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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 2022

FINANCIAL HIGHLIGHTS ON CONTINUING OPERATIONS

- Revenue from continuing operations for the financial year ended 31 March 2022 (“FY2022”) increased by 9.1% from HK\$136,356,000 to HK\$148,719,000 when compared with last financial year (“FY2021”).
- Loss from continuing operations for FY2022 decreased by 25.1% to HK\$156,819,000 (FY2021: HK\$209,376,000), mainly due to decrease in loss on fair value change of the investment properties of the Group in Mainland China.
- Loss per share from continuing operations was 2.59 HK cents for FY2022 (FY2021: 3.46 HK cents).
- The Board does not recommend the payment of a final dividend for FY2022 (FY2021: Nil).

References are made to the announcement of Sincere Watch (Hong Kong) Limited (the “Company”) dated 29 June 2022 in relation to the unaudited annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2022 (the “Unaudited Results Announcement”), the supplemental announcement of the Company dated 30 June 2022 and the announcement of the Company dated 25 July 2022.

AUDITED FINANCIAL RESULTS

The board (the “Board”) of directors (the “Directors”) of the Company is pleased to announce that the Group’s auditor, BDO Limited, has completed its audit of the consolidated financial statements of the Group for the year ended 31 March 2022 (“2022 Audited Results”) in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The 2022 Audited Results in this announcement remain the same as the unaudited annual results of the Group for the year ended 31 March 2022 contained in the Unaudited Results Announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	NOTES	2022 HK\$’000	2021 HK\$’000
Continuing operations			
Revenue	3	148,719	136,356
Cost of sales		<u>(91,880)</u>	<u>(115,193)</u>
Gross profit		56,839	21,163
Other income and net gains and losses	4	1,633	53,500
Provision for impairment on property, plant and equipment		(11,074)	(37,816)
Selling and distribution costs		(34,992)	(45,249)
General and administrative expenses		(71,731)	(66,420)
Expected credit losses (“ECLs”) on financial assets		(1,285)	(770)
Reversal of ECLs on financial assets		222	436
Finance costs	5	<u>(21,102)</u>	<u>(9,473)</u>
Loss before taxation, exchange gain/(loss), fair value changes of investment properties and financial assets at fair value through profit or loss		(81,490)	(84,629)
Realised exchange gain/(loss)		526	(2,467)
Unrealised exchange (loss)/gain		(270)	10,149
Fair value change of investment properties	10	(74,730)	(133,306)
Fair value change of financial assets at fair value through profit or loss (“FVTPL”)		1,172	5,727
Loss on acquisition of subsidiaries		<u>–</u>	<u>(242)</u>
Loss before taxation		(154,792)	(204,768)
Income tax expense	6	<u>(2,027)</u>	<u>(4,608)</u>
Loss for the year from continuing operations	7	<u>(156,819)</u>	<u>(209,376)</u>

	<i>NOTES</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Discontinued operation			
Loss for the year from discontinued operation	7	<u>—</u>	<u>(924)</u>
Loss for the year		<u>(156,819)</u>	<u>(210,300)</u>
Other comprehensive income, net of tax			
<i>Item that will not be reclassified to profit or loss</i>			
Fair value change of financial assets measured at fair value through other comprehensive income (“FVOCI”)		(41,561)	32,336
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>19,614</u>	<u>46,004</u>
Other comprehensive income for the year		<u>(21,947)</u>	<u>78,340</u>
Total comprehensive income for the year		<u>(178,766)</u>	<u>(131,960)</u>
Loss per share from continuing and discontinued operations			
— basic and diluted	9	<u>(2.59 HK cents)</u>	<u>(3.48 HK cents)</u>
Loss per share from continuing operations — basic and diluted	9	<u>(2.59 HK cents)</u>	<u>(3.46 HK cents)</u>
Loss per share from discontinued operation — basic and diluted	9	<u>N/A</u>	<u>(0.02 HK cents)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>NOTES</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		44,437	53,440
Investment properties	<i>10</i>	522,366	574,622
Financial assets at FVOCI	<i>12</i>	7,894	49,455
Other receivables	<i>14</i>	8,957	11,068
Deferred tax assets		94	94
		583,748	688,679
Current assets			
Inventories	<i>13</i>	280,810	307,336
Trade and other receivables	<i>14</i>	62,458	57,234
Financial assets at FVTPL	<i>11</i>	1,468	4,256
Bank balances and cash	<i>15</i>	89,723	108,522
		434,459	477,348
Current liabilities			
Trade and other payables	<i>16</i>	101,342	92,061
Contract liabilities		1,181	1,123
Lease liabilities		28,135	31,504
Bank borrowing		13,649	7,119
Loan from a shareholder		24,326	80,000
Taxation payable		1,579	120
		170,212	211,927
Net current assets		264,247	265,421
Total assets less current liabilities		847,995	954,100
Non-current liabilities			
Bank borrowing		171,755	86,021
Note payable	<i>17</i>	23,792	92,832
Loan from a shareholder		61,611	–
Lease liabilities		43,958	49,602
		301,116	228,455
Net assets		546,879	725,645
Capital and reserves			
Share capital	<i>18</i>	120,879	120,879
Reserves		426,000	604,766
Total equity		546,879	725,645

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2022 as set out in this announcement have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by BDO Limited on this announcement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new/revised HKFRSs — effective 1 April 2021

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

The adoption of the new or revised HKFRSs that are effective for the annual period beginning on or after 1 April 2021 did not have any significant impact on the Group’s accounting policies, financial position and performance for the current and prior years, and/or the disclosures set out in the consolidated financial statements.

