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SINCERE WATCH (HONG KONG) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 444)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2024

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the financial year ended 31 March 2024 ("FY2024") increased by 27.9% from HK$98,212,000 to HK$125,647,000 when compared with last financial year ("FY2023") mainly due to increase in revenue in watch distribution.
- Loss for FY2024 reduced by 28.9% to HK$195,842,000 (FY2023: HK$275,579,000), mainly due to decrease in fair value change of investment properties and impairment loss on property, plant and equipment for FY2024 as compared to FY2023.
- Loss per share was 3.26 HK cents for FY2024 (FY2023: 4.54 HK cents).
- The Board does not recommend the payment of a final dividend for FY2024 (FY2023: Nil).

FINANCIAL RESULTS

The board (the "Board") of directors (the "Directors") of Sincere Watch (Hong Kong) Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2024 ("2024"), together with the comparative figures for the corresponding year ended 31 March 2023 ("2023").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

	NOTES	**2024** *HK$'000*	2023 *HK$'000*
Revenue	*3*	**125,647**	98,212
Cost of sales		**(144,673)**	(118,934)
Gross loss		**(19,026)**	(20,722)
Other income, gains and losses	*4*	**26,630**	3,718
Impairment loss on property, plant and equipment		**(10,837)**	(41,705)
Selling and distribution costs		**(15,913)**	(28,833)
Administrative expenses		**(105,292)**	(110,585)
(Impairment loss)/reversal of impairment loss under expected credit loss ("ECL") model on financial assets, net		**(2,627)**	972
Finance costs	*5*	**(22,799)**	(20,293)
Loss before taxation, exchange loss, fair value changes of investment properties and financial assets at fair value through profit or loss ("FVTPL")		**(149,864)**	(217,448)
Realised exchange loss		**(775)**	(198)
Unrealised exchange loss		**(9,877)**	(3,122)
Fair value change of investment properties		**(35,411)**	(54,620)
Fair value change of financial assets at FVTPL		**79**	(135)
Loss before taxation		**(195,848)**	(275,523)
Income tax credit/(expense)	*6*	**6**	(56)
Loss for the year	*7*	**(195,842)**	(275,579)

	NOTE	2024 HK$'000	2023 HK$'000
Other comprehensive (expense)/income, net of tax			
Item that will not be reclassified to profit or loss:			
Fair value change of financial assets measured at fair value through other comprehensive income ("FVTOCI")		**(5,167)**	507
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(8,010)**	(30,915)
Other comprehensive expense for the year		**(13,177)**	(30,408)
Total comprehensive expense for the year		**(209,019)**	(305,987)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(196,896)**	(274,500)
Non-controlling interests		**1,054**	(1,079)
		(195,842)	(275,579)
Total comprehensive (expense)/income attributable to:			
Owners of the Company		**(209,915)**	(305,044)
Non-controlling interests		**896**	(943)
Total comprehensive expense for the year, net of income tax		**(209,019)**	(305,987)
Loss per share			
— basic and diluted	*9*	**(3.26 HK cents)**	(4.54 HK cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	NOTES	2024 HK$'000	2023 HK$'000
Non-current assets			
Property, plant and equipment		**6,533**	29,903
Investment properties		**424,103**	428,550
Financial assets at FVTOCI		**3,234**	8,401
Other receivables	*11*	**15,646**	24,730
Deferred tax assets		**94**	94
		449,610	491,678
Current assets			
Inventories	*10*	**44,495**	178,130
Trade and other receivables	*11*	**31,258**	39,529
Financial assets at FVTPL		**1,412**	1,333
Bank balances and cash		**29,107**	65,475
		106,272	284,467
Current liabilities			
Trade and other payables	*12*	**157,815**	159,055
Contract liabilities		**4,265**	4,397
Lease liabilities		**19,990**	26,931
Loans and borrowings		**91,430**	63,197
Loan from a shareholder		**17,533**	16,566
Taxation payable		**44**	47
		291,077	270,193
Net current (liabilities)/assets		**(184,805)**	14,274
Total assets less current liabilities		**264,805**	505,952

	NOTE	2024 HK$'000	2023 HK$'000
Non-current liabilities			
Loans and borrowings		**150,890**	145,136
Note payable		**22,164**	24,000
Loan from a shareholder		**27,512**	45,045
Lease liabilities		**31,483**	50,327
		232,049	264,508
Net assets		**32,756**	241,444
Capital and reserves			
Share capital	*13*	**120,879**	120,879
Reserves		**(88,959)**	120,956
		31,920	241,835
Non-controlling interests		**836**	(391)
Total equity		**32,756**	241,444

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

1. GENERAL INFORMATION

Sincere Watch (Hong Kong) Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 21 July 2004 under the Companies Act, 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.

The Company acts as an investment holding company. The principal activities of the subsidiaries of the Company are distribution of branded luxury watches, timepieces and accessories in Hong Kong, Macau, Taiwan and the People's Republic of China (the "PRC") and property investment. The Company and its subsidiaries are collectively referred as the "Group" hereafter.

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

2A. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Application of new and amendments to HKFRSs

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 April 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	*Insurance Contracts*
Amendments to Hong Kong Accounting Standards ("HKAS") 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform-Pillar Two Model Rules*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in notes to the consolidated financial statements.

(b) Amendments to HKFRSs issued but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

The Directors of the Company anticipate that, the application of these amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

2B. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Going concern assumption

The Group continues to adopt the going concern basis in preparing its consolidated financial statements. The Group has continued to sustain loss for the year. The loss for the year ended 31 March 2024 amounted to approximately HK$195,842,000, and as of that date, the Group has net current liabilities of approximately HK$184,805,000, while its bank balances and cash amounted to approximately HK$29,107,000 as of the same date.

