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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 2022**

#### **INTERIM RESULTS**

The board (the “Board”) of directors (the “Directors”) of Sincere Watch (Hong Kong) Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2022 (“H1 FY2023”) together with the unaudited comparative figures for the corresponding six months ended 30 September 2021 (“H1 FY2022”).

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

*For the six months ended 30 September 2022*

		<b>For the six months ended 30 September</b>	
	<i>Notes</i>	<b>2022</b>	2021
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	3	<b>45,474</b>	68,808
Cost of sales		<b>(31,883)</b>	(43,739)
Gross profit		<b>13,591</b>	25,069
Other income and net gains and losses	4	<b>2,931</b>	(781)
Provision for impairment on property, plant and equipment		–	(340)
Selling and distribution costs		<b>(12,870)</b>	(17,231)
General and administrative expenses		<b>(38,452)</b>	(29,612)
Provision for expected credit losses on financial assets		<b>(1,333)</b>	(322)
Finance costs		<b>(9,987)</b>	(9,778)
Loss before taxation, exchange (loss)/gain, fair value changes of investment properties and financial assets at fair value through profit or loss		<b>(46,120)</b>	(32,995)
Realised exchange (loss)/gain		<b>(41)</b>	83
Unrealised exchange loss		<b>(1,328)</b>	(317)
Fair value change of financial assets at fair value through profit or loss (“FVTPL”)		<b>(24)</b>	1,452
Loss before taxation		<b>(47,513)</b>	(31,777)
Income tax expense	5	<b>(49)</b>	(570)
Loss for the period		<b>(47,562)</b>	(32,347)
Loss for the period attributable to:			
Owners of the Company		<b>(47,374)</b>	(32,347)
Non-controlling interests		<b>(188)</b>	–
		<b>(47,562)</b>	(32,347)

		<b>For the six months ended</b>	
		<b>30 September</b>	
		<b>2022</b>	2021
<i>Notes</i>		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	(unaudited)
<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>824</b>	(35,189)
Items that may be subsequently reclassified to profit or loss			
—	Exchange differences on translation of foreign operations	<u>(48,971)</u>	<u>10,283</u>
Other comprehensive income for the period		<u>(48,147)</u>	<u>(24,906)</u>
Total comprehensive income for the period		<u><b>(95,709)</b></u>	<u><b>(57,253)</b></u>
Total comprehensive income for the period attributable to:			
	Owners of the Company	<b>(95,529)</b>	(57,253)
	Non-controlling interests	<u>(180)</u>	<u>—</u>
		<u><b>(95,709)</b></u>	<u><b>(57,253)</b></u>
Loss per share attributable to owners of the Company			
	— basic and diluted	<u><b>(0.78) HK cent</b></u>	<u><b>(0.54) HK cent</b></u>
		8	

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2022*

	<i>Notes</i>	<b>30 September 2022 HK\$'000 (unaudited)</b>	31 March 2022 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	39,533	44,437
Investment properties	10	466,543	522,366
Financial assets at FVOCI	12	8,718	7,894
Other receivables	13	8,217	8,957
Deferred tax assets		94	94
		<b>523,105</b>	583,748
<b>Current assets</b>			
Inventories		258,138	280,810
Trade and other receivables	13	73,683	62,458
Financial assets at FVTPL	11	1,444	1,468
Pledged and restricted bank deposits		13,733	18,524
Bank balances and cash		24,052	71,199
		<b>371,050</b>	434,459
<b>Current liabilities</b>			
Trade and other payables	14	128,517	101,342
Contract liabilities		2,974	1,181
Lease liabilities		22,228	28,135
Bank borrowing	15	12,742	13,649
Note payable	16	24,000	–
Loan from a shareholder		16,077	24,326
Taxation payable		1,576	1,579
		<b>208,114</b>	170,212
<b>Net current assets</b>		<b>162,936</b>	264,247
<b>Total assets less current liabilities</b>		<b>686,041</b>	847,995

