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## **SINCERE WATCH (HONG KONG) LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 444)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

#### **INTERIM RESULTS**

The board (the “Board”) of directors (the “Directors”) of Sincere Watch (Hong Kong) Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2021 (“H1 FY2022”) together with the unaudited comparative figures for the corresponding six months ended 30 September 2020 (“H1 FY2021”).

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

		For the six months ended 30 September	
	Notes	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
<b>Continuing operations</b>			
Revenue	3	68,808	49,843
Cost of sales		(43,739)	(49,058)
Gross profit		25,069	785
Other income and net gains and losses	4	(781)	20,631
Provision for impairment on property, plant and equipment		(340)	(1,874)
Selling and distribution costs		(17,231)	(20,375)
General and administrative expenses		(29,612)	(28,101)
(Provision for)/reversal of expected credit losses on financial assets		(322)	94
Finance costs		(9,778)	(3,813)
Loss before taxation, exchange gain/(loss), fair value change of investment properties and financial assets at fair value through profit or loss		(32,995)	(32,653)
Realised exchange gain		83	104
Unrealised exchange (loss)/gain		(317)	2,932
Fair value change of investment properties	10	–	(59,317)
Fair value change of financial assets at fair value through profit or loss (“FVTPL”)		1,452	649
Loss before taxation		(31,777)	(88,285)
Income tax (expense)/credit	5	(570)	14,596
Loss for the period from continuing operations	6	(32,347)	(73,689)
<b>Discontinued operation</b>			
Loss for the period from discontinued operation	6	–	(924)
Loss for the period		(32,347)	(74,613)

		<b>For the six months ended</b>	
		<b>30 September</b>	
		<b>2021</b>	<b>2020</b>
<i>Notes</i>		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Other comprehensive income, net of tax</b>			
Items that will not be reclassified to profit or loss			
— Fair value change of financial assets at fair value through other comprehensive income (“FVOCI”)		<b>(35,189)</b>	6,340
Items that may be subsequently reclassified to profit or loss			
— Exchange differences on translation of foreign operations		<b>10,283</b>	25,967
Other comprehensive income for the period		<b>(24,906)</b>	32,307
Total comprehensive income for the period		<b>(57,253)</b>	(42,306)
Loss per share from continuing and discontinued operations			
— basic and diluted	8	<b>(0.54) HK cent</b>	(1.23) HK cents
Loss per share from continuing operations			
— basic and diluted	8	<b>(0.54) HK cent</b>	(1.22) HK cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

		30 September 2021 <i>HK\$'000</i> (unaudited)	31 March 2021 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	49,538	53,440
Investment properties	10	584,841	574,622
Financial assets at FVOCI	12	14,266	49,455
Other receivables	13	6,688	11,068
Deferred tax assets		94	94
		<u>655,427</u>	<u>688,679</u>
Current assets			
Inventories		296,952	307,336
Trade and other receivables	13	39,830	57,234
Financial assets at FVTPL	11	1,748	4,256
Pledged and restricted bank deposits		18,284	17,720
Bank balances and cash		128,214	90,802
		<u>485,028</u>	<u>477,348</u>
Current liabilities			
Trade and other payables	14	95,933	92,061
Contract liabilities		5,170	1,123
Lease liabilities		27,861	31,504
Bank borrowing	15	7,246	7,119
Note payable	16	23,376	–
Loan from a shareholder		91,000	80,000
Taxation payable		123	120
		<u>250,709</u>	<u>211,927</u>
Net current assets		<u>234,319</u>	<u>265,421</u>
Total assets less current liabilities		<u>889,746</u>	<u>954,100</u>

		<b>30 September 2021</b>	31 March 2021
	<i>Notes</i>	<b>HK\$'000</b> <b>(unaudited)</b>	<b>HK\$'000</b> <b>(audited)</b>
Non-current liabilities			
Bank borrowing	15	<b>180,536</b>	86,021
Note payable	16	–	92,832
Lease liabilities		<b>40,818</b>	49,602
		<b>221,354</b>	228,455
Net assets		<b>668,392</b>	725,645
Capital and reserves			
Share capital	17	<b>120,879</b>	120,879
Reserves		<b>547,513</b>	604,766
Total equity		<b>668,392</b>	725,645

