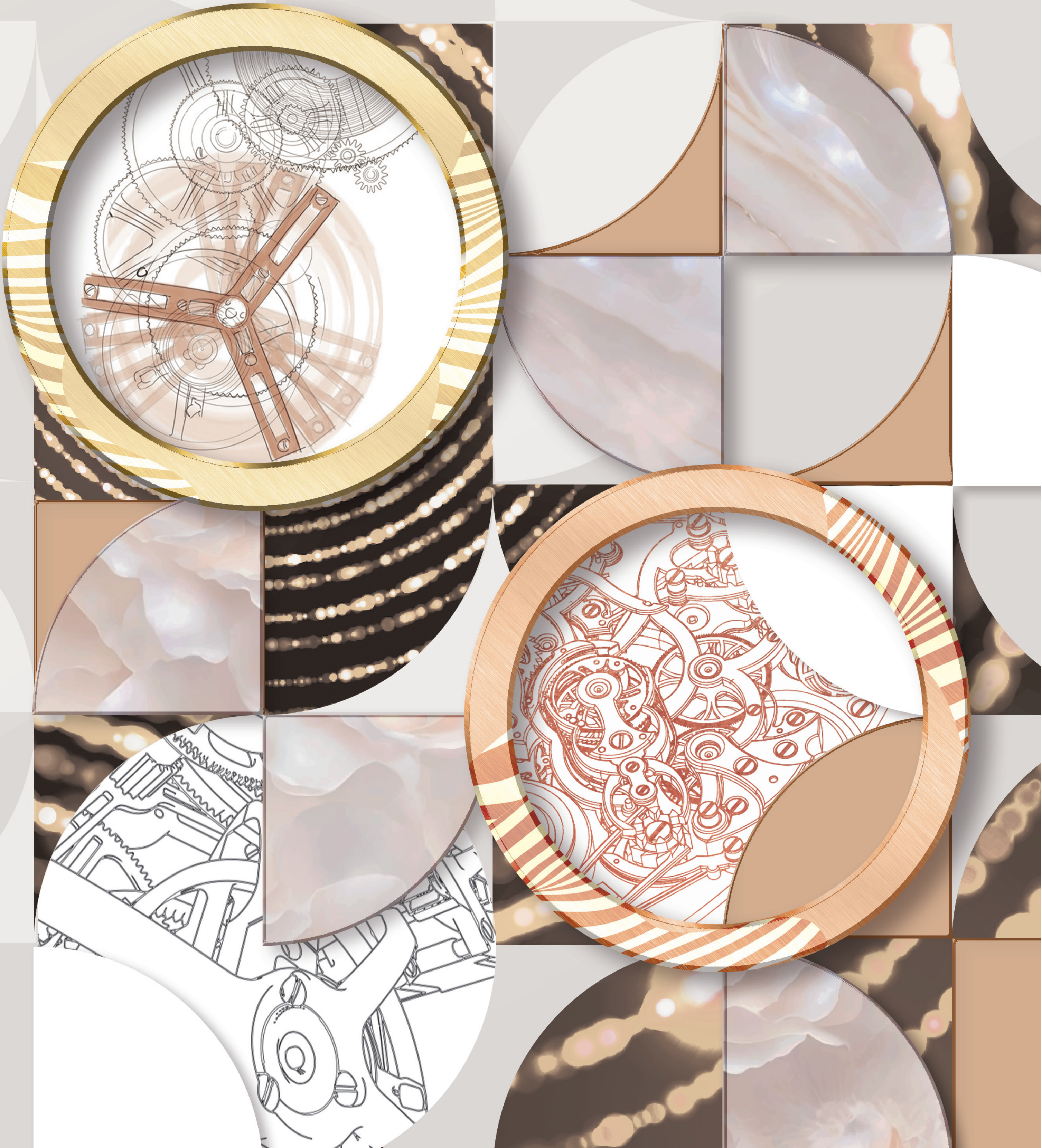
SINCERE WATCH (Hong Kong) Limited

2024 年報 ANNUAL REPORT

(Incorporated in the Cayman Islands with limited liability)

（於開曼群島註冊成立的有限公司）

Stock Code 股份編號：00444



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. ZHANG Xiaoliang
(Chairman and Chief Executive Officer)
Mr. YANG Guangqiang
Mr. AN Muzong