		<b>30 September 2022</b>	31 March 2022
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(unaudited)</b>	(audited)
Non-current liabilities			
Bank borrowing	<i>15</i>	<b>146,891</b>	171,755
Note payable	<i>16</i>	–	23,792
Loan from a shareholder		<b>53,454</b>	61,611
Lease liabilities		<b>33,975</b>	43,958
		<u><b>234,320</b></u>	<u>301,116</u>
Net assets		<u><b>451,721</b></u>	<u>546,879</u>
Capital and reserves			
Share capital	<i>17</i>	<b>120,879</b>	120,879
Reserves		<b>330,471</b>	426,000
Equity attributable to:			
Owners of the Company		<b>451,350</b>	546,879
Non-controlling interests		<b>371</b>	–
Total equity		<u><b>451,721</b></u>	<u>546,879</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2022*

	Attributable to owners of the Company						Non- controlling interests	Total equity	
	Share capital	Share premium	FVOCI reserve	Special reserve	Translation reserve	Accumulated losses			Sub-total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
At 1 April 2021 (audited)	120,879	963,553	5,389	801	(25,176)	(339,801)	725,645	–	725,645
Exchange differences on translation of foreign operations	–	–	–	–	10,283	–	10,283	–	10,283
Fair value change of financial assets at FVOCI	–	–	(35,189)	–	–	–	(35,189)	–	(35,189)
Loss for the period	–	–	–	–	–	(32,347)	(32,347)	–	(32,347)
Total comprehensive income for the period	–	–	(35,189)	–	10,283	(32,347)	(57,253)	–	(57,253)
<b>At 30 September 2021 (unaudited)</b>	<u>120,879</u>	<u>963,553</u>	<u>(29,800)</u>	<u>801</u>	<u>(14,893)</u>	<u>(372,148)</u>	<u>668,392</u>	<u>–</u>	<u>668,392</u>
At 1 April 2022 (audited)	<u>120,879</u>	<u>963,553</u>	<u>(36,172)</u>	<u>801</u>	<u>(5,562)</u>	<u>(496,620)</u>	<u>546,879</u>	<u>–</u>	<u>546,879</u>
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	551	551
Exchange differences on translation of foreign operations	–	–	–	–	(48,979)	–	(48,979)	8	(48,971)
Fair value change of financial assets at FVOCI	–	–	824	–	–	–	824	–	824
Loss for the period	–	–	–	–	–	(47,374)	(47,374)	(188)	(47,562)
Total comprehensive income for the period	–	–	824	–	(48,979)	(47,374)	(95,529)	(180)	(95,709)
<b>At 30 September 2022 (unaudited)</b>	<u>120,879</u>	<u>963,553</u>	<u>(35,348)</u>	<u>801</u>	<u>(54,541)</u>	<u>(543,994)</u>	<u>451,350</u>	<u>371</u>	<u>451,721</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 (the "Stock Exchange") in 2005.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

These unaudited 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 unaudited interim condensed consolidated financial statements were authorised for issue on 29 November 2022.

These unaudited interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2022 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 2022.

The preparation of these unaudited 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 unaudited interim condensed consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated. These unaudited interim condensed consolidated financial statements contain unaudited 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 2022 annual financial statements. These unaudited 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 3, Reference to the Conceptual Framework
- Amendments to HKAS 16, Property, Plant and Equipment — Proceeds before Intended Use
- Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract
- Amendments to HKAS 41, HKFRS 1, HKFRS 9 and HKFRS 16, Annual Improvements to HKFRSs 2018–2020

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 property investment, which are for the analysis based on the geographical locations of the sales.

#### (a) Segment revenue and results

Segment results represent the loss before taxation by each segment and excluding fair value change of 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 2022

	Watch distribution			Sub-total	Property investment	Unallocated	Total
	Hong Kong	Mainland China and Macau	Other locations		Mainland China		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
REVENUE							
External sales	20,175	12,855	7,254	40,284	5,190	-	45,474
RESULT							
Segment results	(13,488)	(15,160)	(55)	(28,703)	(8,890)	(12,827)	(50,420)
Fair value change of financial assets at FVTPL							(24)
Provision for impairment on property, plant and equipment							-
Unallocated expenses							-
Unallocated income							2,931
Loss before taxation							(47,513)
Income tax expense							(49)
Loss for the period							(47,562)



