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

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

**(Stock Code: 444)**

### **UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023**

#### **UNAUDITED FINANCIAL HIGHLIGHTS**

- Revenue of the Group for the financial year ended 31 March 2023 (“FY2023”) decreased by 34% from HK\$148,719,000 to HK\$98,212,000 when compared with last financial year (“FY2022”) mainly due to decrease in revenue in Mainland China.
- Loss for FY2023 increased by 18% to HK\$185,495,000 (FY2022: HK\$156,819,000), mainly due to decrease in revenue in Mainland China during the year.
- Loss per share was 3.05 HK cents for FY2023 (FY2022: 2.59 HK cents).
- The Board does not recommend the payment of a final dividend for FY2023 (FY2022: Nil).

#### **UNAUDITED FINANCIAL RESULTS**

The board (the “Board”) of directors (the “Directors”) of Sincere Watch (Hong Kong) Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2023 (“2023”), together with the comparative figures for the corresponding year ended 31 March 2022 (“2022”).

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

*For the year ended 31 March 2023*

	<i>NOTES</i>	<b>2023</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2022 <i>HK\$'000</i> <b>(Audited)</b>
Revenue	3	<b>98,212</b>	148,719
Cost of sales		<b>(79,778)</b>	(91,880)
Gross profit		<b>18,434</b>	56,839
Other income and other net gains and losses	4	<b>3,718</b>	1,633
Provision for impairment on property, plant and equipment		<b>(16,368)</b>	(11,074)
Selling and distribution costs		<b>(28,833)</b>	(34,992)
General and administrative expenses		<b>(84,994)</b>	(71,731)
Expected credit losses on financial assets		<b>(714)</b>	(1,285)
Reversal of expected credit losses on financial assets		<b>1,686</b>	222
Finance costs	5	<b>(20,293)</b>	(21,102)
Loss before taxation, exchange (loss)/gain, fair value changes of investment properties and financial assets at fair value through profit or loss		<b>(127,364)</b>	(81,490)
Realised exchange (loss)/gain		<b>(198)</b>	526
Unrealised exchange loss		<b>(3,122)</b>	(270)
Fair value change of investment properties	10	<b>(54,620)</b>	(74,730)
Fair value change of financial assets at fair value through profit or loss ("FVTPL")	11	<b>(135)</b>	1,172
Loss before taxation		<b>(185,439)</b>	(154,792)
Income tax expense	6	<b>(56)</b>	(2,027)
Loss for the year	7	<b>(185,495)</b>	(156,819)
Loss for the year attributable to:			
Owners of the Company		<b>(184,416)</b>	(156,819)
Non-controlling interests		<b>(1,079)</b>	–
		<b>(185,495)</b>	(156,819)

	<b>2023</b>	2022
<i>NOTE</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
<b>Other comprehensive income, net of tax</b>		
<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”)	<b>507</b>	(41,561)
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>(30,915)</u>	<u>19,614</u>
Other comprehensive income for the year	<u>(30,408)</u>	<u>(21,947)</u>
Total comprehensive income for the year	<u><b>(215,903)</b></u>	<u>(178,766)</u>
Total comprehensive income attributable to:		
Owners of the Company	<b>(214,960)</b>	(178,766)
Non-controlling interests	<u>(943)</u>	<u>–</u>
Total comprehensive income for the year, net of income tax	<u><b>(215,903)</b></u>	<u>(178,766)</u>
Loss per share		
— basic and diluted	9 <u><b>(3.05 HK cents)</b></u>	<u>(2.59 HK cents)</u>

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2023*

	<i>NOTES</i>	<b>2023</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2022 <i>HK\$'000</i> <b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>55,240</b>	44,437
Investment properties	<i>10</i>	<b>428,550</b>	522,366
Financial assets at FVOCI	<i>12</i>	<b>8,401</b>	7,894
Other receivables	<i>14</i>	<b>10,152</b>	8,957
Deferred tax assets		<b>94</b>	94
		<hr/> <b>502,437</b>	<hr/> 583,748
<b>Current assets</b>			
Inventories	<i>13</i>	<b>217,286</b>	280,810
Trade and other receivables	<i>14</i>	<b>54,107</b>	62,458
Financial assets at FVTPL	<i>11</i>	<b>1,333</b>	1,468
Bank balances and cash	<i>15</i>	<b>65,475</b>	89,723
		<hr/> <b>338,201</b>	<hr/> 434,459
<b>Current liabilities</b>			
Trade and other payables	<i>16</i>	<b>133,464</b>	101,342
Contract liabilities		<b>4,397</b>	1,181
Lease liabilities		<b>26,931</b>	28,135
Loans and other borrowings		<b>63,197</b>	13,649
Loan from a shareholder		<b>16,566</b>	24,326
Taxation payable		<b>47</b>	1,579
		<hr/> <b>244,602</b>	<hr/> 170,212
Net current assets		<hr/> <b>93,599</b>	<hr/> 264,247
Total assets less current liabilities		<hr/> <b>596,036</b>	<hr/> 847,995