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	FVOCI reserve <i>HK\$'000</i>	Special reserve <i>HK\$'000</i> (Note)	Translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2020 (audited)	<u>120,879</u>	<u>963,553</u>	<u>(26,947)</u>	<u>801</u>	<u>(71,180)</u>	<u>(129,501)</u>	<u>857,605</u>
Exchange differences on translation of foreign operations	-	-	-	-	25,967	-	25,967
Fair value change of financial assets at FVOCI	-	-	6,340	-	-	-	6,340
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(74,613)</u>	<u>(74,613)</u>
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>6,340</u>	<u>-</u>	<u>25,967</u>	<u>(74,613)</u>	<u>(42,306)</u>
<b>At 30 September 2020 (unaudited)</b>	<u><u>120,879</u></u>	<u><u>963,553</u></u>	<u><u>(20,607)</u></u>	<u><u>801</u></u>	<u><u>(45,213)</u></u>	<u><u>(204,114)</u></u>	<u><u>815,299</u></u>
At 1 April 2021 (audited)	<u>120,879</u>	<u>963,553</u>	<u>5,389</u>	<u>801</u>	<u>(25,176)</u>	<u>(339,801)</u>	<u>725,645</u>
Exchange differences on translation of foreign operations	-	-	-	-	10,283	-	10,283
Fair value change of financial assets at FVOCI	-	-	(35,189)	-	-	-	(35,189)
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,347)</u>	<u>(32,347)</u>
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>(35,189)</u>	<u>-</u>	<u>10,283</u>	<u>(32,347)</u>	<u>(57,253)</u>
<b>At 30 September 2021 (unaudited)</b>	<u><u>120,879</u></u>	<u><u>963,553</u></u>	<u><u>(29,800)</u></u>	<u><u>801</u></u>	<u><u>(14,893)</u></u>	<u><u>(372,148)</u></u>	<u><u>668,392</u></u>

*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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION AND SIGNIFICANT EVENTS

These interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”), issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange. These interim condensed consolidated financial statements were authorised for issue on 26 November 2021.

These interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2021 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 April 2021.

The preparation of these interim condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements.

These interim condensed consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated. These interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2021 annual financial statements. These interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) and should be read in conjunction with the 2021 consolidated financial statements.

## 2. CHANGES IN HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 16, COVID-19 Related Rent Concessions
- Amendments to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021
- Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2

The adoption of these new/revised HKFRSs has no significant impact on the Group’s unaudited interim condensed consolidated financial statements.

### 3. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the Executive Directors of the Company, who are the chief operating decision maker, that are used to allocate resources and assess performance. The Group has two business operations, being the watch distribution and dining business, and property investment, which are for the analysis based on the geographical locations of the sales. The Group ceased dining business during the year ended 31 March 2020 and reclassified as discontinued operation for the periods ended 30 September 2021 and 2020.

#### (a) Segment revenue and results

Segment results represent the loss before taxation by each segment and excluding fair value change of investment properties and financial assets at FVTPL, provision for impairment on property, plant and equipment, unallocated expenses and unallocated income. Unallocated expenses mainly included depreciation of property, plant and equipment, finance costs and expected credit losses on financial assets. This is the measure reported to the Executive Directors for the purpose of resource allocation and assessment of segment performance.

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

#### For the six months ended 30 September 2021

	Continuing operations						Discontinued operation	Total
	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	Sub-total HK\$'000	Hong Kong HK\$'000 (Note)	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE								
External sales	12,808	46,491	4,904	64,203	4,605	–	68,808	68,808
RESULT								
Segment results	(22,192)	(4,755)	(2,947)	(29,894)	(6,075)	3,861	(32,108)	(32,108)
Fair value change of financial assets at FVTPL							1,452	1,452
Provision for impairment on property, plant and equipment							(340)	(340)
Unallocated expenses							(1,931)	(1,931)
Unallocated income							1,150	1,150
Loss before taxation							(31,777)	(31,777)
Income tax expense							(570)	(570)
Loss for the period							(32,347)	(32,347)



For the six months ended 30 September 2020

	Continuing operations						Discontinued operation		
	Watch distribution				Property investment	Unallocated	Dining business		
	Mainland China and Hong Kong	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
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE									
External sales	19,674	20,046	5,828	45,548	4,295	–	49,843	–	49,843
RESULT									
Segment results	(18,783)	(2,507)	795	(20,495)	819	(5,475)	(25,151)	(924)	(26,075)
Fair value change of investment properties							(59,317)	–	(59,317)
Fair value change of financial assets at FVTPL							649	–	649
Provision for impairment on property, plant and equipment							(1,874)	–	(1,874)
Unallocated expenses							(23,223)	–	(23,223)
Unallocated income							20,631	–	20,631
Loss before taxation							(88,285)	(924)	(89,209)
Income tax credit							14,596	–	14,596
Loss for the period							(73,689)	(924)	(74,613)

**Note:** The dining business has been reclassified as discontinued operation for the periods ended 30 September 2021 and 2020.

