). The fair values of Suspended Shares 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 2019	40,410
Disposals	(55,914)
Fair value change of financial assets measured at FVTPL	20,089
As at 31 March 2020 and 1 April 2020	4,585
Fair value change of financial assets measured at FVTPL	(329)
As at 31 March 2021	4,256

12. FINANCIAL ASSETS AT FVOCI

	2021	2020
	HK$'000	*HK$'000*
Listed equity securities in Hong Kong	**49,455**	17,119

The movement in listed equity securities are summarised as follows:

	HK$'000
As at 1 April 2019	40,250
Disposals	(4,584)
Fair value change of financial assets measured at FVOCI	(18,547)
As at 31 March 2020 and 1 April 2020	17,119
Fair value change of financial assets measured at FVOCI	32,336
As at 31 March 2021	49,455

13. 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$336.9 million) annually ("minimum purchase"). During the year ended 31 March 2021, the Group purchased CHF4.6 million (equivalent to HK$38.2 million) (2020: CHF12 million (equivalent to HK$95.2 million)) of watches from DMCC. As a result, CHF35.4 million (equivalent to HK$292.3 million) (2020: 28 million (equivalent to HK$222.1 million)) was under-purchased.

At the end of reporting period, the cumulative under-purchased amount for the years ended 31 March 2021 and 2020 was CHF63.4 million (equivalent to HK$514.4 million). Up to the date of this announcement, the Company and DMCC are not yet under negotiation in relation to the under-purchase.

14. TRADE AND OTHER RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Current assets		
Trade receivables	**22,242**	20,504
Less: ECLs of trade receivables *(Note (a))*	**(15,721)**	(14,479)
Trade receivables *(Note (a))*	**6,521**	6,025
Non-current assets		
— Other receivables *(Note (c))*	**1,187**	7,088
— Rental deposits	**10,242**	–
Current assets		
— Other receivables *(Note (c))*	**12,472**	6,838
— Rental, utility and other deposits	**8,778**	26,829
— Prepayments *(Note (d))*	**31,922**	3,866
	64,601	44,621
Less: ECLs of other receivables *(Note (b))*	**(2,820)**	(2,462)
Other receivables, deposits and prepayments	**61,781**	42,159
Total trade and other receivables	**68,302**	48,184
Classified as		
Non-current assets		
— Other receivables	**826**	5,431
— Deposits	**10,242**	–
	11,068	5,431
Current assets		
— Trade receivables	**6,521**	6,025
— Other receivables	**10,013**	6,033
— Deposits	**8,778**	26,829
— Prepayments	**31,922**	3,866
	57,234	42,753
	68,302	48,184

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 (net of allowances) based on the invoice dates at the end of the reporting period, which approximate the respective revenue recognition dates:

	2021	2020
	HK$'000	*HK$'000*
Within 30 days	**5,777**	4,881
31–90 days	**555**	1,095
Over 90 days	**189**	49
	6,521	6,025

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 2021, loss allowances of HK$15,721,000 (2020: HK$14,479,000) 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 2019	5,128
ECLs recognised during the year	9,895
Exchange realignment	(544)
Balance as at 31 March 2020 and 1 April 2020	**14,479**
ECLs recognised during the year	**222**
Reversal of ECLs recognised	**(178)**
Exchange realignment	**1,198**
Balance as at 31 March 2021	**15,721**

Note (b): As at 31 March 2021, loss allowances of HK$2,820,000 (2020: HK$2,462,000) 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 2019	4
ECLs recognised during the year	2,508
Exchange realignment	(50)
Balance as at 31 March 2020 and 1 April 2020	**2,462**
ECLs recognised during the year	**548**
Reversal of ECLs recognised	**(258)**
Exchange realignment	**68**
Balance as at 31 March 2021	**2,820**

Note (c): As at 31 March 2021, other receivables including loans to independent third parties of HK$8,746,000 (2020: HK$10,373,000) at interest rates ranging from 0.3% to 12% (2020: ranging from 0.3% to 12%) per annum, in which HK$3,322,000 (2020: HK$3,065,000) are secured by personal guarantee and corporate guarantee.

Note (d): As at 31 March 2021, prepayment to independent third parties of HK$23,733,000 (2020: HK$Nil) are related to the purchase of goods for trading purpose.

15. 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 (2021: NIL).