(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 HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ¹
HKFRS 17	Insurance Contracts and the related Amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 41, HKFRS 1, HKFRS 9 and HKFRS 16	Annual Improvements to HKFRSs 2018-2020 ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ The amendments was originally intended to be effective for the annual period beginning on or after 1 January 2016. The effective date has now been deferred or removed. Early adoption of the amendments continue to be permitted

The directors of the Company do not anticipate the application of these new/revised HKFRSs in future will have any significant impact on the Group's 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 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 and thereafter.

(a) Segment revenue and results

Segment results represent the loss before taxation by each segment and excluding interest income, other income, finance costs, depreciation 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 changes of investment properties and financial assets at FVTPL. 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 2022

	Continuing operations						Discontinued operation		
	Watch distribution			Sub-total	Property investment	Unallocated	Sub-total	Dining business	Total
	Hong Kong	Mainland China and Macau	Other locations		Mainland China			Hong Kong	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
REVENUE									
External sales	55,824	68,669	11,923	136,416	12,303	-	148,719	-	148,719
Inter-segment	59,696	-	-	59,696	-	-	59,696	-	59,696
	<u>115,520</u>	<u>68,669</u>	<u>11,923</u>	<u>196,112</u>	<u>12,303</u>	<u>-</u>	<u>208,415</u>	<u>-</u>	<u>208,415</u>
RESULT									
Segment result	(5,152)	(1,253)	(5,397)	(11,802)	(8,867)	1,927	(18,742)	-	(18,742)
Interest income							667	-	667
Other income							966	-	966
Finance costs							(21,102)	-	(21,102)
Depreciation of property, plant and equipment							(30,886)	-	(30,886)
Provision for impairment on property, plant and equipment							(11,074)	-	(11,074)
ECLs on financial assets							(1,285)	-	(1,285)
Reversal of ECLs on financial assets							222	-	222
Fair value change of investment properties							(74,730)	-	(74,730)
Fair value change of financial assets at FVTPL							1,172	-	1,172
Loss before taxation							(154,792)	-	(154,792)
Income tax expense							(2,027)	-	(2,027)
Loss for the year							<u>(156,819)</u>	<u>-</u>	<u>(156,819)</u>
Segment assets	268,601	86,787	36,796	392,184	613,954	-	1,006,138	-	1,006,138
Unallocated assets	-	-	-	-	-	12,069	12,069	-	12,069
Total assets	<u>268,601</u>	<u>86,787</u>	<u>36,796</u>	<u>392,184</u>	<u>613,954</u>	<u>12,069</u>	<u>1,018,207</u>	<u>-</u>	<u>1,018,207</u>
Segment liabilities	(113,225)	(41,141)	(1,148)	(155,514)	(202,965)	-	(358,479)	-	(358,479)
Unallocated liabilities	-	-	-	-	-	(112,849)	(112,849)	-	(112,849)
Total liabilities	<u>(113,225)</u>	<u>(41,141)</u>	<u>(1,148)</u>	<u>(155,514)</u>	<u>(202,965)</u>	<u>(112,849)</u>	<u>(471,328)</u>	<u>-</u>	<u>(471,328)</u>
Additions to non-current assets	21,373	10,724	531	32,628	26	-	32,654	-	32,654

Year ended 31 March 2021

	Continuing operations						Discontinued operation		
	Watch distribution				Property investment	Unallocated	Dining business		
	Mainland China and		Other locations	Sub-total	Mainland China		Sub-total	Hong Kong	Total
	Hong Kong	Macau							
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
Inter-segment	35,149	-	-	35,149	-	-	35,149	-	35,149
	<u>84,207</u>	<u>63,646</u>	<u>14,838</u>	<u>162,691</u>	<u>8,814</u>	<u>-</u>	<u>171,505</u>	<u>-</u>	<u>171,505</u>
RESULT									
Segment result	<u>(37,792)</u>	<u>6,041</u>	<u>3,449</u>	<u>(28,302)</u>	<u>(6,522)</u>	<u>(8,497)</u>	<u>(43,321)</u>	<u>(924)</u>	<u>(44,245)</u>
Interest income							206	-	206
Other income							53,294	-	53,294
Finance costs							(9,473)	-	(9,473)
Depreciation 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							<u>(209,376)</u>	<u>(924)</u>	<u>(210,300)</u>
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	<u>279,545</u>	<u>108,806</u>	<u>41,476</u>	<u>429,827</u>	<u>680,700</u>	<u>55,500</u>	<u>1,166,027</u>	<u>-</u>	<u>1,166,027</u>
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	<u>(183,423)</u>	<u>(60,997)</u>	<u>(2,937)</u>	<u>(247,357)</u>	<u>(98,416)</u>	<u>(94,609)</u>	<u>(440,382)</u>	<u>-</u>	<u>(440,382)</u>
Additions to non-current assets	<u>42,303</u>	<u>37,014</u>	<u>-</u>	<u>79,317</u>	<u>27</u>	<u>-</u>	<u>79,344</u>	<u>-</u>	<u>79,344</u>