**(b) Disaggregation of revenue**

In the following table, revenue from watch distribution and dining business segment 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 respective reportable segment.

**For the six months ended 30 September 2021**

	Continuing operations			Discontinued operation	Total HK\$'000 (unaudited)
	Watch distribution HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Sub-total HK\$'000 (unaudited)	Dining business HK\$'000 (unaudited)	
Primary geographical markets					
Hong Kong	12,808	–	12,808	–	12,808
Mainland China and Macau	46,491	4,605	51,096	–	51,096
Other locations	4,904	–	4,904	–	4,904
	<u>64,203</u>	<u>4,605</u>	<u>68,808</u>	<u>–</u>	<u>68,808</u>
Major products and services					
Wholesales of watch	31,118	–	31,118	–	31,118
Retail sales of watch	30,531	–	30,531	–	30,531
Repair of watch	2,554	–	2,554	–	2,554
Food and beverage	–	–	–	–	–
Rental income	–	4,605	4,605	–	4,605
	<u>64,203</u>	<u>4,605</u>	<u>68,808</u>	<u>–</u>	<u>68,808</u>
Timing of revenue recognition					
At a point in time	64,203	4,605	68,808	–	68,808
Transferred over time	–	–	–	–	–
	<u>64,203</u>	<u>4,605</u>	<u>68,808</u>	<u>–</u>	<u>68,808</u>

For the six months ended 30 September 2020

	Continuing operations			Discontinued operation	
	Watch distribution	Property investment	Sub-total	Dining business	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Primary geographical markets					
Hong Kong	19,674	–	19,674	–	19,674
Mainland China and Macau	20,046	4,295	24,341	–	24,341
Other locations	5,828	–	5,828	–	5,828
	<u>45,548</u>	<u>4,295</u>	<u>49,843</u>	<u>–</u>	<u>49,843</u>
Major products and services					
Wholesales of watch	33,729	–	33,729	–	33,729
Retail sales of watch	10,776	–	10,776	–	10,776
Repair of watch	1,043	–	1,043	–	1,043
Food and beverage	–	–	–	–	–
Rental income	–	4,295	4,295	–	4,295
	<u>45,548</u>	<u>4,295</u>	<u>49,843</u>	<u>–</u>	<u>49,843</u>
Timing of revenue recognition					
At a point in time	45,548	4,295	49,843	–	49,843
Transferred over time	–	–	–	–	–
	<u>45,548</u>	<u>4,295</u>	<u>49,843</u>	<u>–</u>	<u>49,843</u>

#### 4. OTHER INCOME AND OTHER NET GAINS AND LOSSES

	For the six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Continuing operations</b>		
Interest income	133	159
Regional branding support income	–	67
Rent concession ( <i>Note (a)</i> )	199	15,707
Gain on disposal of fixed assets	–	85
Loss on derecognition of note payable	(1,931)	–
Government subsidy	121	3,148
Overprovision of reinstatement cost	303	670
Others	394	795
	<u>(781)</u>	<u>20,631</u>

*Note:*

- (a) Rent concession represents the change in lease payment arising from COVID-19-related rent concession of HK\$199,000 (2020: HK\$15,707,000).

## 5. INCOME TAX (EXPENSE)/CREDIT

	For the six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The charge comprises:		
Current tax		
Hong Kong profits tax	–	–
Other jurisdictions	(570)	(234)
	(570)	(234)
Deferred tax		
Current period	–	14,830
Reversal	–	–
	(570)	14,596

Hong Kong Profits Tax is calculated at 16.5% (30 September 2020: 16.5%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 6. LOSS FOR THE PERIOD

### (a) Continuing operations

Loss for the period has been arrived at after charging/(crediting):