Independent Non-executive Directors

Mr. YU Zhenxin
Mr. ZONG Hao
Mr. HONG Sze Lung

AUDIT COMMITTEE

Mr. HONG Sze Lung *(Chairman)*
Mr. ZONG Hao
Mr. YU Zhenxin

REMUNERATION COMMITTEE

Mr. YU Zhenxin *(Chairman)*
Mr. ZONG Hao
Mr. AN Muzong

NOMINATION COMMITTEE

Mr. ZONG Hao *(Chairman)*
Mr. YU Zhenxin
Mr. AN Muzong

INVESTMENT COMMITTEE

Mr. ZHANG Xiaoliang *(Chairman)*
Mr. YU Zhenxin
Mr. AN Muzong

COMPANY SECRETARY

Mr. CHAN Kwong Leung, Eric

AUTHORISED REPRESENTATIVES

Mr. AN Muzong
Mr. CHAN Kwong Leung, Eric

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2016–2018, 20/F
China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

AUDITOR

CL Partners CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
Unit 3203A-5, 32/F
Tower 2, Lippo Centre
89 Queensway, Admiralty
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai
Banking Corporation Limited
Bank of China (Hong Kong) Limited
Tai Fung Bank

STOCK CODE

00444

WEBSITE

http://www.sincerewatch.com.hk

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).

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Sincere Watch (Hong Kong) Limited, we hereby present the performance and development of the Group for the year ended 31 March 2024.

The past year has continued to be challenging for our retail operations in Hong Kong, Macau, Taiwan, and China, as the global economy faced headwinds from persistent inflation, geopolitical tensions, and the lingering effects of the COVID-19 pandemic. Despite these obstacles, the Group has shown resilience and adaptability in navigating these turbulent times.

Our commitment to closely monitoring the market situation and adjusting our business scale, model, strategy, and costs has been instrumental in sustaining our operations. The full re-opening of borders with Mainland China provided a much-needed boost, although the recovery pace varied across regions. We have remained focused on maintaining a healthy, stable, and long-term business approach to ensure our continued success.

Guided by our core values of "Sincere, Respect and Innovation", the Group has built a robust foundation for corporate governance and social responsibility. We recognize the importance of our role within society and have made significant efforts to enhance our social impact. This includes initiatives to protect the environment, manage resource efficiency, and nurture talent within the organization.

Looking forward, we anticipate that the remainder of 2024 will present ongoing challenges. The Group is very cautious in exploring new opportunities since the global economic outlook remains uncertain and consumer sentiment is volatile. However, we are committed to seeking new development opportunities with an open-minded and innovative mindset. We will continue to adapt and evolve to meet the uncertainties ahead successfully.

On behalf of the Board, I extend my sincere appreciation to our colleagues and management team for their unwavering effort in overcoming the unprecedented challenges faced during the current year. Furthermore, I would like to express our heartfelt gratitude to our customers, business partners, brand principals, shareholders, and suppliers for their continuous trust and unwavering support of the Group.

Zhang Xiaoliang
Chairman and Chief Executive Officer

Hong Kong, 28 June 2024

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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.

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 871.3% 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 39 to the consolidated financial statements set out in this report, 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.

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 report.

DIRECTORS

Mr. ZHANG Xiaoliang

Chairman, Executive Director and Chief Executive Officer

Mr. ZHANG Xiaoliang, aged 53, was appointed as an Executive Director and Co-Chairman of the Company on 22 April 2016. He was re-designated from Co-Chairman to Deputy Chairman on 1 October 2016 and appointed as the Chief Executive Officer of the Company on 14 January 2017. Mr. Zhang was re-designated from Deputy Chairman to Chairman on 1 December 2021. He is also the chairman of the Investment Committee of the Company and a director of a number of the Company's subsidiaries.

Mr. Zhang is a computer specialist and also a technical expert in the field of digital audio/video engineering. He is the president and producer of Aquamen Entertainment LLC, a US-based company controlled by him, the president of Beijing Chi-Cha Networks Technology Company Limited (北京奇恰網絡科技有限公司), chairman of Chongqing branch of China International Engineering Design & Consult Company Limited (中外建工程設計與顧問有限公司), founder, director and chief scientist of Beijing Quanlian Networks Technology Company Limited (北京全聯網絡科技股份有限公司), chief scientist of Channelsoft (Beijing) Technology Co., Ltd (青牛(北京)技術有限公司), a director of The China Yanan Spirit Research Society (中國延安精神研究會) and vice chairman of The China Yanan Association (中國延安兒女聯誼會). Mr. Zhang helped found the China Cultural Chamber of Commerce for the Private Sector (中國民營文化產業商會) in 2012 and was an executive director of All-China Federation of Industry and Commerce (中華全國工商業聯合會) from 2007 to 2012. Before joining the Group in 2016, he has worked at companies including Dun & Bradstreet, Bankers Trust, Bank of New York and Merrill Lynch. Mr. Zhang holds a Master Degree of Business Administration from Bauer College of Business, University of Houston, the USA.