Moreover, a subsidiary of the Company, namely Sincere Brand Management Limited ("SBML") has entered into the Arbitration with Multicontinental Distribution (Asia) DMCC ("Multicontinental") and GFM Watchland SA ("GFM") since January 2023 in relation to the alleged termination of SBML's exclusive distributorship of Franck Muller timepieces and watch accessories and sparts in the PRC, Hong Kong, Macau and Taiwan ("Exclusive Territory") under the exclusive distribution agreement entered into between SBML and Multicontinental in 2018 (the "EDA"), and thereby (i) the seeking of damages from the Group for the losses of CHF71.4 million (equivalent to approximately HK$619.4 million as at 31 March 2024) arising from the Group's failure to meet the minimum purchases as stipulated in the EDA; (ii) the repayment of the Group's all outstanding payables of CHF4.9 million (equivalent to approximately HK$42.7 million as at 31 March 2024) which was included in trade payables plus penalty interest of approximately CHF0.5 million (equivalent to approximately HK$4.3 million as at 31 March 2024); and (iii) return of all consignment stocks. The value of the consignment stocks was approximately CHF75.3 million (equivalent to approximately HK$653.3 million as at 31 March 2024) based on the record of the Group. From November 2022, Multicontinental stopped supplying Franck Muller timepieces and watch accessories to the Group.

The above events or conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. In view of the above, the directors of the Company have prepared an eighteen-month cash flow forecast (the "Forecast") from the year end date based on their expectations of the outcome of the plans and measures and given considerations to the possible impact of the above events and the current and anticipated future liquidity of the Group and also to the plans and measures:

(i) The Directors considered that it is more likely than not that the Group has no present obligation to compensate the alleged losses suffered by Multicontinental. Notwithstanding this, should SBML fail the Arbitration, it is anticipated by the Directors that the compensation would not be the full amount of counterclaims asserted by Multicontinental in the Arbitration. The Group can generate expected revenue by selling Franck Muller timepieces and watch accessories and the Group would be able to continue the EDA;

(ii) The shareholder providing the shareholder's loan to the Group has agreed not to recall the shareholder loan upon maturities until the Group has the ability to repay;

(iii) In April 2024, an indirect wholly owned subsidiary of the Company has entered into a loan agreement with a third party for an amount of RMB62 million (equivalent to approximately HK$66 million) for a term of two years to provide working capital for the Group. The full amount was drawdown in April 2024;

(iv) The management is actively negotiate with a PRC bank to conclude a HK$500 million loan facility based on the terms stated on the non-legally binding memorandum of understanding to provide working capital to the Group and financial support for business development of the Group;

(v) The management actively broadening the Group's product range by seeking to introduce additional European watch brands. The Group has entered into two agreements with a Swiss watch brand, Corum, in March and April 2024. The Group entered into a distribution agreement with Montres Corum Sarl that grants the Group exclusive distribution rights in Taiwan for the Corum brand, encompassing the distribution, advertising, promotion, and sale of Corum timepieces and jewelry. The agreement includes a minimum purchase commitment of CHF2,155,000 (equivalent to approximately HK$18,778,000) for the years ending 2026. Additionally, the Group has entered into a retail agreement with Corum (Hong Kong) Limited, appointing the Group as a retailer of Corum timepieces in Hong Kong and Macau SAR, with a minimum purchase commitment of CHF1,350,000 (equivalent to approximately HK$11,764,000) for the years ending 2026; and

(vi) The management closely monitors the Group's financial performance and liquidity position. The management has been implementing measures to improve profitability, control operating costs and contain capital expenditures in order to improve the Group's operating performance and alleviate its liquidity risk. These measures include negotiating with the landlords for rental reduction and rent cut. The management believes that these measures will result in improvement in operating profitability and the resulting cash flows.

The directors of the Company, after due and careful enquiry and after taking into account the above plans and measures, and the financial resources available to the Group, including cash flows from operating activities and available facilities, and based on the assumptions that the above plans and measures would materialise, is of the opinion that the Group will has sufficient working capital over the eighteen-month forecast period. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Company will be able to achieve its plans and measure. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the successful fulfilment of all the following conditions:

(a) Achieving the expected outcome of the Arbitration that the Group does not need to pay for the compensation and any other related claims and penalties as claimed by Multicontinental, can generate expected revenue by selling Franck Muller timepieces and watch accessories and the Group would be able to continue the EDA;

(b) Successfully obtain other sources of financing to the Group;

(c) Successfully obtain adequate financial support from the lenders of the Group's other borrowings; and

(d) Successfully generate revenue from sales of other watches.

Should the Group fail to achieve the abovementioned measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have been reflected in these 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 major business operations, being the watch distribution and property investment, which are reviewed by the chief operating decision maker based on the geographical locations as reportable segments. In addition to the above reportable segments, other operating segment includes the business operation as a trading agent of commodities such as but not limited to agricultural products and chemical products.

(a) Segment revenue and results

Segment results represent the loss before taxation reported by each segment, which excludes certain other income, gains and losses, certain finance costs, certain net impairment loss under ECL model on financial assets and fair value change on financial assets at FVTPL. Unallocated assets mainly included certain other receivables, certain bank balances, financial assets at FVTPL and financial assets at FVTOCI. 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 2024

	Watch distribution				Property investment	Others	
	Hong Kong	PRC and Macau	Other locations	Sub-total	PRC		Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note)*
REVENUE							
External sales	93,326	13,388	5,731	112,445	13,066	136	125,647
RESULT							
Segment result	(88,239)	(573)	(5,720)	(94,532)	(80,028)	136	(174,424)
Fair value change of financial assets at FVTPL							79
Unallocated income							1,917
Unallocated expenses							(23,420)
Loss before taxation							(195,848)
Segment assets	57,600	3,033	9,163	69,796	478,463	–	548,259
Unallocated assets	–	–	–	–	–	7,623	7,623
Total assets	57,600	3,033	9,163	69,796	478,463	7,623	555,882
Segment liabilities	(143,550)	(17,786)	(1,056)	(162,392)	(218,788)	–	(381,180)
Unallocated liabilities	–	–	–	–	–	(141,946)	(141,946)
Total liabilities	(143,550)	(17,786)	(1,056)	(162,392)	(218,788)	(141,946)	(523,126)
Additions to non-current assets	14,640	1,083	227	15,950	34,425	–	50,375