	For the six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Directors' remuneration	2,569	2,987
Other staff costs	14,982	12,275
Other staff's retirement benefits scheme contributions	560	305
Total staff costs	18,111	15,567
Depreciation of property, plant and equipment	14,869	19,503
Interest on lease liabilities	2,400	2,408
Short-term leases expenses	530	363
Variable lease payments	388	499
Rent concession	(199)	(15,707)
Provision for impairment of property, plant and equipment	340	1,874
Provision for/(reversal of) expected credit losses on financial assets	322	(94)
Cost of inventories recognised as an expense (including write-down of inventories HK\$4,448,000 (2020: HK\$8,739,000))	43,739	49,218
Government subsidy	(121)	(3,148)
Interest income	(133)	(159)
Direct operating expenses arising from investment property that generated rental income during the period	286	381

**(b) Discontinued operation**

On 19 January 2020, the Group closed the dining business upon the expiry of its tenancy agreement. The financial performance during the period ended 30 September 2020 are as follows:

	<b>1 April 2020 to 31 May 2020</b>
	<i>HK\$'000</i>
	(Unaudited)
Turnover	–
Expenses	(924)
	<hr/>
Loss before taxation	(924)
Income tax expense	–
	<hr/>
Loss for the period from discontinued operation	(924)
	<hr/>

**7. DIVIDEND**

The directors of the Company have decided not to declare the payment of any interim dividend for the six months ended 30 September 2021 (30 September 2020: Nil).

No final dividend for the year ended 31 March 2021 was declared and paid during the period (31 March 2020: Nil).

**8. 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:

	<b>For the six months ended 30 September</b>	
	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the purpose of basic and diluted earnings per share	<u>(32,347)</u>	<u>(74,613)</u>
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>6,043,950,000</u>	<u>6,043,950,000</u>

Diluted loss per share for the six months ended 30 September 2021 and 2020 are the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the periods.

**From continuing operations**

	<b>For the six months ended 30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Loss for the purpose of basic and diluted earnings per share	<u><b>(32,347)</b></u>	<u><b>(73,689)</b></u>
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u><b>6,043,950,000</b></u>	<u><b>6,043,950,000</b></u>

**From discontinued operation**

	<b>For the six months ended 30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Loss for the purpose of basic and diluted earnings per share	<u><b>–</b></u>	<u><b>(924)</b></u>
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u><b>6,043,950,000</b></u>	<u><b>6,043,950,000</b></u>

**9. PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group entered into leases for shops with right-of-use assets amounted to approximately HK\$6,017,000 (30 September 2020: HK\$13,291,000) recognised.

During the period, additions to the Group's property, plant and equipment amounted to approximately HK\$5,115,000 (30 September 2020: HK\$11,204,000) which mainly included the additions to leasehold improvements amounting to approximately HK\$5,047,000 (30 September 2020: HK\$9,124,000) for renovation of shops.

The Group performed an impairment assessment on property, plant and equipment in accordance with the accounting policy on impairment of non-financial assets. Based on the assessment, an impairment loss of HK\$340,000 (30 September 2020: HK\$1,874,000) was recognised and charged to the interim condensed consolidated statement of profit or loss and other comprehensive income for the 6 months period ended 30 September 2021. The recoverable amounts of these property, plant and equipment using value in use calculation were determined by the discounted cash flows generated from each segment based on a management budget plan and a pre-tax discount rate of 17%.

Right-of-use assets amounted to HK\$37,762,000 (30 September 2020: HK\$42,644,000) and other property, plant and equipment amounted to HK\$11,776,000 (30 September 2020: HK\$11,753,000) were recognised as at 30 September 2021.

## 10. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
At 1 April 2020	657,318
Fair value change	(133,306)
Exchange realignment	50,610
	<hr/>
At 31 March 2021 (audited)	<b>574,622</b>
Fair value change	–
Exchange realignment	10,219
	<hr/>
At 30 September 2021 (unaudited)	<b>584,841</b>
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The Group's investment properties are measured using the fair value model and are leased to third parties under operating leases to earn rental income.

The fair value of investment properties of the Group is derived by Level 3 recurring fair value measurement as at 30 September 2021 and 31 March 2021.

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

	<i>HK\$'000</i>
At 1 April 2020 (Level 3 recurring fair value)	657,318
Change in fair value recognised in profit or loss	(133,306)
Exchange realignment	50,610
	<hr/>
At 31 March 2021 (audited) (Level 3 recurring fair value)	<b>574,622</b>
Change in fair value recognised in profit or loss	–
Exchange realignment	10,219
	<hr/>
At 30 September 2021 (unaudited) (Level 3 recurring fair value)	<b>584,841</b>
	<hr/>

Rental income of HK\$4,605,000 was recognised during the period ended 30 September 2021 (30 September 2020: HK\$4,295,000).