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 2022

	Continuing operations	Discontinued operation	
	Watch distribution HK\$'000	Dining business HK\$'000	Total HK\$'000
Primary geographical markets			
Hong Kong	55,824	–	55,824
Mainland China and Macau	68,669	–	68,669
Other locations (<i>Note</i>)	11,923	–	11,923
	<u>136,416</u>	<u>–</u>	<u>136,416</u>
Major products and services			
Wholesales of watch	43,889	–	43,889
Retail sales of watch	88,687	–	88,687
Repair of watch	3,840	–	3,840
	<u>136,416</u>	<u>–</u>	<u>136,416</u>
Timing of revenue recognition			
At a point in time	136,416	–	136,416
Transferred over time	–	–	–
	<u>136,416</u>	<u>–</u>	<u>136,416</u>

For the year ended 31 March 2021

	Continuing operations	Discontinued operation	
	Watch distribution <i>HK\$'000</i>	Dining business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Primary geographical markets			
Hong Kong	49,058	–	49,058
Mainland China and Macau	63,646	–	63,646
Other locations (<i>Note</i>)	14,838	–	14,838
	<u>127,542</u>	<u>–</u>	<u>127,542</u>
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	–	–	–
	<u>127,542</u>	<u>–</u>	<u>127,542</u>
Timing of revenue recognition			
At a point in time	127,542	–	127,542
Transferred over time	–	–	–
	<u>127,542</u>	<u>–</u>	<u>127,542</u>

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 2022 and 2021.

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	7,794	–
Mainland China and Macau	558,367	626,821
Other locations	642	1,241
	<u>566,803</u>	<u>628,062</u>

4. OTHER INCOME AND OTHER NET GAINS AND LOSSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations		
Interest income	667	206
Regional branding support income	–	101
Rent concession (<i>Note (a)</i>)	1,006	21,726
(Loss)/gain on modification of note payable (<i>Note 17</i>)	(1,931)	4,179
Gain on lease modification (<i>Note (b)</i>)	–	22,687
Government subsidy	194	3,414
Commission income	–	250
Others	1,697	937
	<u>1,633</u>	<u>53,500</u>

Notes:

- (a) Rent concession represents the change in lease payment occurred as a direct consequence of COVID-19-related rent concession of HK\$1,006,000 (2021: HK\$21,726,000).
- (b) During the year ended 31 March 2021, the Group has early terminated several leases and concluded the changes in lease payments constitute lease modifications. 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations		
Interest on note payable	1,029	419
Interest on lease liabilities	4,801	4,877
Interest on loan from a shareholder	5,135	2,835
Interest on bank borrowing	10,137	1,342
	<u>21,102</u>	<u>9,473</u>

6. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The charge comprises:		
Current tax		
Hong Kong	–	–
Other jurisdictions	–	–
	<u>–</u>	<u>–</u>
Under/(over) provision in prior years:		
Hong Kong	–	–
Other jurisdictions	2,027	(407)
	<u>2,027</u>	<u>(407)</u>
Deferred tax charge		
Current year	–	5,015
	<u>2,027</u>	<u>4,608</u>

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 2022 and 2021.

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.

7. LOSS FOR THE YEAR

(a) Continuing operations

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Directors' remuneration	4,739	5,621
Other staff costs	31,772	28,135
Other staff's retirement benefits scheme contributions	1,142	988
	<u>37,653</u>	<u>34,744</u>
Total staff costs		
Auditor's remuneration	1,100	1,100
Depreciation of property, plant and equipment	30,886	39,745
Interest on lease liabilities	4,801	4,877
Short-term lease expenses (<i>Note (a)</i>)	863	77
Rent concession (<i>Note (b)</i>)	(1,006)	(21,726)
Gain on lease modification	–	(22,687)
Loss/(gain) on modification of note payable	1,931	(4,179)
Cost of inventories recognised as an expense (including write-down of inventories HK\$2,479,000 (2021: HK\$14,770,000))	91,880	115,193
Direct operating expenses arising from investment property that generated rental income during the year	896	789
Provision for impairment of property, plant and equipment	11,074	37,816
ECLs on financial assets	1,285	770
Reversal of ECLs on financial assets	(222)	(436)
Interest income	(667)	(206)

Notes:

- (a) The short-term lease expenses in respect of rented premises excluding contingent rent of HK\$1,808,000 for the year ended 31 March 2022 (2021: HK\$1,900,000). 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\$1,006,000 (2021: HK\$21,726,000) 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 2022.