		<b>2023</b>	2022
	<i>NOTES</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Audited)
Non-current liabilities			
Loans and other borrowings		<b>145,136</b>	171,755
Note payable	<i>17</i>	<b>24,000</b>	23,792
Loan from a shareholder		<b>45,045</b>	61,611
Lease liabilities		<b>50,327</b>	43,958
		<u><b>264,508</b></u>	<u>301,116</u>
Net assets		<u><b>331,528</b></u>	<u>546,879</u>
Capital and reserves			
Share capital	<i>18</i>	<b>120,879</b>	120,879
Reserves		<b>211,040</b>	426,000
		<u><b>331,919</b></u>	<u>546,879</u>
Non-controlling interest		<u><b>(391)</b></u>	<u>–</u>
Total equity		<u><b>331,528</b></u>	<u>546,879</u>

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2023*

## 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 unaudited 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 2022

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 37	Onerous Contracts — Costs of Fulfilling a Contract
Amendments to Hong Kong Accounting Standards (“HKAS”) 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 41, HKFRS 1, HKFRS 9 and HKFRS 16	Annual Improvements to HKFRSs 2018–2020
Amendments to HKFRS 3	Reference to the Conceptual Framework

The adoption of the new or revised HKFRSs that are effective for the annual period beginning on or after 1 April 2022 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.

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

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

*Amendments to HKAS 16, Property, Plant and Equipment — Proceeds before Intended Use*

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

*Amendments to HKAS 41, HKFRS 1, HKFRS 9 and HKFRS 16, Annual Improvements to HKFRSs 2018–2020*

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarify the fees included in the ‘10 per cent’ test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.
- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

*Amendments to HKFRS 3, Reference to the Conceptual Framework*

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

**(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 <sup>2</sup>
Amendments to HKAS 1 Amendments to HKAS 1 and HKFRS Practice Statement 2	Non-current Liabilities with Covenants <sup>2</sup> Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8 HKFRS 17	Definition of Accounting Estimates <sup>2</sup> Insurance Contracts and the related Amendments <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

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

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

*Amendments to HKAS 1, Non-current Liabilities with Covenants*

The amendments address the concerns raised by stakeholders on the effects of the amendments to HKAS/IAS 1 Classification of Liabilities as Current or Non-current related to classification of liabilities with covenants. Under the amendments, a covenant affects whether right to defer settlement exists at the end of the reporting period if compliance with the covenant is required on or before the end of the reporting period.



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

The key amendments to HKAS 1 include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

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

*Amendments to HKAS 8, Definition of Accounting Estimates*

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

*HKFRS 17, Insurance Contracts and the related Amendments*

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

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

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

*Amendments to HKFRS 16, Lease liability in a Sale and Leaseback*

The amendments impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

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

The amendments narrow the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied prospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

#### **(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 2023**

	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	47,484	30,671	10,552	88,707	9,366	139	98,212
Inter-segment	268,062	-	-	268,062	-	104,844	372,906
	<u>315,546</u>	<u>30,671</u>	<u>10,552</u>	<u>356,769</u>	<u>9,366</u>	<u>104,983</u>	<u>471,118</u>
RESULT							
Segment result	<u>(38,954)</u>	<u>(4,162)</u>	<u>(5,337)</u>	<u>(48,453)</u>	<u>(15,431)</u>	<u>(8,224)</u>	<u>(72,108)</u>
Interest income							159
Other income							3,559
Finance costs							(20,293)
Depreciation of property, plant and equipment							(26,605)
Provision for impairment on property, plant and equipment							(16,368)
ECLs on financial assets							(714)
Reversal of ECLs on financial assets							1,686
Fair value change of investment properties							(54,620)
Fair value change of financial assets at FVTPL							(135)
Loss before taxation							(185,439)
Income tax expense							(56)
Loss for the year							<u>(185,495)</u>
Segment assets	139,514	43,036	18,089	200,639	607,563	-	808,202
Unallocated assets	-	-	-	-	-	32,436	32,436
Total assets	<u>139,514</u>	<u>43,036</u>	<u>18,089</u>	<u>200,639</u>	<u>607,563</u>	<u>32,436</u>	<u>840,638</u>
Segment liabilities	(130,318)	(32,254)	(1,820)	(164,392)	(235,402)	-	(399,794)
Unallocated liabilities	-	-	-	-	-	(109,316)	(109,316)
Total liabilities	<u>(130,318)</u>	<u>(32,254)</u>	<u>(1,820)</u>	<u>(164,392)</u>	<u>(235,402)</u>	<u>(109,316)</u>	<u>(509,110)</u>
Additions to non-current assets	<u>11,628</u>	<u>7,801</u>	<u>1,478</u>	<u>20,907</u>	<u>4,790</u>	<u>28,711</u>	<u>54,408</u>