Year ended 31 March 2023

	Watch distribution				Property investment	Others	
	Hong Kong	PRC and Macau	Other locations	Sub-total	PRC		Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note)*
REVENUE							
External sales	47,484	30,671	10,552	88,707	9,366	139	98,212
RESULT							
Segment result	(119,541)	(46,448)	(7,417)	(173,406)	(84,572)	139	(257,839)
Fair value change of financial assets at FVTPL							(135)
Unallocated income							176
Unallocated expenses							(17,725)
Loss before taxation							(275,523)
Segment assets	93,120	26,076	16,950	136,146	607,563	–	743,709
Unallocated assets	–	–	–	–	–	32,436	32,436
Total assets	93,120	26,076	16,950	136,146	607,563	32,436	776,145
Segment liabilities	(155,909)	(32,254)	(1,820)	(189,983)	(235,402)	–	(425,385)
Unallocated liabilities	–	–	–	–	–	(109,316)	(109,316)
Total liabilities	(155,909)	(32,254)	(1,820)	(189,983)	(235,402)	(109,316)	(534,701)
Additions to non-current assets	11,628	7,801	1,478	20,907	4,790	28,711	54,408

Note: Revenue generated from sales of Franck Muller products were accounted for 85.9% and 88.4% of total revenue of the Group for the years ended 31 March 2024 and 2023, respectively.

Other segment information

For the year ended 31 March 2024

	Watch distribution				Property investment	Others	Unallocated	
	Hong Kong	PRC and Macau	Other locations	Sub-total	Mainland China			Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount included in the measure of segment results								
Other income, gains and losses	**10,955**	**12,272**	**19**	**23,246**	**1,467**	**–**	**1,917**	**26,630**
Finance costs	**(1,862)**	**(451)**	**(40)**	**(2,353)**	**(17,013)**	**–**	**(3,433)**	**(22,799)**
Depreciation of property, plant and equipment	**(3,992)**	**(33)**	**(70)**	**(4,095)**	**(2,816)**	**–**	**–**	**(6,911)**
Fair value change of investment properties	**–**	**–**	**–**	**–**	**(35,411)**	**–**	**–**	**(35,411)**
Impairment loss on property, plant and equipment	**(9,483)**	**(1,050)**	**(304)**	**(10,837)**	**–**	**–**	**–**	**(10,837)**
(Impairment loss) reversal of impairment loss under ECL model on financial assets, net	**(648)**	**(2,612)**	**(23)**	**(3,283)**	**656**	**–**	**–**	**(2,627)**

For the year ended 31 March 2023

	Watch distribution				Property investment	Others	Unallocated	
	Hong Kong	PRC and Macau	Other locations	Sub-total	Mainland China			Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount included in the measure of segment results								
Other income, gains and losses	1,083	2,250	7	3,340	202	–	176	3,718
Finance costs	(2,658)	(1,163)	(63)	(3,884)	(11,799)	–	(4,610)	(20,293)
Depreciation of property, plant and equipment	(3,677)	(18,515)	(931)	(23,123)	(3,482)	–	–	(26,605)
Fair value change of investment properties	–	–	–	–	(54,620)	–	–	(54,620)
Impairment loss on property, plant and equipment	(15,745)	(24,821)	(1,139)	(41,705)	–	–	–	(41,705)
Impairment loss under ECL model on financial assets, net	269	(37)	46	278	698	–	(4)	972

(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 2024

	Watch distribution *HK$'000*	Property investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Primary geographical markets				
Hong Kong	**93,326**	**–**	**–**	**93,326**
PRC and Macau	**13,388**	**13,066**	**136**	**26,590**
Other locations *(Note)*	**5,731**	**–**	**–**	**5,731**
	112,445	**13,066**	**136**	**125,647**
Major products and services				
Wholesales of watch	**78,101**	**–**	**–**	**78,101**
Retail sales of watch	**29,708**	**–**	**–**	**29,708**
Repair of watch	**4,636**	**–**	**–**	**4,636**
Rental income	**–**	**13,066**	**–**	**13,066**
Others	**–**	**–**	**136**	**136**
	112,445	**13,066**	**136**	**125,647**
Timing of revenue recognition				
At a point in time	**112,445**	**–**	**136**	**112,581**
Revenue from contracts with customers	**112,445**	**–**	**136**	**112,581**
Leases	**–**	**13,066**	**–**	**13,066**
	112,445	**13,066**	**136**	**125,647**

For the year ended 31 March 2023

	Watch distribution *HK$'000*	Property investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Primary geographical markets				
Hong Kong	47,484	–	–	47,484
PRC and Macau	30,671	9,366	139	40,176
Other locations *(Note)*	10,552	–	–	10,552
	88,707	9,366	139	98,212
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
Others	–	–	139	139
	88,707	9,366	139	98,212
Timing of revenue recognition				
At a point in time	88,707	–	139	88,846
Revenue from contracts with customers	88,707	–	139	88,846
Leases	–	9,366	–	9,366
	88,707	9,366	139	98,212

Note: Other locations include Taiwan and other countries.

Information about major customers

Revenue for major customers, each of whom amounted to 10% or more of the Group's revenue for the years ended 31 March 2024 and 2023, is set out below:

	2024 ***HK$'000***	2023 *HK$'000*
Customer A[1]	**N/A[2]**	11,427

[1] Revenue from Customer A is attributable to watch distribution business.