As at 30 September 2021, Group's investment property are pledged to banks to secure bank loans of RMB155,500,000 (equivalent to HK\$187,782,000) to the Group (note 15).

## 11. FINANCIAL ASSETS AT FVTPL

		30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
	Notes		
Other long term investment	(a)	—	—
Listed equity securities in Hong Kong			
Listed equity securities in Hong Kong	(b)	—	2,508
Suspended equity securities in Hong Kong	(b)	241	241
Delisted equity securities in Hong Kong	(b)	1,507	1,507
		<u>1,748</u>	<u>4,256</u>
Total financial assets at FVTPL		<u>1,748</u>	<u>4,256</u>
Classified as			
Current assets		<u>1,748</u>	<u>4,256</u>

### 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 16).



- (b) The fair value 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 and Delisted Shares”).

The movement in listed equity securities are summarised as follows:

	<i>HK\$'000</i>
As at 1 April 2021 (audited)	4,256
Disposal during the year	(3,960)
Fair value change of financial assets measured at FVTPL	<u>1,452</u>
As at 30 September 2021 (unaudited)	<u><u>1,748</u></u>

## 12. FINANCIAL ASSETS AT FVOCI

	<b>30 September 2021 <i>HK\$'000</i> (unaudited)</b>	31 March 2021 <i>HK\$'000</i> (audited)
Listed equity securities in Hong Kong	<u><b>14,266</b></u>	<u>49,455</u>

## 13. TRADE AND OTHER RECEIVABLES

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

	<b>30 September 2021 <i>HK\$'000</i> (unaudited)</b>	31 March 2021 <i>HK\$'000</i> (audited)
Trade receivables	<b>9,725</b>	6,521
Other receivables, deposits and prepayments	<u><b>36,793</b></u>	<u>61,781</u>
	<u><b>46,518</b></u>	<u>68,302</u>
Classified as		
Non-current assets		
— Other receivables and deposits	<u><b>6,688</b></u>	<u>11,068</u>
Current assets		
— Trade receivables	<b>9,725</b>	6,521
— Other receivables, deposits and prepayments	<u><b>30,105</b></u>	<u>50,713</u>
	<u><b>39,830</b></u>	<u>57,234</u>
	<u><b>46,518</b></u>	<u>68,302</u>

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

	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	<b>9,373</b>	5,777
31–90 days	<b>188</b>	555
Over 90 days	<b>164</b>	189
	<b>9,725</b>	6,521

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

As at 30 September 2021, loss allowances of HK\$12,070,000 were made against the gross amount of trade receivables (31 March 2021: HK\$15,721,000).

As at 30 September 2021, loss allowances of HK\$3,040,000 were made against the gross amount of other receivables (31 March 2021: HK\$2,820,000).

#### 14. TRADE AND OTHER PAYABLES

	<b>30 September 2021 <i>HK\$'000</i> (unaudited)</b>	31 March 2021 <i>HK\$'000</i> (audited)
Trade payables	<b>25,232</b>	19,794
Other payables and accrued charges	<b>70,701</b>	72,267
	<b>95,933</b>	92,061

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

	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	<b>6,124</b>	16,610
91–365 days	<b>17,796</b>	629
Over 365 days	<b>1,312</b>	2,555
	<b>25,232</b>	19,794

## 15. BANK BORROWINGS

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
<b>Secured borrowings</b>		
Bank borrowings	<u>187,782</u>	<u>93,140</u>
Classified as:		
Current	<u>7,246</u>	<u>7,119</u>
Non-current	<u>180,536</u>	<u>86,021</u>
	<u><b>187,782</b></u>	<u><b>93,140</b></u>

As at 30 September 2021, the Group had secured bank borrowings of HK\$187,782,000 (31 March 2021: HK\$93,140,000) and borne interest ranged from 5.5% to 6.05% (31 March 2021: 6.05%).

The banking facility is subject to the fulfilment of covenants relating to financing purpose, if the covenants were breached, the drawn down facilities would become repayable on demand. As at 30 September 2021, none of the covenants relating to bank borrowings had been breached.

The bank borrowings are secured by the followings as at 30 September 2021:

- (i) Group's investment property with carrying amount of HK\$584,841,000 (note 10);
- (ii) Account receivables of rental income generated from the pledged investment properties;
- (iii) Pledged bank deposit of HK\$14,491,000;
- (iv) Restricted bank deposit of HK\$3,793,000;
- (v) Entire equity interest of a subsidiary of the Company; and
- (vi) Personal guarantees given by a director of the Company.