Year ended 31 March 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
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
<b>REVENUE</b>							
External sales	55,824	68,669	11,923	136,416	12,303	–	148,719
Inter-segment	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>
<b>RESULT</b>							
Segment result	<u>(5,152)</u>	<u>(1,253)</u>	<u>(5,397)</u>	<u>(11,802)</u>	<u>(8,867)</u>	<u>1,927</u>	<u>(18,742)</u>
Interest income							667
Other income							966
Finance costs							(21,102)
Depreciation of property, plant and equipment							(30,886)
Provision for impairment on property, plant and equipment							(11,074)
ECLs on financial assets							(1,285)
Reversal of ECLs on financial assets							222
Fair value change of investment properties							(74,730)
Fair value change of financial assets at FVTPL							<u>1,172</u>
Loss before taxation							(154,792)
Income tax expense							<u>(2,027)</u>
Loss for the year							<u>(156,819)</u>
Segment assets	268,601	86,787	36,796	392,184	613,954	–	1,006,138
Unallocated assets	–	–	–	–	–	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>
Segment liabilities	(113,225)	(41,141)	(1,148)	(155,514)	(202,965)	–	(358,479)
Unallocated liabilities	–	–	–	–	–	(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>
Additions to non-current assets	<u>21,373</u>	<u>10,724</u>	<u>531</u>	<u>32,628</u>	<u>26</u>	<u>–</u>	<u>32,654</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 year ended 31 March 2023**

	<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	47,484	–	47,484
Mainland China and Macau	30,671	9,366	40,037
Other locations ( <i>Note</i> )	10,552	–	10,552
	<u>88,707</u>	<u>9,366</u>	<u>98,073</u>
Major products and services			
Wholesales of watch	48,527	–	48,527
Retail sales of watch	36,831	–	36,831
Repair of watch	3,349	–	3,349
Rental income	–	9,366	9,366
	<u>88,707</u>	<u>9,366</u>	<u>98,073</u>
Timing of revenue recognition			
At a point in time	88,707	–	88,707
Transferred over time	–	9,366	9,366
	<u>88,707</u>	<u>9,366</u>	<u>98,073</u>

For the year ended 31 March 2022

	Watch distribution <i>HK\$'000</i> (Audited)	Property investment <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Primary geographical markets			
Hong Kong	55,824	–	55,824
Mainland China and Macau	68,669	12,303	80,972
Other locations ( <i>Note</i> )	11,923	–	11,923
	<u>136,416</u>	<u>12,303</u>	<u>148,719</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
Rental income	–	12,303	12,303
	<u>136,416</u>	<u>12,303</u>	<u>148,719</u>
Timing of revenue recognition			
At a point in time	136,416	–	136,416
Transferred over time	–	12,303	12,303
	<u>136,416</u>	<u>12,303</u>	<u>148,719</u>

*Note:* Other locations include Taiwan and other.

#### ***Information about major customers***

Revenue for major customers, each of whom amounted to 10% or more of Group's revenue for the years ended 31 March 2023 and 2022, is set out below:

	<b>2023</b> <b><i>HK\$'000</i></b>	2022 <i>HK\$'000</i>
Customer A <sup>1</sup>	<b>11,427</b>	415

<sup>1</sup> Revenue from Customer A is attributable to watch distribution business.

### ***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:

	<b>2023</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2022 <i>HK\$'000</i> (Audited)
Hong Kong	<b>7,238</b>	7,794
Mainland China and Macau	<b>475,413</b>	558,367
Other locations	<b>1,139</b>	642
	<b>483,790</b>	566,803

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

	<b>2023</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2022 <i>HK\$'000</i> (Audited)
Interest income	<b>159</b>	667
Rent concession ( <i>Note (a)</i> )	<b>1,428</b>	1,006
Loss on modification of note payable ( <i>note 17</i> )	–	(1,931)
Government subsidy ( <i>Note (b)</i> )	<b>1,613</b>	194
Others	<b>518</b>	1,697
	<b>3,718</b>	1,633

*Note:*

- (a) Rent concession represents the change in lease payment occurred as a direct consequence of COVID-19-related rent concession of HK\$1,428,000 (2022: HK\$1,006,000).
- (b) During the year ended 31 March 2023, the Group applied for a government support program introduced in response to the global pandemic. Included in profit or loss is HK\$1,613,000 of government grants obtained relating to supporting the payroll of the Group's employees. The Group has presented this government grant in other net income. The Group had to commit to spending the assistance on payroll expenses, and not reducing employee head count below prescribed levels for a specified period of time. The Group does not have any unfulfilled obligations relating to this program.