[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Other segment information

The information of the Group's non-current assets other than financial instruments and deferred tax assets by geographical location of assets is detailed below:

	2024	2023
	HK$'000	*HK$'000*
Hong Kong	**1,165**	–
PRC and Macau	**429,471**	458,453
	430,636	458,453

4. OTHER INCOME, GAINS AND LOSSES

	2024	2023
	HK$'000	*HK$'000*
Interest income	**535**	159
Overprovision of reinstatement cost	**419**	324
Forfeiture of deposits received	**452**	–
Gain on disposal of property, plant and equipment	**800**	–
Gain on early termination of lease	**22,250**	–
Gain on modification of note payable	**1,836**	–
Government subsidy *(Note (b))*	**–**	1,613
Rent concession *(Note (a))*	**–**	1,428
Others	**338**	194
	26,630	3,718

Notes:

(a) Rent concession represented the change in lease payment occurred as a direct consequence of COVID-19-related rent concession of HK$1,428,000 during the year ended 31 March 2023 (2024: nil).

(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 was HK$1,613,000 (2024: nil) of government grants obtained relating to supporting the payroll of the Group's employees. 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 did not have any unfulfilled obligations relating to this program.

5. FINANCE COSTS

	2024	2023
	HK$'000	*HK$'000*
Interest on note payable	**–**	208
Interest on lease liabilities	**3,791**	4,697
Interest on loan from a shareholder	**3,434**	4,403
Interest on loans and borrowings	**15,574**	10,985
	22,799	20,293

6. INCOME TAX (CREDIT)/EXPENSE

	2024	2023
	HK$'000	*HK$'000*
The (credit)/charge comprises:		
(Over)/under provision in prior years:		
The PRC	**(6)**	54
Other jurisdictions	**–**	2
	(6)	56

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 are taxed at 8.25%, and profits above HK$2 million are taxed at 16.5%. All the Group's subsidiaries in Hong Kong did not have any assessable profits for both years.

The subsidiaries in the PRC and Macau are subject to the enterprise income tax at a rate of 25% and complementary tax at a rate of 12%, 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):

	2024	2023
	HK$'000	*HK$'000*
Directors' remuneration	**3,827**	3,753
Staff costs:		
Salaries and allowances	**37,610**	31,931
Staff commission	**5,151**	2,550
Retirement benefits scheme contributions	**1,168**	1,324
Total staff costs	**47,756**	39,558
Auditor's remuneration	**1,450**	1,780
Depreciation of property, plant and equipment	**6,911**	26,605
Short-term lease expenses	**3,771**	330
Rent concession	**–**	(1,428)
Cost of inventories recognised as an expense (including write-down of inventories HK$28,186,000 (2023: HK$35,446,000))	**144,673**	118,934
Write-off of inventories	**352**	196
Direct operating expenses arising from investment properties that generated rental income during the year	**1,161**	643
Legal and professional fees included in administrative expenses	**20,709**	29,726

8. DIVIDEND

No dividend has been paid or declared by the Company for years ended 31 March 2024 and 2023.

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:

	2024	2023
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(196,896)**	(274,500)

	2024	2023
	'000	*'000*
Number of shares:		
Number of ordinary shares for the purposes of basic and diluted loss per share	**6,043,950**	6,043,950

Diluted loss per share for the years ended 31 March 2024 and 2023 are the same as the basic loss per share as there were no potential ordinary shares outstanding during both years.

10. INVENTORIES

All inventories are finished goods at the end of both years. As at 31 March 2024, Franck Muller products accounted for approximately 91.0% (2023: 99.5%) of the Group's total inventories. During the year ended 31 March 2024, an allowance of HK$28,186,000 (2023: HK$35,446,000) was made for write-down of obsolete and slow-moving inventories.

11. TRADE AND OTHER RECEIVABLES

	2024	2023
	HK$'000	*HK$'000*
Trade receivables	**5,747**	24,001
Less: ECL of trade receivables	**(3,625)**	(15,301)
Trade receivables	**2,122**	8,700
Other receivables	**15,983**	14,009
Rental, utility and other deposits	**14,109**	11,496
Prepayments	**14,690**	30,054
Total trade and other receivables	**46,904**	64,259
Classified as		
Non-current assets		
— Other receivables	**5,214**	4,805
— Deposits	**3,598**	5,347
— Prepayment	**6,834**	14,578
	15,646	24,730
Current assets		
— Trade receivables	**2,122**	8,700
— Other receivables	**10,769**	9,204
— Deposits	**10,511**	6,149
— Prepayments	**7,856**	15,476
	31,258	39,529
Total trade and other receivables	**46,904**	64,259

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:

	2024	2023
	HK$'000	*HK$'000*
Within 30 days	**794**	8,047
31–90 days	**14**	2
Over 90 days	**1,314**	651
	2,122	8,700

12. TRADE AND OTHER PAYABLES

	2024	2023
	HK$'000	*HK$'000*
Trade payables	**64,054**	57,960
Accrued charges	**45,198**	50,509
Other payables	**32,512**	25,093
Provision of legal and professional fees related to the Arbitration	**16,051**	25,493
	157,815	159,055

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:

	2024	2023
	HK$'000	*HK$'000*
Within 90 days	**2,754**	6,060
91 days–365 days	**10,182**	29,235
Over 365 days	**51,118**	22,665
	64,054	57,960

13. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$'000
Authorised:		
At 1 April 2023/2022 and 31 March 2024/2023		
— Ordinary shares of HK$0.02 each	20,000,000,000	400,000
Issued and fully paid:		
At 1 April 2023/2022 and 31 March 2024/2023		
— Ordinary shares of HK$0.02 each	6,043,950,000	120,879

14. ARBITRATION AND CONTINGENT LIABILITIES

In relation to an arbitration concerning a dispute between SBML, an indirect wholly-owned subsidiary of the Company and the Respondents on the alleged termination by Multicontinental of SBML's exclusive distributorship of Franck Muller timepieces and watch accessories and spare parts in the PRC, Hong Kong, Macau and Taiwan (the "Exclusive Territory") under the EDA dated 15 June 2018 and entered into between SBML and the Respondents (the "Arbitration"). SBML seeks remedies including but not limited to: (i) declaration that all notices of termination of the EDA were null and void and ineffective; (ii) declaration that the EDA is still valid and is not terminated; or, alternatively, damages for wrongful termination of contract to be assessed; (iii) damages for wrongful intervention of SBML's business within the Exclusive Territory; (iv) costs incurred for any interim proceedings; and (v) all costs and legal fees on a full-indemnity basis plus interest.