(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 is as follows:

	1 April 2020 to 31 May 2020 <i>HK\$'000</i>
Turnover	–
Expenses	<u>(924)</u>
Loss before taxation	<u>(924)</u>
Income tax expense	–
Loss for the year from discontinued operation	<u>(924)</u>
Operating cash flows	(1,415)
Investing cash flows	–
Financing cash flows	<u>1,390</u>
Total cash flows	<u><u>(25)</u></u>

8. DIVIDEND

During the year ended 31 March 2022, no final dividend for the year ended 31 March 2021 was declared and paid (2021: no final dividend declared and paid in respect of the year ended 31 March 2020).

The Board does not propose the payment of a final dividend for the years ended 31 March 2022 and 31 March 2021.

9. LOSS PER SHARE

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

From continuing and discontinued operations

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year for the purpose of basic and diluted loss per share	<u>(156,819)</u>	<u>(210,300)</u>
	2022 '000	2021 '000
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>6,043,950</u>	<u>6,043,950</u>

Diluted loss per share for the years ended 31 March 2022 and 2021 are the same as the basic loss per share as there were no dilutive potential ordinary shares outstanding during both years.

From continuing operations

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year for the purpose of basic and diluted loss per share	<u>(156,819)</u>	<u>(209,376)</u>
	2022 '000	2021 '000
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>6,043,950</u>	<u>6,043,950</u>

From discontinued operation

	2022 HK\$'000	2021 <i>HK\$'000</i>
Loss for the year for the purpose of basic and diluted loss per share	<u>–</u>	<u>(924)</u>
	2022 '000	2021 <i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>6,043,950</u>	<u>6,043,950</u>

10. INVESTMENT PROPERTIES

	2022 HK\$'000	2021 <i>HK\$'000</i>
At 1 April	574,622	657,318
Fair value change	(74,730)	(133,306)
Exchange realignment	<u>22,474</u>	<u>50,610</u>
At 31 March	<u>522,366</u>	<u>574,622</u>

The fair value of the Group's investment properties as at 31 March 2022 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 2022 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.

11. FINANCIAL ASSETS AT FVTPL

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other long term investment	—	—
Listed equity securities in Hong Kong		
Listed equity securities in Hong Kong	145	2,508
Suspended equity securities in Hong Kong	—	241
Delisted equity securities in Hong Kong	<u>1,323</u>	<u>1,507</u>
	<u>1,468</u>	<u>4,256</u>
Total financial assets at FVTPL	<u><u>1,468</u></u>	<u><u>4,256</u></u>
Classified as		
Current asset	<u><u>1,468</u></u>	<u><u>4,256</u></u>

12. FINANCIAL ASSETS AT FVOCI

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Listed equity securities in Hong Kong	<u><u>7,894</u></u>	<u><u>49,455</u></u>

The Group designated its investment at FVOCI, as it is held for strategic purpose. No dividends were received on this investment during the year (2021: Nil).

The movement in listed equity securities are summarised as follows:

	<i>HK\$'000</i>
As at 1 April 2020	17,119
Fair value change of financial assets measured at FVOCI	<u>32,336</u>
As at 31 March 2021 and 1 April 2021	49,455
Fair value change of financial assets measured at FVOCI	<u>(41,561)</u>
As at 31 March 2022	<u><u>7,894</u></u>

13. INVENTORIES

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

Under the Exclusive Distributor Agreement (the “Agreement”) signed between Multicontinental Distribution (Asia) DMCC (“DMCC”) and Sincere Brand Management Limited (“SBML”), a wholly-owned subsidiary of the Company, the Group has the sole distributor rights to sell Franck Muller watches in Hong Kong, Macau, Taiwan and Mainland China (the “Greater China Region”). Under the Agreement, the Group has to purchase not less than CHF40 million (equivalent to HK\$340.1 million) worth of Franck Muller watches annually.

For the year ended 31 March 2022, the Group did not meet the minimum purchase amount by CHF33.5 million (equivalent to HK\$284.8 million). As at 31 March 2022, the cumulative shortfall in minimum purchases since 2020 amounted to CHF96.9 million (equivalent to HK\$799.2 million).

The Group has been the sole distributor of Franck Muller watches for the Greater China Region since 2005 up till now. During this period, the Group has not met the minimum purchase amounts set by DMCC (which amounts have changed from time to time) on at least 2 occasions. DMCC has not requested the Group to make up the shortfall on any previous occasion. Accordingly, in the opinion of the Directors, the Group will not be required to make good the cumulative shortfall in purchases of watches for the foreseeable future. The Directors are aware of the Group’s obligations under the Agreement, and notwithstanding the above, consider the Group can discharge these obligations should it be called upon to do so.

Subsequent to the end of the reporting period, the management of the Group held a meeting in Switzerland in July 2022 with management of DMCC. At that meeting, DMCC did not mention the cumulative shortfall in purchases, but rather indicated a willingness to continue to work with the Group, wanted to know how COVID-19 was affecting the business and how best to promote the brand in the Greater China Region.

14. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<i>Current assets</i>		
Trade receivables	36,216	22,242
Less: ECLs of trade receivables (<i>Note (a)</i>)	(16,787)	(15,721)
	<hr/>	<hr/>
Trade receivables (<i>Note (a)</i>)	19,429	6,521
	<hr/>	<hr/>
<i>Non-current assets</i>		
— Other receivables (<i>Note (c)</i>)	988	1,187
— Rental deposits	8,217	10,242
<i>Current assets</i>		
— Other receivables (<i>Note (c)</i>)	23,772	12,472
— Rental, utility and other deposits	8,126	8,778
— Prepayments (<i>Note (d)</i>)	14,378	31,922
	<hr/>	<hr/>
	55,481	64,601
Less: ECLs of other receivables (<i>Note (b)</i>)	(3,495)	(2,820)
	<hr/>	<hr/>
Other receivables, deposits and prepayments	51,986	61,781
	<hr/>	<hr/>
Total trade and other receivables	71,415	68,302
	<hr/> <hr/>	<hr/> <hr/>
Classified as		
Non-current assets		
— Other receivables	740	826
— Deposits	8,217	10,242
	<hr/>	<hr/>
	8,957	11,068
	<hr/>	<hr/>
Current assets		
— Trade receivables	19,429	6,521
— Other receivables	20,525	10,013
— Deposits	8,126	8,778
— Prepayments	14,378	31,922
	<hr/>	<hr/>
	62,458	57,234
	<hr/>	<hr/>
Total trade and other receivables	71,415	68,302
	<hr/> <hr/>	<hr/> <hr/>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	17,510	5,777
31–90 days	1,274	555
Over 90 days	645	189
	19,429	6,521

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 2022, loss allowances of HK\$16,787,000 (2021: HK\$15,721,000) 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:

	<i>HK\$'000</i>
Balance as at 1 April 2020	14,479
ECLs recognised during the year	222
Reversal of ECLs recognised	(178)
Exchange realignment	1,198
	<u>15,721</u>
Balance as at 31 March 2021 and 1 April 2021	15,721
ECLs recognised during the year	652
Reversal of ECLs recognised	(222)
Exchange realignment	636
	<u>16,787</u>
Balance as at 31 March 2022	<u>16,787</u>

Note (b): As at 31 March 2022, loss allowances of HK\$3,495,000 (2021: HK\$2,820,000) 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:

	<i>HK\$'000</i>
Balance as at 1 April 2020	2,462
ECLs recognised during the year	548
Reversal of ECLs recognised	(258)
Exchange realignment	68
	<hr/>
Balance as at 31 March 2021 and 1 April 2021	2,820
ECLs recognised during the year	633
Exchange realignment	42
	<hr/>
Balance as at 31 March 2022	<u>3,495</u>

Note (c): As at 31 March 2022, other receivables including loans to independent third parties of HK\$17,739,000 (2021: HK\$8,746,000) at interest rates ranging from 0.3% to 12% (2021: ranging from 0.3% to 12%) per annum, in which HK\$3,459,000 (2021: HK\$3,322,000) are secured by personal guarantee and corporate guarantee. Except the amount of HK\$1,371,000 with 2 years repayment terms, all of the other receivables are expected to be recovered within one year.

Note (d): As at 31 March 2022, prepayment to independent third parties of HK\$4,274,000 (2021: HK\$23,733,000) are related to the purchase of goods for trading purpose.

15. BANK BALANCES AND CASH

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cash at bank	71,199	90,802
Pledged bank deposits (<i>Note (a)</i>)	14,822	14,238
Restricted bank deposits (<i>Note (a)</i>)	3,702	3,482
	<u>89,723</u>	<u>108,522</u>

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% (2021: 0.3% to 2.25%) per annum.

At 31 March 2022, cash at bank of HK\$17,000 (2021: 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 2022, bank deposits are pledged as collateral against the Group's bank borrowing.

16. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	31,139	19,794
Accrued charges	51,097	51,584
Other payables	19,106	20,683
	<u>101,342</u>	<u>92,061</u>

The credit period on purchase from suppliers is generally ranging from 30 to 270 days.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 90 days	13,445	16,610
91 days–365 days	16,265	629
Over 365 days	1,429	2,555
	<u>31,139</u>	<u>19,794</u>

The Group's trade payables that are denominated in Swiss franc ("CHF"), Euro ("EUR") and Singapore Dollar ("SGD"), which are currencies other than functional currency of the relevant group entities are set out below:

	2022	2021
	HK\$'000	HK\$'000
Denominated in CHF	30,918	17,804
Denominated in EUR	221	105
Denominated in SGD	–	1,885
	<u><u> </u></u>	<u><u> </u></u>

17. NOTE PAYABLE

The promissory note is unsecured and non-interest bearing and repayable on 30 June 2023. It is measured at amortised cost using the effective interest method of 3.6%.

	2022	2021
	HK\$'000	HK\$'000
Classified as		
Non-current liability	23,792	92,832
	<u><u> </u></u>	<u><u> </u></u>

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) was recognised in other income and other 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 modification of note payable amounted to HK\$1,931,000 (note 4) was recognised in other income and other net gains and losses for the year ended 31 March 2022.

On 30 March 2022, the Company further obtained an extension letter from the holder of the promissory note who has agreed not to demand for repayment of the promissory note before 30 June 2023. All other terms in the promissory note shall remain valid and in force.

18. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Authorised:		
At 1 April 2021/2020 and 31 March 2022/2021		
— Ordinary shares of HK\$0.02 each	<u>20,000,000,000</u>	<u>400,000</u>
Issued and fully paid:		
At 1 April 2021/2020 and 31 March 2022/2021		
— Ordinary shares of HK\$0.02 each	<u>6,043,950,000</u>	<u>120,879</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue from continuing operations for the year ended 31 March 2022 increased by 9.1% from HK\$136.4 million to HK\$148.7 million when compared with last financial year.

Gross profit from continuing operations increased by 168.6% from HK\$21.2 million in FY2021 to HK\$56.8 million in FY2022. The gross margin increased from 15.5% to 38.2%.

Selling and distribution costs decreased by 22.7% from HK\$45.2 million last year to HK\$35.0 million, mainly due to savings from rental expenses for boutiques. General and administrative expenses increased by 8.0% from HK\$66.4 million last year to HK\$71.7 million, mainly due to increase in staff costs and premises expenses.

Realised foreign exchange gain of the Group was HK\$0.5 million in FY2022 as compared with a loss of HK\$2.5 million in FY2021. Unrealised exchange loss was HK\$0.3 million in FY2022 as compared with a gain of HK\$10.1 million in FY2021. Loss on fair value change of investment properties was HK\$74.7 million in FY2022 as compared with HK\$133.3 million in FY2021. There was a gain of HK\$1.2 million on fair value change of financial assets at fair value through profit or loss ("FVTPL") in FY2022 as compared with a gain of HK\$5.7 million 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 and financial assets at FVTPL, the Group's loss before taxation was HK\$81.5 million in FY2022 against HK\$84.6 million in FY2021.

Net loss from continuing operations was HK\$156.8 million in FY2022 as compared to HK\$209.4 million in FY2021.

Loss per share from continuing operations was 2.59 HK cents in FY2022 against 3.46 HK cents in FY2021. Net asset value per share was 9.0 HK cents as at 31 March 2022 against 12.0 HK cents as at 31 March 2021.

Trade receivables increased from HK\$6.5 million as at 31 March 2021 to HK\$19.4 million as at 31 March 2022.

KEY PERFORMANCE INDICATORS: INVENTORY TURNOVER AND CURRENT RATIO

Inventories as at 31 March 2022 decreased by 8.6% to HK\$280.8 million when compared with HK\$307.3 million as at 31 March 2021. Inventory Turnover Period, which is calculated by Inventories balance divided by Cost of Sales, slightly increased from 974 days to 1,116 days in FY2022. As the Company opened up three new dealer shops in the Mainland China and Taiwan 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 2.6 as at 31 March 2022 (31 March 2021: 2.3). The increase in Current Ratio is mainly attributable to the partial amount of loan from a shareholder which was re-classified to non-current liability as at 31 March 2022 from current liability 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 47 retail points of sales and 12 boutiques, making a total of 59 points (31 March 2021: 61).

Other than the 7 boutiques operated by the Group, the remaining 52 watch retail outlets are operated by 26 independent watch dealers throughout our key markets such as Hong Kong, Macau, Taiwan and Mainland China.

Brand enhancement activities

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

21–24 October 2021

Chow Tai Fook Horological Exhibition Roadshow

A prestige retailer partner, Chow Tai Fook gathered 12 renowned international watch brands for the Horological Exhibition held at Kunming Plaza 66. A private cocktail reception was co-hosted with the shopping mall, VIP clients admired the latest FRANCK MULLER luxury timepieces including the Vanguard Yachting collection with seafaring and nautical details, together with the China Exclusive edition of Dazzle Numeral diamond pendants.

21–23 January 2022

Shanghai Xinyu VIP Private Event

FRANCK MULLER is honored to join force with Shanghai Xinyu, one of the most renowned retailer partners in China for their exclusive sales event held at Radisson Plaza Xing Guo Hotel. Over 100 esteemed guests were invited and attended to the exclusive private event. Guests were presented to the iconic Cintrée Curvex timepieces featuring the brand's most classic tonneau silhouette, together with the high jewelry timepieces from Double Mystery collection.

Hong Kong

21–22 April 2021

Exclusive Fragrance & Wine Pairing Workshop

Esteemed guests were invited to the FRANCK MULLER new concept 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. 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 presented the hero piece, 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 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.

17 October 2021

Oriental Watch 60th Anniversary Sha Tin Trophy “Gentlemen’s Bow Tie” Raceday

Oriental Watch Company presented 10 breath-taking horse races at Shatin Racecourse, in which 8 horse races were named after 8 international watch brands. FRANCK MULLER once again participated the annual event and sponsored the iconic Vanguard Automatic as “The Best Bow Tie Attire Award” to renowned singer-songwriter, Mr. Jay Fung. A catwalk show was staged in the Winner’s Enclosure, where the model showcased the bejeweled high complication piece of Vanguard Lady Gravity.