## 5. FINANCE COSTS

	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Audited)
Interest on note payable	208	1,029
Interest on lease liabilities	4,697	4,801
Interest on loan from a shareholder	4,403	5,135
Interest on bank borrowing	10,985	10,137
	<u>20,293</u>	<u>21,102</u>

## 6. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Audited)
The charge comprises:		
Current tax		
Hong Kong	–	–
Other jurisdictions	–	–
	<u>–</u>	<u>–</u>
Under/(over) provision in prior years:		
Hong Kong	–	–
Other jurisdictions	56	2,027
	<u>56</u>	<u>2,027</u>
Deferred tax charge		
Current year	–	–
	<u>56</u>	<u>2,027</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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 2023 and 2022.

The subsidiaries in the PRC and Macau are subject to the enterprise income tax and complementary tax respectively.

Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.



## 7. LOSS FOR THE YEAR

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

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Directors' remuneration	<b>3,753</b>	4,739
Other staff costs	<b>34,481</b>	31,772
Other staff's retirement benefits scheme contributions	<b>1,324</b>	1,142
	<hr/>	<hr/>
Total staff costs	<b>39,558</b>	37,653
	<hr/>	<hr/>
Auditor's remuneration	<b>1,400</b>	1,100
Depreciation of property, plant and equipment	<b>26,605</b>	30,886
Short-term lease expenses ( <i>Note (a)</i> )	<b>377</b>	863
Rent concession ( <i>Note (b)</i> )	<b>(1,428)</b>	(1,006)
Loss on modification of note payable	–	1,931
Cost of inventories recognised as an expense (including reversal of/ write-down of inventories HK\$3,709,000 (2022: HK\$2,479,000))	<b>79,778</b>	91,880
Direct operating expenses arising from investment property that generated rental income during the year	<b>643</b>	896
Provision for impairment of property, plant and equipment	<b>16,368</b>	11,074
ECLs on financial assets	<b>714</b>	1,285
Reversal of ECLs on financial assets	<b>(1,686)</b>	(222)
	<hr/> <hr/>	<hr/> <hr/>

*Notes:*

- (a) The short-term lease expenses in respect of rented premises excluding contingent rent of HK\$259,000 for the year ended 31 March 2023 (2022: HK\$1,808,000). 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\$1,428,000 (2022: HK\$1,006,000) has been credited to "Other income and net gains and losses" in the unaudited consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2023.

## 8. DIVIDEND

During the year ended 31 March 2023, no final dividend for the year ended 31 March 2022 was declared and paid (2022: no final dividend declared and paid in respect of the year ended 31 March 2021).

The Board does not propose the payment of a final dividend for the years ended 31 March 2023 and 31 March 2022.

## 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:

	<b>2023</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2022 HK\$'000 (Audited)
Loss for the year attributable to owners of the Company	<u><b>(184,416)</b></u>	<u>(156,819)</u>
	<b>2023</b> <b>'000</b>	2022 '000
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u><b>6,043,950</b></u>	<u>6,043,950</u>

Diluted loss per share for the years ended 31 March 2023 and 2022 are the same as the basic loss per share as there were no dilutive potential ordinary shares outstanding during both years.

## 10. INVESTMENT PROPERTIES

	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Audited)
At 1 April	522,366	574,622
Fair value change	(54,620)	(74,730)
Exchange realignment	(39,196)	22,474
	<u>522,366</u>	<u>574,622</u>
At 31 March	<u>428,550</u>	<u>522,366</u>

The fair value of the Group's investment properties as at 31 March 2023 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 2023 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.

Rental income of HK\$9,366,000 from investment properties was recognised during the year ended 31 March 2023 (2022: HK\$12,303,000).

As at 31 March 2023, Group's investment property are pledged to banks to secure bank loans of RMB138,800,000 (equivalent to HK\$158,621,000) to the Group.

## 11. FINANCIAL ASSETS AT FVTPL

	<i>Notes</i>	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Audited)
Listed equity securities in Hong Kong			
Listed equity securities in Hong Kong	(a)	157	145
Delisted equity securities in Hong Kong	(a)	1,176	1,323
		<u>1,333</u>	<u>1,468</u>
Total financial assets at FVTPL		<u>1,333</u>	<u>1,468</u>
Classified as			
Current asset		<u>1,333</u>	<u>1,468</u>

Notes:

- (a) The fair values of listed equity securities are based on quoted market prices, except for certain listed equity securities whose trading on the Stock Exchange has been delisted by the Stock Exchange (the “Delisted Shares”). The fair values of Delisted Shares were determined with reference to the valuations performed by an independent professional valuer.