For the six months ended 30 September 2021

	Watch distribution			Sub-total	Property investment	Unallocated	Total
	Hong Kong	Mainland China and Macau	Other locations		Mainland China		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>REVENUE</b>							
External sales	12,808	46,491	4,904	64,203	4,605	-	68,808
<b>RESULT</b>							
Segment results	(22,192)	(4,755)	(2,947)	(29,894)	(6,075)	3,861	(32,108)
Fair value change of financial assets at FVTPL							1,452
Provision for impairment on property, plant and equipment							(340)
Unallocated expenses							(1,931)
Unallocated income							1,150
Loss before taxation							(31,777)
Income tax expense							(570)
Loss for the period							<u>(32,347)</u>

(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 six months ended 30 September 2022**

	<b>Watch distribution HK\$'000 (unaudited)</b>	<b>Property investment HK\$'000 (unaudited)</b>	<b>Total HK\$'000 (unaudited)</b>
Primary geographical markets			
Hong Kong	20,175	–	20,175
Mainland China and Macau	12,855	5,190	18,045
Other locations	7,254	–	7,254
	<u>40,284</u>	<u>5,190</u>	<u>45,474</u>
Major products and services			
Wholesales of watch	24,367	–	24,367
Retail sales of watch	14,407	–	14,407
Repair of watch	1,510	–	1,510
Rental income	–	5,190	5,190
	<u>40,284</u>	<u>5,190</u>	<u>45,474</u>
Timing of revenue recognition			
At a point in time	40,284	5,190	45,474
Transferred over time	–	–	–
	<u>40,284</u>	<u>5,190</u>	<u>45,474</u>

For the six months ended 30 September 2021

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

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

	For the six months ended 30 September	
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)
Interest income	146	133
Rent concession ( <i>Note (a)</i> )	845	199
Loss on modification of note payable	–	(1,931)
Government subsidy	1,500	121
Overprovision of reinstatement cost	324	303
Others	116	394
	<u>2,931</u>	<u>(781)</u>

*Note:*

- (a) Rent concession represents the change in lease payment occurred as a direct consequence of COVID-19-related rent concession of HK\$845,000 (2021: HK\$199,000).

## 5. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
The charge comprises:		
Current tax		
Hong Kong profits tax	–	–
Other jurisdictions	(49)	(570)
	<u>(49)</u>	<u>(570)</u>

Hong Kong Profits Tax is calculated at 16.5% (30 September 2021: 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

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

	For the six months ended 30 September	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Directors' remuneration	1,711	2,569
Other staff costs	16,303	14,982
Other staff's retirement benefits scheme contributions	656	560
	<u>18,670</u>	<u>18,111</u>
Total staff costs		
Depreciation of property, plant and equipment	14,373	14,869
Interest on lease liabilities	2,113	2,400
Short-term leases expenses	57	530
Variable lease payments	198	388
Rent concession	(845)	(199)
Provision for impairment of property, plant and equipment	–	340
Provision for expected credit losses on financial assets	1,333	322
Cost of inventories recognised as an expense (including write-down of inventories HK\$590,000 (2021: HK\$4,448,000))	31,883	43,739
Government subsidy	(1,500)	(121)
Interest income	(146)	(133)
Direct operating expenses arising from investment property that generated rental income during the period	425	286
	<u>425</u>	<u>286</u>

## 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 2022 (30 September 2021: Nil).

No final dividend for the year ended 31 March 2022 was declared and paid during the period (31 March 2021: Nil).

## 8. 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:

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the purpose of basic and diluted earnings per share	<u>(47,374)</u>	<u>(32,347)</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 2022 and 2021 are the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the periods.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group entered into new leases for shops and offices with right-of-use assets amounted to approximately HK\$779,000 (30 September 2021: HK\$6,017,000) recognised.

During the period, additions to the Group's property, plant and equipment amounted to approximately HK\$9,027,000 (30 September 2021: HK\$5,115,000) which mainly included the additions to leasehold improvements amounting to approximately HK\$8,335,000 (30 September 2021: HK\$5,047,000) 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\$Nil (30 September 2021: HK\$340,000) was recognised and charged to the unaudited interim condensed consolidated statement of profit or loss and other comprehensive income for the 6 months period ended 30 September 2022. 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\$25,974,000 (31 March 2022: HK\$35,126,000) and other property, plant and equipment amounted to HK\$13,559,000 (31 March 2022: HK\$9,311,000) were recognised as at 30 September 2022.