On the other hand, Multicontinental sought declarations in relation to the termination of the EDA and damages sustained due to, including but not limited to, the Group's failure to meet the guaranteed minimum annual purchases as stipulated in the EDA, the repayment of the Group's all outstanding payables of CHF4.9 million (equivalent to approximately HK$42.7 million as at 31 March 2024), and the return of all consignment stocks. The value of the consignment stocks was approximately CHF75.3 million (equivalent to approximately HK$653.3 million as at 31 March 2024) based on the record of the Group. In the Arbitration, Multicontinental asserted the monetary counterclaims against the Company at the amount of approximately CHF71.4 million (equivalent to approximately HK$619.4 million as at 31 March 2024) for potential loss corresponding to the Group's failure to meet annual minimum purchases for the years 2021 and 2022 under the EDA, which allegedly constituted a breach of the EDA.

SBML disputed Multicontinental's counterclaim, challenging all grounds relied upon by Multicontinental on the basis of the negative detrimental impact of parallel imports in the market and the Covid-19 pandemic. The Directors of the Company were advised by SBML's Swiss legal advisers that the termination of the EDA was wrongful and without legal basis. Based on Swiss legal advice, the Directors of the Company consider that Multicontinental has caused and is still causing substantial damage and losses to SBML arisen from the termination of the EDA. SBML has also sought an expert report from a prominent Swiss law professor who specialises in contract law. The conclusion reached by the Swiss law expert is that SBML has a prima facie case regarding the merits of the dispute.

Based on the Swiss legal advice and expert report mentioned above, the Directors of the Company are of the view that SBML has a prima facie case to succeed on the merits of the dispute, and, therefore, it is more likely than not that the Group has no present obligation to compensate the alleged loss. Notwithstanding this, should the Group fail in the Arbitration, it is anticipated that the compensation for potential loss and any other related claims and penalties would not be the full amount of the counterclaims asserted by Multicontinental in the Arbitration. The Directors of the Company estimate the potential loss to be amounted to approximately CHF5.8 million (equivalent to approximately HK$48.8 million as at 31 March 2024) by applying net profit margin in the range of 3.7% to 13.3% in the cumulative shortfall in minimum purchase for the years 2021 and 2022 and that this is not a probable outcome of the Arbitration. The above range of net profit margin was determined with reference to the valuation performed by an independent professional valuer.

Multicontinental also counterclaims a 5% interest on the outstanding payables of CHF4.9 million (equivalent to approximately HK$42.7 million as at 31 March 2024) payable by the Group. The estimated penalty interest of approximately CHF0.5 million (equivalent to approximately HK$4.3 million as at 31 March 2024) was included in accruals.

At the same time, Multicontinental's possesses of repair watches owned by SBML at substantial amounts. SBML exercises a lien on the consignment goods due to unresolved issues regarding the unrecovered repair watches, establishing a complex legal dynamic between the parties. In the opinion of the Directors of the Company, the Arbitration is still on-going and it is not practicable to estimate the financial effect and timing of the outflow of economic benefits as at 31 March 2024.

The Respondents had submitted the statement of defence and counterclaim on the liability and jurisdiction and requested documents production in February 2024. SBML had then submitted the requested documents and the statement of reply and defence to the counterclaim on liability and jurisdiction in June 2024. The hearing of the Arbitration has been scheduled on 30 September 2024.

Except as disclosed above, the Group had no other material contingent liabilities as at 31 March 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue for the year ended 31 March 2024 increased by 27.9% from HK$98.2 million to HK$125.6 million when compared with last financial year. It was mainly attributable to increase in revenue in watch distribution which was in turn caused by the fact that Mainland China, Hong Kong and Macau governments lifted all pandemic preventive measures to stimulate local consumption in early 2023.

Gross loss of the Group was HK$19.0 million in FY2024 compared with gross loss of HK$20.7 million in FY2023, representing a gross loss margin of 15.1% in FY2024 compared with a gross loss margin of 21.1% in FY2023. The improvement in gross loss margin was mainly due to increase in revenue arising from property investment and the reduction of allowance made for write-down of obsolete and slow-moving inventories in FY2024 as compared to FY2023.

Selling and distribution costs decreased by 44.8% from HK$28.8 million in last financial year to HK$15.9 million, mainly arising from decrease in depreciation for right-of-use assets due to impairment on right-of-use assets. General and administrative expenses decreased by 4.8% from HK$110.6 million in last financial year to HK$105.3 million, mainly because legal and professional fees decreased.

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.

Net loss was HK$195.8 million in FY2024 as compared to HK$275.6 million in FY2023, primarily attributable to decrease in impairment loss on property, plant and equipment in respect of leased boutiques and offices and decrease in fair value change of investment properties.

BUSINESS REVIEW

The Group is the distributor of luxury watches and accessories in Hong Kong, Macau, Taiwan and Mainland China. The Group represents the luxury brands including FRANCK MULLER, 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 7 boutiques, making a total of 57 points (31 March 2023: 61).

Other than the 4 boutiques operated by the Group, the remaining 53 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 aim of increasing brand exposure and extending brand networking.

Hong Kong

5–9 September 2023

World Brand Piazza 2023

Prince Jewellery & Watch Company gathered 12 world renowned watch brands and successfully hosted the 13th 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. A selection of FRANCK MULLER's iconic series were exhibited, including the Vanguard Racing Skeleton and Vanguard Heart Skeleton, while CVSTOS unveiled the latest Metropolitan Chrono Skeleton which perfectly symbolized the watchmaking know-how and combined the utility of its performance with the beauty of its design.