19 November 2021

FRANCK MULLER x Goutal Fragrance wine pairing VIP Dinner

Prestigious guests were invited to FRANCK MULLER Central boutique to reveal the latest Vanguard Skeleton timepieces with a unique wine paring dinner and olfactory journey by a Parisian fragrance, Goutal. Guests enjoyed discovering the luxury timepieces while revelled in the evening with a scrumptious 5-courses fine dining menu.

2–17 December 2021

FRANCK MULLER x The Glenrothes Whisky Pairing VIP Dinner

To celebrate the 18th anniversary of Crazy Hours collection, FRANCK MULLER announced its exclusive partnership with the exceptional Speyside single malt whisky brand, The Glenrothes in Hong Kong. Esteemed guests were invited to Central boutique to unveil the latest Vanguard Skeleton collection, alongside with the limited edition of Crazy Hours Black Badge by Rolls-Royce Geneva. Guests enjoyed the exquisite evening with refined culinary experience paired with top-notch whisky, while admiring the most exclusive luxury timepieces.

1 March–31 May 2022

FRANCK MULLER x Bamford Watch Department Snoopy Inspired Crazy Hours Exhibition

Together with Elegant Watch and Jewellery, FRANCK MULLER took over the striking facade at K11 Musea Elegant boutique and launched the worldwide exclusive Snoopy inspired Crazy Hours timepiece with Bamford Watch Department. A watch like no other. Featuring Snoopy on the dial, the complex mechanical movement allows the hours hand to jump to the next in the correct order and is now further highlighted with Snoopy's arms as the hour and minutes hands.

Macau

3 March–31 May 2022

FRANCK MULLER Vanguard “Skeletonized” Exhibition

FRANCK MULLER unveiled the Vanguard “Skeletonized” exhibition at T Galleria by DFS, City of Dreams, Macau. The exhibition presented the brand's exquisite skeleton craftsmanship, a mesmerizing view of the skeletonized details is showcased in gigantic form. On the ingenious installation as well the display on spot, it invites leading guests to experience the passion for watchmaking and exquisite craftsmanship of the brand.

Performance by business operations and geographical markets

Watch distribution

Hong Kong, Mainland China and Macau remained the key revenue drivers, contributing together HK\$124.5 million which accounted for 83.7% of the Group's total revenue in FY2022.

Hong Kong

Hong Kong continues to be the Group's major market, accounting for 37.5% of the Group's revenue in FY2022. Performance in this market recorded an increase in revenue by 13.8% from HK\$49.1 million in the previous year to HK\$55.8 million this year.

Mainland China and Macau

The percentage contribution of Mainland China and Macau to the Group's total revenue decreased from 46.7% in FY2021 to 46.2% in FY2022. Sales in this region showed an increase of 7.9% to HK\$68.7 million from HK\$63.6 million last year.

Other locations

The Group's other locations' (i.e. Taiwan, Singapore and Korea) segment recorded a revenue of HK\$11.9 million in FY2022, being 19.6% lower than HK\$14.8 million last year.

Property investment

Revenue from property investment in Mainland China amounted to HK\$12.3 million in FY2022, being 39.6% higher than HK\$8.8 million in FY2021 due to increase 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 decreased by HK\$52.6 million, or 25.1%, from HK\$209.4 million for the year ended 31 March 2021 to HK\$156.8 million for the year ended 31 March 2022.

Loss from a discontinued operation

Loss from a discontinued operation for the year ended 31 March 2022 was HK\$Nil as compared to a loss of HK\$0.9 million for the year ended 31 March 2021. 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 continued 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 and development 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 and will strive to seek new development opportunities with an innovative mindset.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 March 2022, the Group had cash and bank balances totaling HK\$89.7 million when compared with HK\$108.5 million as at 31 March 2021. At 31 March 2022, the Group's gearing ratio (net debt divided by equity) was 54.1% and the Group has outstanding bank borrowing at the amount of HK\$185.4 million.

At 31 March 2022, details of the Group's investments in equity instruments were as below:

Stock Code	Stock Name	At 31 March 2022		FY2022	
		No. of shares held	Fair value HK\$'000	Change in fair value recognised in consolidated statement of profit or loss HK\$'000	Change in fair value recognised in consolidated statement of other comprehensive income HK\$'000
3823	Tech Pro Technology Development Ltd.	36,760,000	1,323	(184)	–
3886	Town Health International Medical Group Ltd.	–	–	1,452	–
627	Fullsun International Holdings Group Co., Ltd.	12,065,000	145	(96)	–
663	King Stone Energy Group Ltd.	31,700,000	7,894	–	(41,561)
Total			<u>9,362</u>	<u>1,172</u>	<u>(41,561)</u>

These investments were listed and delisted securities measured at fair value. As at 31 March 2022, investments in equity instruments amounted to HK\$9.4 million.

In FY2022, a net fair value gain of HK\$1.2 million was charged to the consolidated statement of profit or loss directly while a net fair value loss of HK\$41.6 million was charged to consolidated statement of other comprehensive income to reflect the overall decrease in fair value of the investments in equity instruments.