## 10. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
At 1 April 2021	574,622
Fair value change	(74,730)
Exchange realignment	22,474
	<hr/>
At 31 March 2022 (audited)	<b>522,366</b>
Fair value change	–
Exchange realignment	<b>(55,823)</b>
	<hr/>
At 30 September 2022 (unaudited)	<b><u>466,543</u></b>

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 2022 and 31 March 2022.

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 2021 (Level 3 recurring fair value)	574,622
Change in fair value recognised in profit or loss	(74,730)
Exchange realignment	22,474
	<hr/>
At 31 March 2022 (audited) (Level 3 recurring fair value)	<b>522,366</b>
Change in fair value recognised in profit or loss	–
Exchange realignment	<b>(55,823)</b>
	<hr/>
At 30 September 2022 (unaudited) (Level 3 recurring fair value)	<b><u>466,543</u></b>

Rental income of HK\$5,190,000 was recognised during the period ended 30 September 2022 (30 September 2021: HK\$4,605,000).

As at 30 September 2022, Group's investment property are pledged to banks to secure bank loans of RMB144,700,000 (equivalent to HK\$159,633,000) to the Group (note 15).

## 11. FINANCIAL ASSETS AT FVTPL

		<b>30 September 2022</b>	31 March 2022
	<i>Note</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(unaudited)</b>	(audited)
Other long term investment		—	—
Listed equity securities in Hong Kong			
Listed equity securities in Hong Kong	(a)	121	145
Delisted equity securities in Hong Kong	(a)	1,323	1,323
		<u>1,444</u>	<u>1,468</u>
Total financial assets at FVTPL		<u>1,444</u>	<u>1,468</u>
Classified as			
Current assets		<u>1,444</u>	<u>1,468</u>

*Note:*

- (a) 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 2022 (audited)	1,468
Fair value change of financial assets measured at FVTPL	<u>(24)</u>
As at 30 September 2022 (unaudited)	<u>1,444</u>

## 12. FINANCIAL ASSETS AT FVOCI

	<b>30 September 2022</b>	31 March 2022
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(unaudited)</b>	(audited)
Listed equity securities in Hong Kong	<u>8,718</u>	<u>7,894</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 2022 HK\$'000 (unaudited)</b>	31 March 2022 HK\$'000 (audited)
Trade receivables	<b>4,138</b>	19,429
Other receivables, deposits and prepayments	<b>77,762</b>	51,986
	<b>81,900</b>	71,415
Classified as		
Non-current assets		
— Other receivables and deposits	<b>8,217</b>	8,957
Current assets		
— Trade receivables	<b>4,138</b>	19,429
— Other receivables, deposits and prepayments	<b>69,545</b>	43,029
	<b>73,683</b>	62,458
	<b>81,900</b>	71,415

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

	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	<b>2,720</b>	17,510
31–90 days	<b>636</b>	1,274
Over 90 days	<b>782</b>	645
	<b>4,138</b>	19,429

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

As at 30 September 2022, loss allowances of HK\$14,596,000 were made against the gross amount of trade receivables (31 March 2022: HK\$16,787,000).

As at 30 September 2022, loss allowances of HK\$5,091,000 were made against the gross amount of other receivables (31 March 2022: HK\$3,495,000).



#### 14. TRADE AND OTHER PAYABLES

	<b>30 September 2022 HK\$'000 (unaudited)</b>	31 March 2022 HK\$'000 (audited)
Trade payables	<b>52,063</b>	31,139
Other payables and accrued charges	<b>76,454</b>	70,203
	<b><u>128,517</u></b>	<u>101,342</u>

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>20,984</b>	13,445
91–365 days	<b>24,338</b>	16,265
Over 365 days	<b>6,741</b>	1,429
	<b><u>52,063</u></b>	<u>31,139</u>

#### 15. BANK BORROWINGS

	<b>30 September 2022 HK\$'000 (unaudited)</b>	31 March 2022 HK\$'000 (audited)
<b>Secured borrowings</b>		
Bank borrowings	<b>159,633</b>	185,404
Classified as:		
Current	<b>12,742</b>	13,649
Non-current	<b>146,891</b>	171,755
	<b><u>159,633</u></b>	<u>185,404</u>

As at 30 September 2022, the Group had secured bank borrowings of HK\$159,633,000 (31 March 2022: HK\$185,404,000) and borne interest ranging from 6.05% to 6.30% (31 March 2022: from 6.05% to 6.30%).