The movement in listed equity securities are summarised as follows:

	<i>HK\$'000</i>
As at 1 April 2021	4,256
Disposal during the year	(3,960)
Fair value change of financial assets measured at FVTPL	<u>1,172</u>
As at 31 March 2022 and 1 April 2022 (audited)	1,468
Fair value change of financial assets measured at FVTPL	<u>(135)</u>
As at 31 March 2023 (unaudited)	<u><u>1,333</u></u>

## 12. FINANCIAL ASSETS AT FVOCI

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Listed equity securities in Hong Kong	<u><b>8,401</b></u>	<u>7,894</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 (2022: Nil).

The movement in listed equity securities are summarised as follows:

	<i>HK\$'000</i>
As at 1 April 2021	49,455
Fair value change of financial assets measured at FVOCI	<u>(41,561)</u>
As at 31 March 2022 and 1 April 2022 (audited)	7,894
Fair value change of financial assets measured at FVOCI	<u>507</u>
As at 31 March 2023 (unaudited)	<u><u>8,401</u></u>

### 13. INVENTORIES

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

### 14. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Audited)
<i>Current assets</i>		
Trade receivables	24,001	36,216
Less: ECLs of trade receivables ( <i>Note (a)</i> )	<u>(15,301)</u>	<u>(16,787)</u>
Trade receivables ( <i>Note (a)</i> )	<u>8,700</u>	<u>19,429</u>
<i>Non-current assets</i>		
— Other receivables ( <i>Note (c)</i> )	6,578	988
— Rental deposits	5,347	8,217
<i>Current assets</i>		
— Other receivables ( <i>Note (c)</i> )	10,375	23,772
— Rental, utility and other deposits	6,149	8,126
— Prepayments ( <i>Note (d)</i> )	<u>30,054</u>	<u>14,378</u>
Less: ECLs of other receivables ( <i>Note (b)</i> )	<u>58,503</u> (2,944)	<u>55,481</u> (3,495)
Other receivables, deposits and prepayments	<u>55,559</u>	<u>51,986</u>
Total trade and other receivables	<u><u>64,259</u></u>	<u><u>71,415</u></u>
Classified as		
Non-current assets		
— Other receivables	4,805	740
— Deposits	<u>5,347</u>	<u>8,217</u>
	<u>10,152</u>	<u>8,957</u>
Current assets		
— Trade receivables	8,700	19,429
— Other receivables	9,204	20,525
— Deposits	6,149	8,126
— Prepayments	<u>30,054</u>	<u>14,378</u>
	<u>54,107</u>	<u>62,458</u>
Total trade and other receivables	<u><u>64,259</u></u>	<u><u>71,415</u></u>

*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:

	<b>2023</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2022 <i>HK\$'000</i> (Audited)
Within 30 days	<b>8,049</b>	17,510
31–90 days	–	1,274
Over 90 days	<b>651</b>	645
	<b>8,700</b>	19,429

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 2023, loss allowances of HK\$15,301,000 (2022: HK\$16,787,000) 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 2021	15,721
ECLs recognised during the year	652
Reversal of ECLs recognised	(222)
Exchange realignment	636
	<hr/>
Balance as at 31 March 2022 and 1 April 2022 (audited)	<b>16,787</b>
ECLs recognised during the year	<b>373</b>
Reversal of ECLs recognised	<b>(652)</b>
Exchange realignment	<b>(1,207)</b>
	<hr/>
Balance as at 31 March 2023 (unaudited)	<b>15,301</b>

*Note (b):* As at 31 March 2023, loss allowances of HK\$2,944,000 (2022: HK\$3,495,000) 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 2021	2,820
ECLs recognised during the year	633
Exchange realignment	42
	<hr/>
Balance as at 31 March 2022 and 1 April 2022 (audited)	<b>3,495</b>
ECLs recognised during the year	<b>341</b>
Reversal of ECLs recognised	<b>(1,034)</b>
Exchange realignment	<b>142</b>
	<hr/>
Balance as at 31 March 2023 (unaudited)	<b><u>2,944</u></b>

*Note (c):* As at 31 March 2023, other receivables including loans to independent third parties of HK\$8,149,000 (2022: HK\$17,739,000) at interest rates ranging from 0.3% to 12% (2022: ranging from 0.3% to 12%) per annum, in which HK\$3,200,000 (2022: HK\$3,459,000) are secured by personal guarantee and corporate guarantee. Except the amount of HK\$6,578,000 with 2 years repayment terms, all of the other receivables are expected to be recovered within one year.

*Note (d):* As at 31 March 2023, prepayment to independent third parties of HK\$3,954,000 (2022: HK\$4,274,000) are related to the purchase of goods for trading purpose.