8 March 2024

Board Secretaries Spring Strategy Meeting — Hong Kong Preview

Brought together an exceptional gathering of industry leaders, experts, and participants from diverse sectors. The event served as an immersive platform for knowledge exchange, networking, and exploration. Attendees had the privilege of gaining valuable insights from distinguished directors and secretaries, who generously shared their expertise and perspectives on Hong Kong's dynamic stock market strategies. Featuring FRANCK MULLER's exquisite timepieces and our meticulously curated high jewelry pieces, these presentations captivated the audience fostered an engaging environment for interactive sessions and insightful discussions.

Performance by business operations and geographical markets

Watch distribution

Hong Kong, Mainland China and Macau remained the key revenue drivers, contributing together HK$106.7 million which accounted for 84.9% of the Group's total revenue in FY2024.

Hong Kong

Hong Kong continued to be the Group's major market, accounting for 74.3% of the Group's total revenue in FY2024. Performance in this market recorded an increase in revenue by 96.4% from HK$47.5 million in the previous financial year to HK$93.3 million in FY2024.

Mainland China and Macau

The percentage contribution of Mainland China and Macau to the Group's total revenue decreased from 31.2% in FY2023 to 10.7% in FY2024. Sales in this region showed a decrease of 56.4% to HK$13.4 million from HK$30.7 million in last financial year.

Other locations

The Group's other locations' (i.e. Taiwan and other) segment recorded a revenue of HK$5.7 million in FY2024, being 45.7% lower than HK$10.6 million in last financial year.

Property investment

Revenue from property investment in Mainland China amounted to HK$13.1 million in FY2024, being 39.4% higher than HK$9.4 million in FY2023 due to increase in occupancy rate.

Loss for the year

As a result of the foregoing, the Group's loss for the year decreased by HK$79.7 million, or 28.9%, from HK$275.6 million for the year ended 31 March 2023 to HK$195.8 million for the year ended 31 March 2024.

PROSPECTS

As 2024 progresses, the Company is navigating challenging market conditions in Mainland China, Hong Kong, and Macau. Hong Kong's real GDP grew by 2.7% year-on-year in the first quarter of 2024, maintaining the same growth rate as the advance estimate. Looking forward, various projections estimate that Hong Kong's GDP growth will be around 2.1% for the overall year of 2024. In China, the International Monetary Fund (IMF) projects a GDP growth rate of 5.0% for 2024, with the Conference Board offering a slightly lower forecast of 4.1%. Mainland China and Hong Kong have been stepping up efforts to boost consumption, but progress has been hindered by factors such as heightened interest rates, growing geopolitical tensions, worsening investment returns, and slower-than-expected economic recovery. Despite these challenges, the Group, with its strong foundation in watch brand management, remains committed to a strategic and cautious approach to leveraging opportunities and navigating its market presence.

Despite the ongoing challenges from the dispute with Franck Muller, the Group's operations remain stable, and the distribution of FRANCK MULLER branded watches continues seamlessly. Strategic efforts are focused on expanding the sales network within Mainland China, Hong Kong, Macau, and Taiwan, reflecting a commitment to a diversified brand portfolio.

The Group has entered into two agreements with a Swiss watch brand, Corum, in March and April 2024. The Group entered into a distribution agreement with Montres Corum Sarl, a renowned global designer, manufacturer, and marketer of Swiss luxury timepieces. This agreement grants the Group exclusive distribution rights in Taiwan for the Corum brand, encompassing the distribution, advertising, promotion, and sale of Corum timepieces and jewelry. The agreement includes a minimum purchase commitment of CHF2,155,000 (approximately HK$18,778,000) for the years ending 2026. Additionally, the Group has entered into a retail agreement with Corum (Hong Kong) Limited, appointing the Group as a retailer of Corum timepieces in Hong Kong and Macau SAR, with a minimum purchase commitment of CHF1,350,000 (approximately HK$11,764,000) for the years ending in 2026. These agreements aim to leverage the Group's extensive retail network and market expertise. The Group is also in negotiations with several premium European watch brands, aiming to secure exclusive distributorships that will enhance product offerings and meet the sophisticated demands of customers.

Looking ahead, the Group aims to fortify its distribution network and explore new market opportunities in other Asian countries. Additionally, the Group will continue to assess and optimize the tenancy and rental levels of its investment properties in the PRC to enhance rental yield.

With over two decades of expertise in brand management, a professional management team, and an extensive retailer network in the Greater China market, the Company is committed to delivering exceptional value to its shareholders. The marketing and sales teams are adept at leveraging new media platforms to promote the brands, ensuring a strong market presence and superior customer service. As the Group navigates the evolving market landscape, the focus remains on strengthening financial position and exploring new business opportunities to achieve long-term sustainable growth.

While the watch distribution and property investment will continue to remain as the Group's core business, the management is continuously exploring potential opportunities to achieve diversification in the business and income streams of the Group and mitigate the impact of any potential risks and uncertainties.

KEY PERFORMANCE INDICATORS: INVENTORY TURNOVER AND CURRENT RATIO

Inventories as at 31 March 2024 decreased by 75.0% to HK$44.5 million when compared with HK$178.1 million as at 31 March 2023. Inventory turnover period, which is calculated by inventories balance divided by cost of sales, decreased from 547 days in FY2023 to 112 days in FY2024. The decrease arose from written down of inventories of HK$28.2 million and increase of sales in watch distribution business.

The current ratio, which is calculated by current assets divided by current liabilities, was 0.4 as at 31 March 2024 (31 March 2023: 1.1). The decrease in current ratio is mainly attributable to increase in loans and borrowings, decrease in inventories and bank balances and cash in FY2024.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 March 2024, the Group had cash and bank balances totaling HK$29.1 million when compared with HK$65.5 million as at 31 March 2023. At 31 March 2024, the Group's gearing ratio (net debt divided by equity) was 748.9% and the Group has outstanding loans and borrowings at the amount of HK$242.3 million.