The banking facility is subject to the fulfilment of covenants, if the covenants were breached, the drawn down facilities would become repayable on demand. As at 30 September 2022, none of the covenants relating to bank borrowings had been breached.

The bank borrowings are secured by the followings as at 30 September 2022:

- (i) Group's investment property with carrying amount of HK\$466,543,000 (note 10);
- (ii) Trade receivables of rental income generated from the pledged investment properties;
- (iii) Pledged bank deposit of HK\$13,239,000;
- (iv) Restricted bank deposit of HK\$494,000;
- (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:

	<b>30 September 2022 HK\$'000 (unaudited)</b>	31 March 2022 HK\$'000 (audited)
On demand or within one year	<b>12,742</b>	13,649
More than one year, but not exceeding two years	<b>85,388</b>	14,576
More than two years, but not exceeding five years	<b>27,028</b>	113,021
After five years	<b>34,475</b>	44,158
	<b>159,633</b>	185,404

## 16. 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%.

	<b>30 September 2022 HK\$'000 (unaudited)</b>	31 March 2022 HK\$'000 (audited)
Classified as		
Current liability	<b>24,000</b>	–
Non-current liability	–	23,792
	<b>24,000</b>	23,792

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 was 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 modification of note payable amounted to HK\$1,931,000 was recognised in other income and net gains and losses for the period ended 30 September 2021.

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.

## 17. SHARE CAPITAL

	Number of Shares	Share capital HK\$'000
Authorised:		
— Ordinary shares of HK\$0.02 each	20,000,000,000	400,000
Issued and fully paid:		
At 1 April 2021, 31 March 2022, 1 April 2022 and 30 September 2022		
— 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:

	<i>Notes</i>	<b>For the six months ended</b>	
		<b>2022</b>	<b>2021</b>
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Administrative service fee paid to a related company	<i>(i)</i>	<b>120</b>	120
Brokerage fee paid to a related company	<i>(i)</i>	<b>–</b>	10
Interest paid to a shareholder	<i>(i)</i>	<b>2,323</b>	2,472
Lease payments and other related expenses paid to a related company	<i>(i)</i>	<b>3,803</b>	3,709
Lease payments and other related expenses paid to a related party	<i>(ii)</i>	<b><u>2,775</u></b>	<b><u>2,838</u></b>

- (i) A shareholder of the Company is also a director and shareholder of the related company.
- (ii) The ultimate beneficial owner of the landlord is a close family member of a shareholder and director of the Company.

## 19. APPROVAL OF UNAUDITED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 29 November 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The Group's revenue in H1 FY2023 decreased by 33.9% from HK\$68.8 million to HK\$45.5 million over the same period last year. The decrease was mainly due to lockdown policy and COVID-19 prevention measures in Mainland China.

Gross profit in H1 FY2023 decreased by 45.8% from HK\$25.1 million to HK\$13.6 million over the same period last year. Gross margin decreased from 36.4% to 29.9% due to decrease in revenue and the global pandemic of the COVID-19 during the period.

Other income and net gains and losses in H1 FY2023 were net gains of HK\$2.9 million as compared to net losses of HK\$0.8 million in H1 FY2022. The improvement was driven by significant increase in one-off rent concession and government subsidies received in H1 FY2023 of HK\$0.8 million and HK\$1.5 million respectively.

Selling and distribution costs decreased by 25.3% from HK\$17.2 million in H1 FY2022 to HK\$12.9 million in H1 FY2023 mainly due to the reduction in depreciation expenses of right-of-use assets.

General and administrative expenses increased by 29.9% from HK\$29.6 million in H1 FY2022 to HK\$38.5 million in H1 FY2023 mainly due to the increase in professional fees and staff costs.

Finance costs increased by 2.1% from HK\$9.8 million in H1 FY2022 to HK\$10.0 million in H1 FY2023 mainly due to the increase in the total loan and borrowing.