At the end of the reporting period, total current and non-current bank borrowing was scheduled to repay as follows:

	30 September 2021 HK\$'000 (unaudited)	31 March 2021 HK\$'000 (audited)
On demand or within one year	7,246	7,119
More than one year, but not exceeding two years	8,151	7,416
More than two years, but not exceeding five years	124,081	26,400
After five years	<u>48,304</u>	<u>52,205</u>
	<u><b>187,782</b></u>	<u><b>93,140</b></u>

## 16. NOTE PAYABLE

The promissory note is unsecured and non-interest bearing and repayable on 30 June 2022. It is measured at amortised cost using the effective interest method of 3.6%.

	<b>30 September 2021 HK\$'000 (unaudited)</b>	31 March 2021 HK\$'000 (audited)
Classified as		
Current liability	<b>23,376</b>	–
Non-current liability	–	92,832
	<b><u>23,376</u></b>	<b><u>92,832</u></b>

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) 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 is recognised in other income and net gains and losses for the year ended 31 March 2021.

On 20 April 2021, the Group and the holder of promissory note entered into a Power of Attorney. Base on the terms of the Power of Attorney, the Group agreed to repay amounting to RMB60,000,000 (equivalent to HK\$72,000,000) for partial repayment of the promissory note. All other terms in the promissory note remain valid and in force. A loss on derecognition of note payable amounted to HK\$1,931,000 is recognised in other income and net gain and losses.

## 17. SHARE CAPITAL

	Number of Shares	Share capital <i>HK\$'000</i>
Authorised:		
— Ordinary shares of HK\$0.02 each	20,000,000,000	400,000
Issued and fully paid:		
At 1 April 2020, 31 March 2021, 1 April 2021 and 30 September 2021		
— Ordinary shares of HK\$0.02 each	6,043,950,000	120,879

## 18. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 September	
	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)
Sales to related companies	–	245
Purchases from a related company	–	1,521
Administrative service fee paid to a related company	120	120
Brokerage fee paid to a related company	10	–
Regional branding support income from a related company	–	67
Interest paid to a shareholder	2,472	986
Rental and other related expenses paid to a related company	3,709	3,576

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

## **19. 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.

During the six months period ended 30 September 2021 and 2020 and year ended 31 March 2021, the Group had no forfeited contributions under its retirement benefit schemes in the PRC, Hong Kong, Macau and Taiwan which may be used to reduce the existing level of contributions as described in paragraph 26(2) of Appendix 16 to the Listing Rules.

## **20. APPROVAL OF UNAUDITED FINANCIAL STATEMENTS**

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 26 November 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The Group's revenue from continuing operations in H1 FY2022 increased by 38.2% from HK\$49.8 million to HK\$68.8 million over the same period last year. The increase was the result of the gradual improving market sentiment.

Gross profit from continuing operations in H1 FY2022 increased by thirty-one-fold from HK\$0.8 million to HK\$25.1 million over the same period last year. Gross margin increased from 1.6% to 36.4% due to increased markup and reduced provision of slow-moving inventories during the period.

Other income and net gains and losses in H1 FY2022 was net losses of HK\$0.8 million as compared to net gains of HK\$20.6 million in H1 FY2021. The decrease was driven by significant decrease in one off rent concession and government subsidies received in H1 FY2021 of HK\$18.9 million to HK\$0.3 million in H1 FY2022.

Selling and distribution costs decreased by 15.4% from HK\$20.4 million in H1 FY2021 to HK\$17.2 million in H1 FY2022 mainly due to the reduction in depreciation expenses of right-of-use assets.

General and administrative expenses increased by 5.4% from HK\$28.1 million in H1 FY2021 to HK\$29.6 million in H1 FY2022 mainly due to the non-recurrence of costs saving measurement applied in H1 FY2021.

Finance costs increased by 156.4% from HK\$3.8 million in H1 FY2021 to HK\$9.8 million in H1 FY2022 mainly due the increase in the total loan and borrowing.

Income tax expense of HK\$0.6 million was recorded in H1 FY2022 while income tax credit was recorded in H1 FY2021 of HK\$14.6 million. The change was driven by the reduction in one off deferred income tax credit recorded in H1 FY2021.