16. BANK BALANCES AND CASH

	2021	2020
	HK$'000	*HK$'000*
Cash at bank	**90,802**	43,616
Pledged bank deposits *(Note (a))*	**14,238**	–
Restricted bank deposits *(Note (a))*	**3,482**	–
Bank balances and cash	**108,522**	43,616

Bank balances and cash comprise cash at bank, pledged bank deposits and restricted bank deposits. Cash at bank is held by the Group at prevailing market interest rates ranging from 0.3% to 2.25% (2020: 0.001% to 3.30%) per annum.

At 31 March 2021, cash at bank of HK$76,000 (2020: HK$76,000) was deposited in the security accounts of a related party which is a company engaged in dealing and advising in securities services.

Note (a): At 31 March 2021, bank deposits are pledged as collateral against the Group's bank borrowing.

17. TRADE AND OTHER PAYABLES

	2021	2020
	HK$'000	*HK$'000*
Trade payables	**19,794**	37,816
Other payables and accrued charges	**72,267**	88,150
	92,061	125,966

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

	2021	2020
	HK$'000	*HK$'000*
Within 90 days	**16,610**	11,760
91 days–365 days	**629**	22,378
Over 365 days	**2,555**	3,678
	19,794	37,816

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

	2021	2020
	HK$'000	*HK$'000*
Denominated in CHF	**17,804**	37,700
Denominated in EUR	**105**	116
Denominated in SGD	**1,885**	–

18. NOTE PAYABLE

The promissory note is unsecured and non-interest bearing and repayable on 30 April 2020. It is measured at amortised cost using the effective interest method of 3.6%.

	2021	2020
	HK$'000	*HK$'000*
Classified as		
Current liability	**–**	149,581
Non-current liability	**92,832**	–
	92,832	149,581

On 16 October 2019, the holder of the promissory note entered into a Deed of Assignment with the Company and an independent third party to assign the promissory note to the independent third party with the principal amount and the terms remained the same.

On 29 April 2020, the Company obtained a deed of undertaking from the holder of the promissory note who has agreed not to demand for repayment of the promissory note before 31 August 2020. On 18 May 2020, the Company entered into Supplementary Deed of Assignment with the independent third party and the holder of the promissory note to extend the maturity date of the promissory note to 31 August 2020.

On 22 June 2020, the Company obtained a deed of undertaking from the holder of the promissory note who has agreed not to demand for repayment of the promissory note before 30 June 2021.

On 31 March 2021, the Group, Aquamen, the Guarantor and holder of the promissory note entered into a Deed of Assignment. Based on the terms of the Deed of Assignment, the Group agreed to execute the Deed of Assignment and assigned to holder of the promissory note all its rights, title and interests in relation to the other long term investment with principal amount of HK$45,000,000 and related investment return (together classified as financial assets at FVTPL in note 11) for partial settlement of the promissory note in the amount of HK$54,000,000 without recourse.

On 31 March 2021 and after the Deed of Assignment was signed, 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 before 30 June 2022. All other terms in the promissory note shall remain valid and in force.

The Deed of Assignment and deed of undertaking are linked arrangement and a gain on modification of note payable amounted to HK$4,179,000 (note 4) is recognised in other income and net gains and losses.

19. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Authorised:		
At 31 March 2020 and 2021		
— Ordinary shares of HK$0.02 each	20,000,000,000	400,000
Issued and fully paid:		
At 31 March 2020 and 2021		
— Ordinary shares of HK$0.02 each	6,043,950,000	120,879

20. ACQUISITION OF SUBSIDIARIES UNDER ASSET ACQUISITIONS

On 20 December 2020, the Group acquired entire equity interest in 北京長富鼎興裝飾工程有限公司 and 北京麥立威爾科技有限公司 at a consideration of RMB$1 (equivalent to HK$1) each. The directors were of the opinion that acquisition of the companies which have no business operation did not constitute business combinations as defined in HKFRS 3, therefore, the acquisition had been accounted for as acquisition of assets.

Assets and liabilities recognised at the date of acquisition of 北京長富鼎興裝飾工程有限公司 are as follows:

	HK$'000
Net liabilities acquired of:	
Bank balances	2
Other payables	(237)
Net liabilities	(235)
Cash consideration paid *(Note)*	–
Bank balances acquired	(2)
Net cash inflow from acquisition of a subsidiary under asset acquisition	(2)

Note: Cash consideration of HK$1

Assets and liabilities recognised at the date of acquisition of 北京麥立威爾科技有限公司 are as follows:

	HK$'000
Net liabilities acquired of:	
Bank balances	–
Other payables	(7)
Net liabilities	(7)
Cash consideration paid *(Note)*	–
Bank balances acquired	–
Net cash inflow from acquisition of a subsidiary under asset acquisition	–

Note: Cash consideration of HK$1

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue from continuing operations for the year ended 31 March 2021 decreased by 47.9% from HK$261.8 million to HK$136.4 million when compared with last financial year.