Loss attributable to owners of the Company in H1 FY2023 was HK\$47.4 million as compared to HK\$32.3 million in H1 FY2022.

Loss per share attributable to owners of the Company was 0.78 HK cent in H1 FY2023 (H1 FY2022: 0.54 HK cent). Net asset value per share was 7.5 HK cents as at 30 September 2022 against 9.0 HK cents as at 31 March 2022.

## **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 (59 as at 31 March 2022).

Other than the 5 boutiques operated by the Group, the remaining 54 watch retail outlets are operated by 27 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 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***

*16–19 June 2022*

#### **FRANCK MULLER Hangzhou Tower Event**

FRANCK MULLER unveiled the new concept boutique in Hangzhou Tower, a prime shopping location in the landmark of Hangzhou City 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 colorful popcorn stand was displayed at the shop front together with complimentary summer drinks for clients to enjoy while welcoming them for a horological journey at the new FRANCK MULLER boutique.

*30 July 2022*

### Chinese Valentine's Day — Shenyang Mix C Boutique

To celebrate the Qixi Festival, VIPs were invited to attend this special event hosted at Shenyang Mix C Mall VIP lounge. Guests were pleased to kick off the event with watch presentation to reveal the latest collection, followed by a DIY Aroma Plaster workshop to customize the scents that suits their own taste.

### ***Hong Kong***

*5–7, 11–14 May 2022*

### Exclusive Premium Skincare and Floral Workshop

To tie-in with Mother's Day, esteemed guests were invited to the FRANCK MULLER flagship boutique in Central to reveal the latest Vanguard Aqua Bleu and Cintrée Curvex Two-tone Collection. Guests were pleased to customize their own preserve roses with dazzled iconic numerals, followed by a prestige hand massage by premium skincare brand, AMOREPACIFIC to experience the reactivation of clock gene. Guests enjoyed a splendid afternoon tea while admiring the latest fascinating ladies' collection.

*21 June 2022*

### FRANCK MULLER x Yes Watch VIP Dinner

Together with the prestige retail partner Yes Watch and the exceptional Speyside single malt whisky brand, The Glenrothes, FRANCK MULLER hosted a VIP dinner at the Central flagship boutique to unveil the latest Vanguard Aqua Bleu Collection. The esteemed guests enjoyed a scrumptious menu prepared by The Mandarin Oriental, while revealing the latest timepiece collection. The co-hosted event tributes to clients with refined taste who appreciate exceptional quality and fine craftsmanship.

*8–12 September 2022*

### World Brand Piazza 2022

Prince Jewellery & Watch Company gathered 12 world renowned watch brands and successfully hosted the 12th edition of World Brand Piazza at the Hong Kong Watch & Clock Fair. Dedicated exhibition areas were honoured to FRANCK MULLER and CVSTOS to display the latest novelties. FRANCK MULLER presented the hero piece, The Skafander, bestowed with a tonneau-shaped case as well as an innovative solution to adjust the dive bezel, while CVSTOS unveiled SEALINER Sapphire showcased in a sophisticated full sapphire crystal case that combines timeless elegance with visual fascination.

*September 2022*

## 2022 Miss Hong Kong Pageant

Once again, FRANCK MULLER is pleased to be one of the official sponsors for Miss Hong Kong Pageant in 2022. The brand has contributed its refined luxury timepieces as prizes to the 6 winners including Miss Hong Kong, 1st runner up, 2nd runner up, Miss Photogenic, Miss International Goodwill and Miss Friendship. The prize presentation was held at FRANCK MULLER Central boutique, the new Miss Hong Kong 2022, Miss Denice Lam was presented with the latest bejewelled Vanguard Lady Heart Skeleton diamond timepiece with 7 superimposed hearts positioned throughout the dial over a skeletonized mechanical movement.

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

### *Watch distribution*

Hong Kong, Mainland China and Macau remained the key revenue drivers, contributing together HK\$33.0 million, which accounted for 72.6% of the Group's total revenue, in H1 FY2023.

### *Hong Kong*

Hong Kong was the Group's major market and contributed 44.4% of the Group's revenue in H1 FY2023. Revenue in this region increased by 57.5% from HK\$12.8 million in H1 FY2022 to HK\$20.2 million in H1 FY2023.