At 31 March 2024, details of the Group's investments in equity instruments were as below:

		At 31 March 2024		FY2024	
Stock Code	**Stock Name**	**No. of shares held**	**Fair value**	**Change in fair value recognised in consolidated statement of profit or loss**	**Change in fair value recognised in consolidated statement of other comprehensive income**
			HK$'000	*HK$'000*	*HK$'000*
3823	Tech Pro Technology Development Ltd. (delisted)	36,760,000	1,213	37	–
627	Japan Kyosei Group Company Ltd. (formerly known as Fullsun International Holdings Group Co., Ltd.)	120,650	199	42	–
663	King Stone Energy Group Ltd.	31,702,000	3,234	–	(5,167)
Total			4,646	79	(5,167)

These investments were listed and unquoted securities which were measured at fair value. As at 31 March 2024, investments in equity instruments amounted to HK$4.6 million.

In FY2024, a net fair value gain of HK$79,000 was booked to the consolidated statement of profit or loss directly while a net fair value loss of HK$5.2 million was charged to consolidated statement of other comprehensive income to reflect the overall decrease in fair value of the investments in equity instruments.

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

It was noted that trading in the shares of Tech Pro Technology Development Limited has been suspended since 9:00 a.m. on 9 November 2017, details of which can be referred to 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 can be referred to in the announcement issued by the Stock Exchange on 26 February 2020 on its official website.

It was noted that trading in the shares of King Stone Energy Group Limited has been suspended since 9:00 a.m. on 2 April 2024, details of which can be referred to the announcement made by King Stone Energy Group Limited on 2 April 2024.

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 recorded net current liabilities was HK$184.8 million as at 31 March 2024 (net current assets of HK$14.3 million as at 31 March 2023). Net assets reduced to HK$32.8 million as at 31 March 2024 as compared to HK$241.4 million as at 31 March 2023. 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 2024, 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 in FY2024.

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 HKAS 21 "The Effects of Changes in Foreign Exchange Rates".

CHARGE ON ASSETS

As at 31 March 2024, (i) investment properties at fair value of RMB351.0 million (equivalent to HK$380.4 million), (ii) certain account receivables of rental income generated from the pledged investment properties, (iii) restricted banks deposit of RMB4.6 million (equivalent to HK$5.0 million), and (iv) entire equity interest of a subsidiary of the Company were pledged as collateral for the outstanding balance of loans and borrowings of RMB174.7 million (equivalent to approximately HK$189.3 million) (2023: RMB138.8 million (equivalent to approximately HK$158.6 million)).

CAPITAL COMMITMENT

As at 31 March 2024, the Group had no contracted, but not provided for capital expenditure (31 March 2023: HK$0.6 million) in respect of acquisition of property, plant and equipment.

CONTINGENT LIABILITIES

Except as disclosed in note 14 to the consolidated financial statements set out in this announcement, the Group had no other material contingent liabilities as at 31 March 2024 and 31 March 2023.

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 2024, the Group's work force stood at 115 including Directors (31 March 2023: 115). 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 C1 to the Listing Rules throughout the year ended 31 March 2024, except for the following deviations.

In respect of code provision C.1.4 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills, and should provide a record of the training they received to the issuer. During the year, the Company has provided relevant materials published by professional bodies or regulators to the Directors to keep them abreast of the latest development of legal, regulatory and corporate governance, and the Company received training records from all the Directors except Mr. Chiu Sin Nang, Kenny (who resigned on 9 May 2023), Mrs. Chu Yuet Wah and Mr. Chu, Kingston Chun Ho (both of whom resigned on 29 June 2023), and Mr. Cheng Sing Kau Colman (who was removed on 8 March 2024).

In respect of code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the year, Mr. Zhang Xiaoliang is 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 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, there were three regular Board meetings and five additional Board meetings held by the Directors. One of the regular Board meetings was convened by less than 14 days' notice for sake of approving expeditiously the announcement of the delayed audited annual results of the Group for the year ended 31 March 2023. The three regular Board meetings and the five additional Board meetings were held by the Directors to deal with and resolve their decisions on the significant matters concerning the Group's regular financial and performance reporting matters, business operations, ad hoc corporate and internal control issues in a timely manner. The Directors shall review their meeting schedules to ensure that regular Board meetings may be held at least four times a year at approximately quarterly intervals in the next financial year.

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 C3 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 2024.

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

During the year ended 31 March 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

EVENTS AFTER THE REPORTING PERIOD

The Group did not have any material subsequent events occurring after 31 March 2024 and up to the date of this announcement.

SCOPE OF WORK OF CL PARTNERS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2024 as set out in this announcement have been agreed by the Group's auditor, CL Partners CPA Limited ("CL Partners"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by CL Partners in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance conclusion has been expressed by CL Partners on this announcement.

EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

The following is extracted from the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 March 2024.

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Sincere Watch (Hong Kong) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 March 2024 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows or the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Scope limitation relating to going concern basis in preparation of the consolidated financial statements

During the year ended 31 March 2024, the loss for the year ended 31 March 2024 amounted to approximately HK$195,842,000, and as of that date, the Group has net current liabilities of approximately HK$184,805,000, while its bank balances and cash amounted to approximately HK$29,107,000 as of the same date.

Moreover, a subsidiary of the Company, namely Sincere Brand Management Limited ("SBML") has entered into the Arbitration with Multicontinental Distribution (Asia) DMCC ("Multicontinental") and GFM Watchland SA ("GFM") since January 2023 in relation to the alleged termination of SBML's exclusive distributorship of Franck Muller timepieces and watch accessories and spare parts in the People's Republic of China, Hong Kong, Macau and Taiwan ("Exclusive Territory") under the exclusive distribution agreement entered into between SBML and Multicontinental in 2018 (the "EDA") and thereby (i) the seeking of damages from the Group for the losses of approximately CHF71.4 million (equivalent to approximately HK$619.4 million as at 31 March 2024) arising from the Group's failure to meet the minimum purchases as stipulated in the EDA; (ii) the repayment of the Group's all outstanding payables of approximately

CHF4.9 million (equivalent to approximately HK$42.7 million as at 31 March 2024) which was included in trade payables, plus penalty interest of approximately CHF0.5 million (equivalent to approximately HK$4.3 million as at 31 March 2024); and (iii) the return of all consignment stocks. The value of the consignment stocks was approximately CHF75.3 million (equivalent to approximately HK$653.3 million as at 31 March 2024) based on the record of the Group. From November 2022, Multicontinental stopped supplying Franck Muller timepieces and watch accessories to the Group.