## 15. BANK BALANCES AND CASH

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Cash at bank	<b>51,434</b>	71,199
Pledged bank deposits ( <i>Note (a)</i> )	<b>13,714</b>	14,822
Restricted bank deposits ( <i>Note (a)</i> )	<b>327</b>	3,702
	<hr/>	<hr/>
Bank balances and cash	<b><u>65,475</u></b>	<u>89,723</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% (2022: 0.3% to 2.25%) per annum.

At 31 March 2023, cash at bank of HK\$17,000 (2022: HK\$17,000) 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 2023, bank deposits are pledged as collateral against the Group's bank borrowing.

## 16. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Audited)
Trade payables	51,990	31,139
Accrued charges	56,394	51,097
Other payables	25,080	19,106
	<u>133,464</u>	<u>101,342</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:

	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Audited)
Within 90 days	11,601	13,445
91 days–365 days	14,861	16,265
Over 365 days	25,528	1,429
	<u>51,990</u>	<u>31,139</u>

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

	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Audited)
Denominated in CHF	43,402	30,918
Denominated in EUR	50	221
Denominated in RMB	8,538	–
	<u>8,538</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%.

	<b>2023</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2022 HK\$'000 (Audited)
Classified as		
Current liability	–	–
Non-current liability	<u>24,000</u>	<u>23,792</u>
	<u><b>24,000</b></u>	<u><b>23,792</b></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 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 7) 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.

On 31 March 2023, 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 2024. All other terms in the promissory note shall remain valid and in force.

## 18. SHARE CAPITAL

	<b>Number of shares</b>	<b>Share capital <i>HK\$'000</i></b>
Authorised:		
At 1 April 2022/2021 and 31 March 2023/2022		
— Ordinary shares of HK\$0.02 each	<u>20,000,000,000</u>	<u>400,000</u>
Issued and fully paid:		
At 1 April 2022/2021 and 31 March 2023/2022		
— 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 for the year ended 31 March 2023 decreased by 34.0% from HK\$148.7 million to HK\$98.2 million when compared with last financial year.

Gross profit decreased by 67.6% from HK\$56.8 million in FY2022 to HK\$18.4 million in FY2023. The gross margin decreased from 38.2% to 18.8%.

Selling and distribution costs decreased by 17.7% from HK\$35.0 million last year to HK\$28.8 million, mainly due to savings from rental expenses for boutiques. General and administrative expenses increased by 18.5% from HK\$71.7 million last year to HK\$85.0 million, mainly due to increase in staff costs and premises expenses.

Realised foreign exchange loss of the Group was HK\$0.2 million in FY2023 as compared with a gain of HK\$0.5 million in FY2022. Unrealised exchange loss was HK\$3.1 million in FY2023 as compared with a loss of HK\$0.3 million in FY2022. Loss on fair value change of investment properties was HK\$54.6 million in FY2023 as compared with HK\$74.7 million in FY2022. There was a loss of HK\$0.1 million on fair value change of financial assets at fair value through profit or loss ("FVTPL") in FY2023 as compared with a gain of HK\$1.2 million in FY2022.

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\$127.4 million in FY2023 against HK\$81.5 million in FY2022.

Net loss was HK\$185.5 million in FY2023 as compared to HK\$156.8 million in FY2022.

Loss per share was 3.05 HK cents in FY2023 against 2.59 HK cents in FY2022. Net asset value per share was 5.5 HK cents as at 31 March 2023 against 9.0 HK cents as at 31 March 2022.

Trade receivables decreased from HK\$19.4 million as at 31 March 2022 to HK\$8.7 million as at 31 March 2023.

## **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 50 retail points of sales and 11 boutiques, making a total of 61 points (31 March 2022: 59).

Other than the 5 boutiques operated by the Group, the remaining 56 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 to sustain brand value among our discerning customers. As such, we have undertaken a number of brand enhancement activities to reinforce the brand leadership with premium product imagery and focused product placements in relevant media.

The Group has also consistently embarked on niche marketing initiatives to build its image and desirability as one of the leading international watch brands. This included several unique events in our key markets with the aims of increasing brand exposure and extending brand networking.

### ***Mainland China***

*16–19 June 2022*

#### **FRANCK MULLER Hangzhou Tower Boutique Opening**

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.

*10–11 December 2022*

#### FRANCK MULLER Shenzhen Mix C VIP event

Upholding the brand's pioneering design aesthetics, the Shenzhen Mix C concept boutique strives to lead guests to delve deeper into the world of Haute Horlogerie. Guests were pleased to kick off the event with watch presentation to reveal the latest collection, followed by a crafty painting workshop to customize the watch drawing that suits their own color preference.