Gross profit from continuing operations decreased by 77.1% from HK$92.6 million in FY2020 to HK$21.2 million in FY2021. The gross margin decreased from 35.4% to 15.5%.

Selling and distribution costs decreased by 39.7% from HK$75.0 million last year to HK$45.2 million mainly due to savings from rental expenses for boutiques. General and administrative expenses decreased by 25.7% from HK$89.3 million last year to HK$66.4 million mainly due to decrease in staff costs and premises expenses.

Realised foreign exchange loss of the Group was HK$2.5 million in FY2021 as compared with a loss of HK$0.9 million in FY2020. Unrealised exchange gain was HK$10.1 million in FY2021 as compared with a loss of HK$9.0 million in FY2020. Loss on fair value change of investment properties was HK$133.3 million in FY2021 as compared with HK$25.2 million in FY2020. There was HK$30,000 gain on fair value change of derivative financial instruments in FY2020 as no such gain in FY2021.

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$84.6 million in FY2021 against HK$129.8 million in FY2020.

Net loss from continuing operations was HK$209.4 million in FY2021 as compared to HK$140.9 million in FY2020.

Loss per share from continuing operations was 3.46 HK cents in FY2021 against 2.33 HK cents in FY2020. Net asset value per share was 12.0 HK cents as at 31 March 2021 against 14.2 HK cents as at 31 March 2020.

Trade receivables increased from HK$6.0 million as at 31 March 2020 to HK$6.5 million as at 31 March 2021.

KEY PERFORMANCE INDICATORS: INVENTORY TURNOVER AND CURRENT RATIO

Inventories as at 31 March 2021 decreased by 15.7% to HK$307.3 million when compared with 31 March 2020. Inventory Turnover Period, which is calculated by Inventories balance divided by Cost of Sales, increased from 786 days to 974 days in FY2021. As the Company opened up a new flagship store in Central and three new dealer shops in the Mainland China during the year, it is expected that inventory turnover will be significantly boosted.

Our Current Ratio, which is calculated by Current Assets divided by Current Liabilities, was 2.3 as at 31 March 2021 (31 March 2020: 1.4). The increase in Current Ratio is mainly attributable to that the promissory note was re-classified to non-current liability as at 31 March 2021 from current liability as at 31 March 2020.

BUSINESS REVIEW

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

Distribution network and market penetration

The Group has established its distribution network with 49 retail points of sales and 12 boutiques, making a total of 61 points (31 March 2020: 61).

Other than the 7 boutiques operated by the Group, the remaining 54 watch retail outlets are operated by 23 independent watch dealers throughout our key markets such as Hong Kong, Macau, Taiwan and Mainland China.

Brand enhancement activities

The Group aims not only to create but also to sustain brand value among our discerning customers. As such, we have undertaken a number of brand enhancement activities to reinforce the brand leadership with premium 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.

Mainland China

25 July 2020

FRANCK MULLER VIP Cocktail Reception

An exclusive and private opening cocktail was hosted at FRANCK MULLER Shenyang MixC boutique, the prestige guests were gathered for a simple lighting ceremony oscillated by the senior management to unveil the opening of the new boutique. A branded cart was displayed at the boutique façade to offer guests mini bouquet and candies as a giveaway to celebrate the occasion.

22 August 2020

FRANCK MULLER Chinese Valentine's Day Event

An exclusive cocktail was hosted respectively at FRANCK MULLER Shanghai West Nanjing Road, Zhengzhou and Shenyang MixC boutiques, the VIP guests were invited by private appointment, presented to the latest Vanguard Crazy Hours Asia Exclusive collection, while they were welcomed to create their own personalized table garden as a souvenir which was exclusively offered at the event only.

5 September 2020

FRANCK MULLER Exclusive High Tea

Together with a prestige VIP membership partner, Self Shero, a private VIP event was hosted at KEE CLUB, Shanghai with esteemed guests for a splendid afternoon tea to discover the new Vanguard Crazy Hours Asia Exclusive collection, the most iconic collection displaying a unique way of telling time- the hour hand leaps across the dial at the top of every hour. A branded scented candle set was given as an exclusive gift at the event only.