### *Mainland China and Macau*

Mainland China and Macau contributed 28.3% of the Group's revenue in H1 FY2023. Revenue in this region was HK\$12.9 million in H1 FY2023 as compared to HK\$46.5 million in H1 FY2022.

### *Other locations*

Revenue from other locations increased by 47.9% from HK\$4.9 million in H1 FY2022 to HK\$7.3 million in H1 FY2023.

### *Property investment*

Revenue from investment properties was derived from two properties located in the Mainland China. Their rental income increased from HK\$4.6 million in H1 FY2022 to HK\$5.2 million in H1 FY2023 due to increase in occupancy rate.



## 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 2022, the Group maintained the cash and bank balances of HK\$37.8 million when compared with its cash and bank balances of HK\$89.7 million as at 31 March 2022. Gearing ratio (net debt divided by total equity) was 63.2% at 30 September 2022 (31 March 2022: 54.1%). The Group has outstanding bank borrowing at the amount of HK\$159.6 million.

At 30 September 2022, details of the Group's investments in equity instruments were as below:

Stock code	Stock name	At 30 September 2022		H1 FY2023	
		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	1,323	-	-
627	Fullsun International Holdings Group Co., Ltd.	12,065,000	121	(24)	-
663	King Stone Energy Group Ltd.	31,702,000	8,718	-	824
Total			<u>10,162</u>	<u>(24)</u>	<u>824</u>

These investments were listed and delisted securities which were measured at fair value. As at 30 September 2022, investments in equity instruments amounted to approximately HK\$10.2 million.

During the period under review, a net fair value loss of approximately HK\$0.02 million was recognised in the statement of profit or loss while a net fair value gain of approximately HK\$0.82 million was recognised in the statement of other comprehensive income.

It was noted that trading in the shares of Tech Pro Technology Development Limited has been suspended since 9:00 a.m. on 9 November 2017, details of which are referred to in the announcement made by Tech Pro Technology Development Limited on 9 November 2017. 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\$264.2 million as at 31 March 2022 to HK\$162.9 million as at 30 September 2022. Net assets reduced to HK\$451.7 million as at 30 September 2022 as compared to HK\$546.9 million as at 31 March 2022. 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 2022, the total number of issued shares of the Company was 6,043,950,000 (31 March 2022: 6,043,950,000). There was no change in the capital structure of the Company during the six months ended 30 September 2022.

The Group recorded a realised exchange loss of HK\$0.04 million in H1 FY2023 as compared with gain of HK\$0.08 million in H1 FY2022. In addition, the Group recognised an unrealised exchange loss of HK\$1.3 million in H1 FY2023 against a loss of HK\$0.3 million in H1 FY2022.

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 2022, (i) investment property at fair value of RMB422.9 million (equivalent to HK\$466.5 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\$13.2 million), (iv) restricted bank deposit of RMB0.4 million (equivalent to HK\$0.5 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 RMB144.7 million (equivalent to HK\$159.6 million) (31 March 2022: RMB150.1 million (equivalent to HK\$185.4 million)).

### **CAPITAL COMMITMENT**

As at 30 September 2022, the Group had contracted, but not provided for capital expenditure commitment of HK\$4.1 million (31 March 2022: HK\$0.8 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 2022 (31 March 2022: Nil).

### **EMPLOYMENT AND REMUNERATION POLICY**

As at 30 September 2022, the Group’s work force stood at 113 including Directors (31 March 2022: 123). 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 2022.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has complied with all code provisions set out in Part 2 of 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”) during the six months ended 30 September 2022, except for the following deviation.

In respect of code provision C.2.1 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. Since 1 December 2021, Mr. Zhang Xiaoliang has become the Chairman of the Board and the Chief Executive Officer of the Company. 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 during the six months ended 30 September 2022.

## **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. The Audit Committee 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 2022.

## **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 2022 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**  
*Chairman and Chief Executive Officer*

Hong Kong, 29 November 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), Mr. Yang Guangqiang and Mr. An Muzong; the Non-executive Director of the Company is Mrs. Chu Yuet Wah; 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.*