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

It was noted that trading in the shares of Tech Pro Technology Development Limited and 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 were 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; and the trading in the shares of Fullsun International Holdings Group Co., Limited has been resumed from 9:00 a.m. on 26 November 2021, details of which are referred to in the announcement issued by Fullsun International Holdings Group Co., Limited on 25 November 2021 and the notice issued by the Stock Exchange on 26 November 2021 on its official website.

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

The Group's net current assets decreased to HK\$264.2 million as at 31 March 2022 from HK\$265.4 million as at 31 March 2021. Net assets reduced to HK\$546.9 million as at 31 March 2022 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 PRINCIPAL RISK: FOREIGN EXCHANGE EXPOSURE

As at 31 March 2022, 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 2022.

The Group recorded a realised exchange gain of HK\$0.5 million in FY2022 as compared to a loss of HK\$2.5 million in FY2021. In addition, the Group booked an unrealised exchange loss of HK\$0.3 million in FY2022 against a gain of HK\$10.1 million in FY2021. There was a loss of HK\$74.7 million on fair value change of investment properties in FY2022 while a loss of HK\$133.3 million in FY2021. There was HK\$1.2 million gain on fair value change of financial assets at FVTPL in FY2022 as compared to a gain of HK\$5.7 million in FY2021.

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 2022, (i) investment properties at fair value of RMB422.9 million (equivalent to HK\$522.4 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\$14.8 million), (iv) restricted banks deposit of RMB3.0 million (equivalent to HK\$3.7 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 RMB150.1 million (equivalent to HK\$185.4 million) (2021: RMB78.5 million (equivalent to HK\$93.1 million)).

CONTINGENT LIABILITIES

Except as disclosed in note 13 to the consolidated financial statements set out in this announcement, the Group had no other material contingent liabilities as at 31 March 2022.

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 2022, the Group’s work force stood at 123 including Directors (31 March 2021: 117). 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 2022, except for the following deviations.

In respect of code provision A.1.1 (which has been renumbered as code provision C.5.1 since 1 January 2022) of the CG Code, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the year, the Board held three regular Board meetings. The significant matters concerning the business activities and operation of the Group had been either duly reported, discussed and resolved at the three regular Board meetings or dealt with by the Board by way of written resolutions for expeditious commercial decisions making purposes.

In respect of code provision A.1.3 (which has been renumbered as code provision C.5.3 since 1 January 2022) of the CG Code, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the year, a regular Board meeting was convened with less than 14 days' notice to enable the Board members to react timely and make expeditious decision in respect of transactions which were of significance to the Group's business. The Board will do its best endeavours to meet the requirement of this code provision in the future.

In respect of code provision A.2.1 (which has been renumbered as code provision C.2.1 since 1 January 2022) of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. From 1 April 2021 to 30 November 2021, Mrs. Chu Yuet Wah was the Chairman of the Board and Mr. Zhang Xiaoliang was the Deputy Chairman and the Chief Executive Officer of the Company. With effect from 1 December 2021, Mr. Zhang Xiaoliang has become the Chairman of the Board and the Chief Executive Officer of the Company. During the year, the Group has been streamlining its operations, including business development, operation efficiency and financial management to overcome the unfavourable market condition caused by the persistent COVID-19 pandemic. The Board considers that it would be in the best interest of the shareholders of the Company that the roles of the Chairman and the Chief Executive Officer of the Company be combined to enable a strong and dedicated leadership to reposition the Company and implement effective measures to improve shareholders' value especially when the business prospects remain fairly challenging. The Company will review the current structure when and as it becomes appropriate.

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 2022.

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

During the year ended 31 March 2022, 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 2022 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.

EVENT AFTER THE REPORTING PERIOD

On 9 June 2022, the third reading of a bill for cancelling the Mandatory Provident Fund (“MPF”) offsetting mechanism was passed in the Legislative Council. After the bill takes effect, employers can no longer offset employees’ severance payments or long-service payments against the MPF derived from the employers’ mandatory and voluntary contributions. The offsetting mechanism will be cancelled starting from 2025.

The Group has several post-employment benefit plans and the matter mentioned above will have impact to the Group’s provision for long service payments (“LSP”). The cancelation of the MPF offsetting may constitute the change in accounting policy on the LSP. Upon the MPF offsetting mechanism is cancelled, the Group can no longer deduct LSP from their portion of MPF contributions. The abolition of the offsetting arrangement has no retrospective effect.

As at the date of the issue of the audited financial statements for the year ended 31 March 2022, the exact effective date of the abolition is yet to be determined and the detail arrangement is yet to be announced by the government. This is a non-adjusting event after the reporting period as the event did not relate to the obligation of the LSP at the end of the reporting period, but reflects the circumstances (i.e. the law) that have arisen subsequently.

Other than the abovementioned, no other material subsequent event has been noted.

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 2022 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites on or before 15 August 2022.

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

Hong Kong, 29 July 2022

As at the date of this announcement, the Executive Directors of the Company are Mr. Zhang Xiaoliang (Chairman and Chief Executive Officer), Mr. Chu, Kingston Chun Ho (Vice Chairman), Mrs. Chu Yuet Wah, 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.