Loss from continuing operations and discontinued operation in H1 FY2022 were HK\$32.3 million and HK\$Nil respectively, as compared to HK\$73.7 million and HK\$0.9 million respectively in H1 FY2021.

Loss per share was 0.54 HK cent in H1 FY2022 (H1 FY2021: 1.23 HK cents). Net asset value per share was 11.1 HK cents as at 30 September 2021 against 12.0 HK cents as at 31 March 2021.

## **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 46 retail points of sales and 12 boutiques, making a total of 58 points (61 as at 31 March 2021).

Other than the 7 boutiques operated by the Group, the remaining 51 watch retail outlets are operated by 24 independent watch dealers throughout our key markets including 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***

*15 April 2021*

#### **FRANCK MULLER Xiamen Boutique Opening**

FRANCK MULLER unveiled the new concept boutique in The MixC Xiamen, a prime location in the heart of Xiamen City, Fujian Province, with excellent visibility and accessibility. Upholding the brand's pioneering design aesthetics, the concept boutique strives to lead guests to delve deeper into the world of Haute Horlogerie. A branded cart was displayed at the boutique facade to offer a complimentary summer cocktail to clients and welcomed them for a horological journey at the brand new FRANCK MULLER boutique.



## ***Hong Kong***

*21–22 April 2021*

### **Exclusive Fragrance & Wine Pairing Workshop**

Esteemed guests were invited to the new concept FRANCK MULLER boutique in Central to reveal the latest Vanguard Lady collection with a unique olfactory journey of luxury fragrance and wine pairing crafted by renowned French perfume house, Goutal. Guests enjoyed a splendid afternoon tea while admiring the latest bejeweled Vanguard Lady Heart Skeleton timepieces with 7 superimposed hearts positioned throughout the dial over a skeletonized mechanical movement.

*23–25 June 2021*

### **FRANCK MULLER Private VIP Afternoon Tea**

Together with a bespoke fine jewellery and exotic leather goods brand partners, FRANCK MULLER invited guests to reveal the luxury Swiss timepieces by FRANCK MULLER. The co-hosted event tributes to clients with refined taste who appreciate fine craftsmanship, excellent quality and unique customization.

*29 June 2021*

### **FRANCK MULLER Whisky Tasting Night**

To celebrate the 18th anniversary of Crazy Hours collection, FRANCK MULLER announced its exclusive partnership with The Glenrothes, the exceptional Speyside single malt whisky brand. In line with the common incessant pursuit of craftsmanship in the respective fields and manufacturing capabilities. Guests were invited to the exclusive whisky tasting event, while revealing the iconic Crazy Hours collection. The emotional complication shows time in unconventional manner with the brand's signature numerals laid out in non-sequential order.

*8–12 September 2021*

### **World Brand Piazza 2021**

Prince Jewellery & Watch Company gathered 12 world renowned watch brands and successfully hosted the 11th 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. FRANCK MULLER presents the hero piece as the Vanguard 7 Days Power Reserve in Sapphire Case, an in-house crafted mechanical treasure with the perfectly hand-polished rainbow bridges reveal not only the movement but also a second counter at 6 o'clock.

*September 2021*

## **Miss Hong Kong Pageant 2021**

FRANCK MULLER is pleased to be one of the official sponsors for Miss Hong Kong Pageant 2021. The brand has contributed its refined luxury timepieces as prizes to the 5 winners including Miss Hong Kong, 1st runner up, 2nd runner up, Miss Photogenic and Miss Friendship. The prize presentation was held at FRANCK MULLER Central boutique, the new Miss Hong Kong 2021, Miss Sabrina Mendes was presented with the latest bejewelled Vanguard Lady with diamonds, the distinctive and feminine numbers perfectly complements the luxury sport and bold design of the case.

## **Performance by business operations and geographical markets**

### ***Watch distribution***

Hong Kong, Mainland China and Macau remained the key revenue drivers, contributing together HK\$59.3 million, which accounted for 86.2% of the Group's total revenue, in H1 FY2022.

### ***Mainland China and Macau***

Mainland China and Macau have taken over Hong Kong as the Group's major markets and contributed 67.6% of the Group's revenue in H1 FY2022. Revenue in this region was HK\$46.5 million in H1 FY2022 as compared to HK\$20 million in the same period last year.

### ***Hong Kong***

Hong Kong contributed 18.6% of the Group's revenue in H1 FY2022. Revenue in this region decreased by 34.9% from HK\$19.7 million to HK\$12.8 million in H1 FY2022.