*17–18 December 2022*

#### Christmas — Xiamen Mix C Boutique

To tie-in with Christmas, esteemed guests were invited to FRANCK MULLER boutique to reveal the Cintrée Curvex collection. Guests enjoyed discovering the luxury timepieces while participating in a portrait painting by an illustrator.

#### ***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 preserved 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 flagship 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.

*16 October 2022*

### Oriental Watch — Sha Tin Trophy “Gentlemen’s Bow Tie” Raceday

Oriental Watch Company presented 10 breathtaking horse races at Shatin Racecourse, in which 8 horse races were named after 8 international watch brands. FRANCK MULLER once again participated in the annual event and sponsored the iconic Vanguard Automatic as “The Best Bow Tie Attire Award” to the charming rising star, Mr. Archie Sin. A catwalk show was staged in the Winner’s Enclosure, where the model showcased the bejeweled timepiece of Vanguard Aqua Bleu.

*10 November 2022*

### FRANCK MULLER x Global Timepieces VIP Dinner

Together with the prestige retail partner Global Timepieces 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 Racing Skeleton 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.

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

### *Watch distribution*

Hong Kong, Mainland China and Macau remained the key revenue drivers, contributing together HK\$78.2 million which accounted for 79.6% of the Group’s total revenue in FY2023.

#### *Hong Kong*

Hong Kong continues to be the Group’s major market, accounting for 48.3% of the Group’s revenue in FY2023. Performance in this market recorded a decrease in revenue by 14.9% from HK\$55.8 million in the previous year to HK\$47.5 million this year.

#### *Mainland China and Macau*

The percentage contribution of Mainland China and Macau to the Group’s total revenue decreased from 46.2% in FY2022 to 31.2% in FY2023. Sales in this region showed a decrease of 55.3% to HK\$30.7 million from HK\$68.7 million last year.

### *Other locations*

The Group's other locations' (i.e. Taiwan and other) segment recorded a revenue of HK\$10.6 million in FY2023, being 10.9% lower than HK\$11.9 million last year.

### ***Property investment***

Revenue from property investment in Mainland China amounted to HK\$9.4 million in FY2023, being 23.6% lower than HK\$12.3 million in FY2022 due to decrease in occupancy rate. During the year, the Group did not acquire or dispose of any investment property.

### **Loss for the year**

As a result of the foregoing, the Group's loss for the year increased by HK\$28.7 million, or 18.3%, from HK\$156.8 million for the year ended 31 March 2022 to HK\$185.5 million for the year ended 31 March 2023.

### **PROSPECTS**

The global economy has been severely impacted by the outbreak of COVID-19, leading to ongoing repercussions. Given the enduring influence of COVID-19 on business and economic activities worldwide, the tourism industry has experienced adverse effects. The uncertainty caused by COVID-19 has heightened concerns regarding the Group's future operational performance and development, making it challenging to provide accurate predictions. Nevertheless, we anticipate that the Mainland China market will be the first region to recover. The Group remains vigilant in monitoring the evolving situation, and it is committed to promptly responding, adjusting, and managing risk factors.

Moving forward, the Group aims to strengthen its distribution network in Hong Kong, Macau, and Mainland China. This includes the establishment of new dealers' shops and exploring untapped markets in other Asian countries. Additionally, the Group will assess the occupancy and rental levels of its investment properties in the PRC to enhance rental yield.

The Group is committed to actively seeking appropriate investment opportunities to diversify its income sources. Furthermore, with an innovative mindset, it will diligently pursue new avenues for development.



## KEY PERFORMANCE INDICATORS: INVENTORY TURNOVER AND CURRENT RATIO

Inventories as at 31 March 2023 decreased by 22.6% to HK\$217.3 million when compared with HK\$280.8 million as at 31 March 2022. Inventory Turnover Period, which is calculated by Inventories balance divided by Cost of Sales, slightly decreased from 1,116 days to 995 days in FY2023. As the Company increased three retail points of sales in the Mainland China, Macau 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 1.4 as at 31 March 2023 (31 March 2022: 2.6). The decrease in Current Ratio is mainly attributable to increase in other borrowings in Mainland China during the year.

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 March 2023, the Group had cash and bank balances totaling HK\$65.5 million when compared with HK\$89.7 million as at 31 March 2022. At 31 March 2023, the Group's gearing ratio (net debt divided by equity) was 96.5% and the Group has outstanding loans and other borrowings at the amount of HK\$208.3 million.

At 31 March 2023, details of the Group's investments in equity instruments were as below:

Stock Code	Stock Name	At 31 March 2023		FY2023	
		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	1,176	(147)	–
627	Fullsun International Holdings Group Co., Ltd.	12,065,000	157	12	–
663	King Stone Energy Group Ltd.	31,700,000	8,401	–	507
Total			9,734	(135)	507

These investments were listed and delisted securities which were measured at fair value. As at 31 March 2023, investments in equity instruments amounted to HK\$9.7 million.