The above events or conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. In view of the above, the directors of the Company have prepared an eighteen-month cash flow forecast (the "Forecast") from the year end date based on their expectations of the outcome of the plans and measures and given considerations to the possible impact of the above events on the current and anticipated future liquidity of the Group. The directors of the Company, after due and careful enquiry and after taking into account the above plans and measures, and the financial resources available to the Group, including cash flows from operating activities and available facilities, and based on the assumptions that the plans and measures would materialise, are of the opinion that the Group will have sufficient working capital over the eighteen-month forecast period. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

However, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves on the appropriateness of the preparation of the consolidated financial statements on a going concern basis. The ability of the Group to continue as a going concern largely depends on whether those plans and measures as can be successfully implemented. The eventual outcome of these plans and measures cannot be ascertained with reasonably certainty and are subject to significant uncertainties, including:

(a) whether the expected outcome of the Arbitration can be achieved so that the Group does not need to pay for the compensation and any other related claims and penalties as claimed by Multicontinental, can generate expected revenue by selling Franck Muller timepieces and watch accessories and the Group would be able to continue the EDA;

(b) whether the Group can successfully obtain other sources of financing to the Group;

(c) whether adequate financial support can be obtained from lenders of the Group's other borrowings; and

(d) whether the Group can successfully generate revenue from sales of other watches.

We have not been provided with sufficient appropriate audit evidence to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of detailed analysis provided by management in relation to its plans and measures for future actions in its going concern assessment which take into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group. Any adjustments found to be required may have consequential significant effects on the consolidated net assets of the Group as at 31 March 2024 and the consolidated loss and other comprehensive expense and cash flows of the Group for the year ended 31 March 2024, and the related elements and disclosures thereof presented or disclosed in the consolidated financial statements.

Should the Group fail to achieve successful outcomes from the abovementioned measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

The Board's response to the Auditor's Opinion

In regard to the matters described in the section headed "Basis for Disclaimer of Opinion" in the Independent Auditor's Report, the Board would like take this opportunity to provide the Board's response and other relevant information, as well as measures taken or to be taken by management of the Company for information purpose.

The Board's response to the basis for disclaimer of opinion

The Directors have been undertaking measures to improve the Group's liquidity and financial position.

The Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as going concern. The following plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group.

(i) The Directors considered that it is more likely than not that the Group has no present obligation to compensate the alleged losses suffered by Multicontinental. Notwithstanding this, should SBML fail the Arbitration, it is anticipated by the Directors that the compensation would not be the full amount of counterclaims asserted by Multicontinental in the Arbitration. The Group can generate expected revenue by selling Franck Muller timepieces and watch accessories and the Group would be able to continue the EDA;

(ii) The shareholder providing the shareholder's loan to the Group has agreed not to recall the shareholder loan upon maturities until the Group has the ability to repay;

(iii) In April 2024, an indirect wholly owned subsidiary of the Company has entered into a loan agreement with a third party for an amount of RMB62 million (equivalent to approximately HK$66 million) for a term of two years to provide working capital for the Group. The full amount was drawdown in April 2024;

(iv) The management is actively negotiate with a PRC bank to conclude a HK$500 million loan facility based on the terms stated on the non-legally binding memorandum of understanding to provide working capital to the Group and financial support for business development of the Group;

(v) The management actively broadening the Group's product range by seeking to introduce additional European watch brands. The Group has entered into two agreements with a Swiss watch brand, Corum, in March and April 2024. The Group entered into a distribution agreement with Montres Corum Sarl that grants the Group exclusive distribution rights in Taiwan for the Corum brand, encompassing the distribution, advertising, promotion, and sale of Corum timepieces and jewelry. The agreement includes a minimum purchase commitment of CHF2,155,000 (equivalent to approximately HK$18,778,000) for the years ending 2026. Additionally, the Group has entered into a retail agreement with Corum (Hong Kong) Limited, appointing the Group as a retailer of Corum timepieces in Hong Kong and Macau SAR, with a minimum purchase commitment of CHF1,350,000 (equivalent to approximately HK$11,764,000) for the years ending 2026; and

(vi) The management closely monitors the Group's financial performance and liquidity position. The management has been implementing measures to improve profitability, control operating costs and contain capital expenditures in order to improve the Group's operating performance and alleviate its liquidity risk. These measures include negotiating with the landlords for rental reduction and rent cut. The management believes that these measures will result in improvement in operating profitability and the resulting cash flows.

AUDIT COMMITTEE

The Group's consolidated financial statements for the year ended 31 March 2024 have been reviewed by the Audit Committee of the Company (the "Audit Committee"), which comprises three independent non-executive Directors, namely Mr. Hong Sze Lung (Chairman of the Audit Committee), Mr. Zong Hao and Mr. Yu Zhenxin before submission to the Board for approval.

Communications have been conducted between the Audit Committee and the Auditor to discuss the disclaimer of opinion and the audit procedures during the audit. The Audit Committee has reviewed the facts and circumstances leading to the conclusion of the Board and fully understood the reasons for the disclaimer of opinion for FY2024. The members of the Audit Committee have no disagreement with the basis of such disclaimer of opinion and the management's position concerning the disclaimer of opinion as set out in this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sincerewatch.com.hk). The annual report of the Company for the year ended 31 March 2024 containing all the information required by the Listing Rules will be made available to the Company's shareholders and published 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, 28 June 2024

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. Hong Sze Lung.