21 November 2020

FRANCK MULLER Exclusive High Tea

Together with Wuhan BFC, a prestige real estate partner, a private afternoon tea event was hosted at Wuhan BFC member center. Guests were invited to touch and feel the latest Vanguard timepieces, while enjoyed a splendid afternoon.

19 December 2020

VIP Christmas Workshop

Esteemed guests were invited to FRANCK MULLER boutiques for an exclusive workshop to customize their own branded Christmas wreath as a souvenir to bring home while revelled in a "touch and feel" session of luxury timepieces.

3 February 2021

FRANCK MULLER Hangzhou Boutique Opening

Together with Dalian Jinhua Watch & Jewellery, a private afternoon VIP cocktail was hosted in celebrating the new opening of FRANCK MULLER Hangzhou boutique. The brand new concept designed boutique provides each VIP guest with a casual, sophisticated open space to ensconce themselves on bar stools, thereby allowing them to experience the enchantment of FRANCK MULLER timepieces at close range.

6–10 March 2021

Women's Day VIP Promotion

In celebrating Women's Day, FRANCK MULLER exclusively offers a complimentary branded flower box to our selected VIP ladies customer at our Shanghai West Nanjing Road boutique, Hangzhou Tower boutique and Shenyang MixC boutique. Guests were presented with our most iconic Cintree Curvex Ladies model, together with the bejewelled Vanguard Lady and Lady Moonphase.

Macau

1 January–31 May 2021

DFS Four Seasons Luxury Timepiece Exhibition

Swiss luxury watch manufacturer FRANCK MULLER, in collaboration with the luxury travel retailer DFS Group, unveiled the "Time To Go CRAZY" exhibition at Advocacy Zone, Shoppes at Four Seasons, Macau. The exhibition area fully demonstrates the brand's unique brand ethos and the ingenuity of the theme "Time To Go CRAZY". The selfie stations located at both ends feature delicate details of the "Crazy Hours", coupled with the colorful balls inspired by the color palette of the collection, which provides guests with an excellent interactive photo backdrop thanks to the brand's iconic Arabic numerals. Two latest masterpieces were showcased at the Exhibition: Crazy Hours II Asia Exclusive and Vanguard Crazy Hours Asia Exclusive, giving full prominence to the brand's taste for exceptional refinement and fine watchmaking.

Performance by business operations and geographical markers

Watch distribution

Hong Kong, Mainland China and Macau remained the key revenue drivers, contributing together HK$112.7 million which accounted for 82.7% of the Group's total revenue in FY2021.

Hong Kong

Hong Kong continues to be the Group's major market, accounting for 36.0% of the Group's revenue in FY2021. Performance in this market recorded a decrease in revenue by 51.1% from HK$100.3 million in the previous year to HK$49.1 million this year.

Mainland China and Macau

The percentage contribution of Mainland China and Macau to the Group's total revenue increased from 45.1% in FY2020 to 46.7% in FY2021. Sales in this region showed a decrease of 46.2% to HK$63.6 million from HK$118.3 million last year.

Other locations

The Group's other locations' (i.e. Taiwan, Singapore and Korea) segment recorded a revenue of HK$14.8 million in FY2021, 40.2% lower than HK$24.8 million last year.

Property investment

Revenue from property investment in Mainland China amounted to HK$8.8 million in FY2021, 51.9% lower than HK$18.3 million in FY2020 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$68.5 million, or 48.6%, from HK$140.9 million for the year ended 31 March 2020 to HK$209.4 million for the year ended 31 March 2021.

Loss from a discontinued operation

Loss from a discontinued operation for the year ended 31 March 2021 was HK$0.9 million as compared to a loss of HK$1.4 million for the year ended 31 March 2020. The change was primarily a result of the cessation of the dining business on 19 January 2020.

PROSPECTS

The COVID-19 pandemic that broke out in early 2020 has seriously affected the global economy. It is still affecting the business and economic activities worldwide until the spread of COVID-19 can be effectively contained. The COVID-19 has increased uncertainty to the Group in respect of its future operating performance which currently is difficult to predict. The Group will keep continuous attention on the change of situation, make timely response and adjustments in the future and control the risk matters.