In FY2023, a net fair value loss of HK\$0.1 million was charged to the unaudited consolidated statement of profit or loss directly while a net fair value gain of HK\$0.5 million was charged to unaudited consolidated statement of other comprehensive income to reflect the overall increase in fair value of the investments in equity instruments.

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

It was noted that trading in the shares of Tech Pro Technology Development Limited 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 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\$93.6 million as at 31 March 2023 from HK\$264.2 million as at 31 March 2022. Net assets reduced to HK\$331.5 million as at 31 March 2023 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 PRINCIPAL RISK: FOREIGN EXCHANGE EXPOSURE**

As at 31 March 2023, 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 2023.

The Group recorded a realised exchange loss of HK\$0.2 million in FY2023 compared to a gain of HK\$0.5 million in FY2022. In addition, the Group booked an unrealised exchange loss of HK\$3.1 million in FY2023 against a loss of HK\$0.3 million in FY2022. There was a loss of HK\$54.6 million on fair value change of investment properties in FY2023 while a loss of HK\$74.7 million in FY2022. There was HK\$0.1 million loss on fair value change of financial assets at FVTPL in FY2023 as compared to a gain of HK\$1.2 million in FY2022.

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 2023, (i) investment properties at fair value of RMB375.0 million (equivalent to HK\$428.6 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\$13.7 million), (iv) restricted banks deposit of RMB0.3 million (equivalent to HK\$0.3 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 RMB138.8 million (equivalent to HK\$158.6 million) (2022: RMB150.1 million (equivalent to HK\$185.4 million)).

### **CONTINGENT LIABILITIES**

Except as disclosed in note 19 to the consolidated financial statements set out in this announcement, the Group had no other material contingent liabilities as at 31 March 2023 (31 March 2022: Nil).

### **EMPLOYEES**

Employees are one of the most important assets and stakeholders of the Group, their contribution and support are valued at all times. As at 31 March 2023, the Group’s work force stood at 115 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 it stays competitive with market practice.

### **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”) throughout the year ended 31 March 2023, except for the following deviations.

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. During the year, Mr. Zhang Xiaoliang is the Chairman 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 and the challenges ahead. 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.

In respect of code provision C.5.1 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 C.5.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the year, a regular Board meeting was convened with less than 14 days' notice to enable the Board members to react timely and make expeditious decision in respect of transactions which were of significance to the Group's business. The Board will do its best endeavours to meet the requirement of this code provision in the future.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2023.

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

During the year ended 31 March 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

## **REVIEW OF UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

As at the date of this announcement, for the reasons detailed in the inside information announcement of the Company dated 30 June 2023, the auditing process for the 2023 Annual Results has not been completed. Rule 13.49(3) of the Listing Rules provides that where an issuer is unable to issue its preliminary results, it must announce its results based on the financial results which have yet to be agreed with the auditor (so far as the information is available). In order to keep the shareholders of the Company and potential investors informed of the Group's business operation and financial position, the Board has decided to publish the unaudited annual results of the Group for the year ended 31 March 2023.

The Group's unaudited consolidated financial statements for the year ended 31 March 2023 have been reviewed by the Audit Committee of the Company, which comprises three Independent Non-executive Directors, namely Mr. Zong Hao (Chairman of the Audit Committee), Mr. Yu Zhenxin and Mr. Cheng Sing Kau Colman.

The Company will continue to work with the auditor to complete the audit work for 2023 Annual Results which is expected to be completed by 31 July 2023.

## **EVENT AFTER THE REPORTING PERIOD**

As at the date of this announcement, the Group has no material subsequent events after 31 March 2023 which have occurred.

## **PUBLICATION OF UNAUDITED ANNUAL RESULTS ANNOUNCEMENT**

This unaudited annual 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)).

## **FURTHER ANNOUNCEMENT(S)**

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited annual results for the year ended 31 March 2023 as agreed by the Company's auditor and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

## **CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading in all securities of the Company on the Stock Exchange has been suspended with effect from 10:33 a.m. on 29 June 2023, and will remain suspended until further notice.

**Shareholders of the Company and potential investors are advised to exercise caution in dealing in the securities of the Company.**

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

Hong Kong, 30 June 2023

*As at the date of this announcement, the Executive Directors of the Company are Mr. Zhang Xiaoliang (Chairman and Chief Executive Officer), Mr. Yang Guangqiang and Mr. An Muzong; and the Independent Non-executive Directors of the Company are Mr. Yu Zhenxin, Mr. Zong Hao and Mr. Cheng Sing Kau Colman.*