### ***Other locations***

Revenue from other locations decreased by 15.9% from HK\$5.8 million to HK\$4.9 million in H1 FY2022.

### ***Property investment***

Revenue from investment properties was derived from two properties located in the Mainland China. Their rental income increased from HK\$4.3 million in H1 FY2021 to HK\$4.6 million in H1 FY2022 as a result of changes of foreign exchange rates.

## 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 Mainland China 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 30 September 2021, the Group maintained the cash and bank balances of HK\$128.2 million when compared with its cash and bank balances of HK\$90.8 million as at 31 March 2021. Gearing ratio (net debt divided by total equity) was 26.0% at 30 September 2021 (31 March 2021: 24.1%). The Group has outstanding bank borrowing at the amount of HK\$187.8 million.

At 30 September 2021, details of the Group's investments in equity instruments were as below:

Stock code	Stock name	At 30 September 2021		H1 FY2022	
		No. of shares held	Fair value HK\$'000	Change in fair value recognised in statement of profit or loss HK\$'000	Change in fair value recognised in statement of other comprehensive income HK\$'000
3823	Tech Pro Technology Development Ltd.	36,760,000	1,507	–	–
3886	Town Health International Medical Group Ltd.	–	–	1,452	–
627	Fullsun International Holdings Group Co., Ltd.	12,065,000	241	–	–
663	King Stone Energy Group Ltd.	317,020,000	14,266	–	(35,189)
Total			16,014	1,452	(35,189)

These investments were listed and delisted securities which were measured at fair value. As at 30 September 2021, investments in equity instruments amounted to approximately HK\$16.0 million.

During the period under review, a net fair value gain of approximately HK\$1.5 million was recognised in the statement of profit or loss while a net fair value loss of approximately HK\$35.2 million was recognised in the statement of other comprehensive income.

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 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\$265.4 million as at 31 March 2021 to HK\$234.3 million as at 30 September 2021. Net assets reduced to at HK\$668.4 million as at 30 September 2021 as compared to HK\$725.6 million as at 31 March 2021. The Directors believe that the Group's existing financial resources are sufficient to fulfil its commitments and current working capital requirements.

## **CAPITAL STRUCTURE AND FOREIGN EXCHANGE EXPOSURE**

As at 30 September 2021, the total number of issued shares of the Company was 6,043,950,000 (31 March 2021: 6,043,950,000). There was no change in the capital structure of the Company during the six months ended 30 September 2021.

The Group recorded a realised exchange gain of HK\$0.1 million in H1 FY2022 as compared with HK\$0.1 million in H1 FY2021. In addition, the Group recognised an unrealised exchange loss of HK\$0.3 million in H1 FY2022 against a gain of HK\$2.9 million in H1 FY2021.

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

## **CHARGE ON ASSETS**

As at 30 September 2021, (i) investment property at fair value of RMB484.3 million (equivalent to HK\$584.8 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\$14.5 million), (iv) restricted bank deposit of RMB3.1 million (equivalent to HK\$3.8 million) and (v) 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 RMB155.5 million (equivalent to HK\$187.8 million) (31 March 2021: RMB78.5 million (equivalent to HK\$93.1 million)).

## **CAPITAL COMMITMENT**

As at 30 September 2021, the Group had contracted, but not provided for capital expenditure commitment of HK\$0.4 million (31 March 2021: HK\$4.7 million) in respect of acquisition of property, plant and equipment.

## **CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities as at 30 September 2021 (31 March 2021: Nil).

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 30 September 2021, the Group's work force stood at 113 including Directors (31 March 2021: 117). Employees were paid at market rates with discretionary bonus and medical benefits, and were covered under the mandatory provident fund scheme. The Company has adopted a share option scheme which aims to provide incentive or rewards to staff.

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2021.

## **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 six months ended 30 September 2021.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2021.

## AUDIT COMMITTEE

The Audit Committee consists of four independent non-executive Directors, namely Mr. Chiu Sin Nang, Kenny (the chairman of the Audit Committee), Ms. Lo Miu Sheung, Betty, Mr. Yu Zhenxin and Mr. Zong Hao. 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.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2021.

## PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The interim report of the Company for the six months ended 30 September 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, 26 November 2021

*As at the date of this announcement, the executive Directors 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 are Ms. Lo Miu Sheung, Betty, Mr. Yu Zhenxin, Mr. Zong Hao and Mr. Chiu Sin Nang, Kenny.*