Going forward, the Group will move to further strengthen its distribution network in Hong Kong, Macau and Mainland China including opening up of new dealers shops, 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 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 2021, the Group had cash and bank balances totaling HK$108.5 million when compared with HK$43.6 million as at 31 March 2020. At 31 March 2021, the Group's gearing ratio (net debt divided by equity) was 21.7% and the Group has outstanding bank borrowing at the amount of HK$93.1 million.

At 31 March 2021, details of the Group's investments in equity instruments were as below:

		At 31 March 2021		FY2021	
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	1,507	272	–
3886	Town Health International Medical Group Ltd.	6,600,000	2,508	352	–
627	Fullsun International Holdings Group Co., Ltd.	12,065,000	241	(953)	–
663	King Stone Energy Group Ltd.	317,020,000	49,455	–	32,336
Total			53,711	(329)	32,336

These investments were listed and delisted securities measured at fair value. As at 31 March 2021, investments in equity instruments amounted to HK$53.7 million.

In FY2021, a net fair value loss of HK$0.3 million was charged to the consolidated statement of profit or loss directly while a net fair value gain of HK$32.3 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 Fullsun International Holdings Group Co., Limited has been suspended since 9:00 a.m. on 9 November 2017 and 9:00 a.m. on 29 March 2021 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 Fullsun International Holdings Group Co., Limited on 29 March 2021 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 increased to HK$265.4 million as at 31 March 2021 from HK$149.2 million as at 31 March 2020. Net assets reduced to HK$725.6 million as at 31 March 2021 as compared to HK$857.6 million as of 31 March 2020. 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 2021, the total number of issued shares of the Company was 6,043,950,000 shares. There was no change in the number of issued shares of the Company during the year ended 31 March 2021.

The Group recorded a realised exchange loss of HK$2.5 million in FY2021 compared to a loss of HK$0.9 million in FY2020. In addition, the Group booked an unrealised exchange gain of HK$10.1 million in FY2021 against a loss of HK$9.0 million in FY2020. There was a loss of HK$133.3 million on fair value change of investment properties in FY2021 while a loss of HK$25.2 million in FY2020. There was HK$5.7 million gain on fair value change of financial assets recorded in FY2021 compared to a gain of HK$17.8 million in FY2020.

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

As at 31 March 2021, (i) investment property at fair value of RMB266.3 million (equivalent to HK$316.0 million), (ii) certain account receivables of rental income generated from the pledged investment properties, (iii) pledged bank deposit of RMB12.0 million (equivalent to HK$14.2 million), and (iv) entire equity interest of a subsidiary of the Company were pledged to a bank as collateral for the Group's banking facility of outstanding balance of bank borrowing of RMB78.5 million (equivalent to HK$93.1 million) (31 March 2020: no material charge).

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2021 (31 March 2020: Nil).

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 2021, the Group's work force stood at 117 including Directors (31 March 2020: 134). Employees were paid at market rates with discretionary bonus and medical benefits, covered under the mandatory provident fund scheme. The Company has adopted a share option scheme which aims to provide incentive or rewards to staff.

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 March 2021, except for the following deviation.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2021.

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

During the year ended 31 March 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

REVIEW OF FINANCIAL STATEMENTS

The Group's consolidated financial statements for the year ended 31 March 2021 have been reviewed by the Audit Committee of the Company, which comprises four Independent Non-executive Directors, namely Mr. Chiu Sin Nang, Kenny (Chairman of the Audit Committee), Ms. Lo Miu Sheung, Betty, Mr. Yu Zhenxin and Mr. Zong Hao.

EVENTS AFTER THE REPORTING PERIOD

Partial settlement of promissory note

As at 31 March 2021, outstanding balance of the promissory note was HK$92.8 million. In April 2021, an aggregate amount of RMB60 million (equivalent to HK$71.2 million) was repaid to the holder of promissory note.

Extension of 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 extending an unsecured loan of HK$20 million for further 12 months with annual interest rate of 6% on 7 May 2021.

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.

Impact of COVID-19

The COVID-19 epidemic has continued to spread and impact global business and economic activities, 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, evaluate its impact on the financial position and operating results of the Group and make timely response and adjustments in the future.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sincerewatch.com.hk). The annual report of the Company for the year ended 31 March 2021 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

By Order of the Board
Sincere Watch (Hong Kong) Limited
Zhang Xiaoliang
Deputy Chairman and Chief Executive Officer

Hong Kong, 29 June 2021

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