Mr. YANG Guangqiang

Executive Director

Mr. YANG Guangqiang, aged 75, was appointed as an Executive Director of the Company on 22 April 2016. He is the president of Greater China of Hongkong Moneykey Corp. Limited, school manager of Dongguan Dongcheng Yu Hua School of Vocational Training (東莞市東城育華職業培訓學校), chairman of Occupational Safety and Health Association of Dongguan City (東莞市職業安全健康協會), standing director of China Artistic Photography Society (中國藝術攝影學會) and vice chairman of Guangdong Artistic Photography Society (廣東省藝術攝影學會). Mr. Yang was a liaison officer of the External Affairs Department of City College of Dongguan University of Technology (東莞理工城市學院).

Mr. AN Muzong

Executive Director

Mr. AN Muzong, aged 60, was appointed as an Executive Director of the Company on 27 August 2016. He is also a member of each of the Remuneration Committee, the Nomination Committee and the Investment Committee of the Company and a director of a number of the Company's subsidiaries. Mr. An served as the business development manager of Lenovo Group Limited, a company invested by the Institute of Computing Technology, Chinese Academy of Sciences, from 1987 to 1991. He served as the trade manager of the China Commercial Futures Exchange under the Ministry of Commerce of China from 1992 to 1999. Mr. An was also an executive director (from November 2005 to June 2013) and the chairman of the board (from February 2009 to June 2013) of Shenyang Public Utility Holdings Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 747). He graduated from Beijing Institute of Aeronautics (北京航空學院) in June 1987.

DIRECTORS AND SENIOR MANAGEMENT

Mr. YU Zhenxin

Independent Non-executive Director

Mr. YU Zhenxin, aged 53, was appointed as an Independent Non-executive Director of the Company on 27 August 2016. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee, the Nomination Committee and the Investment Committee of the Company. Mr. Yu is a director and the general manager of Suzhou Huaze Nano Material Company Limited (蘇州華澤納米材料有限公司). He was a director of the office of the board of directors and supervisory board of Minsheng Life Insurance Company Limited (民生人壽保險股份有限公司) from 2007 to 2012, and the secretary of the general office of All-China Federation of Industry and Commerce (中華全國工商業聯合會) from 1998 to 2010. Mr. Yu graduated from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in March 1998 with a Master's degree in Investment Economics.

Mr. ZONG Hao

Independent Non-executive Director

Mr. ZONG Hao, aged 54, was appointed as an Independent Non-executive Director of the Company on 10 December 2016. He is also the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee of the Company. Mr. Zong obtained a degree of the Master of Laws from Buffalo Law School, the State University of New York in 1997. He is currently an executive director and the chief executive officer of King Stone Energy Group Limited, a company listed on the Main Board of the Stock Exchange. Mr. Zong was the chief representative of Cherry Lane Music Publishing Company Inc. Beijing office from 2003 to 2010, the executive vice president of Quintana China and Taggart China LLC from 2007 to January 2013 and an independent director of Suzhou Electrical Apparatus Science Academy Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300215), from 2009 to 2015.

Mr. HONG Sze Lung

Independent Non-executive Director

Mr. HONG Sze Lung, aged 52, was appointed as an Independent Non-executive Director of the Company on 12 July 2023. He is also the chairman of the Audit Committee of the Company. Mr. Hong has over 25 years of working experience and extensive knowledge in the fields of auditing, corporate finance, corporate recovery, investments as well as corporate investor relations in Hong Kong and Mainland China.

Mr. Hong commenced his career in PricewaterhouseCoopers and worked in the firm for approximately 10 years in the field of auditing, corporate finance & recovery until he left the firm in November 2005 as a senior manager. For the period from March 2006 to October 2011, Mr. Hong served at senior management level respectively in a private equity investment company (as senior vice president) as well as two companies listed on the Main Board of the Stock Exchange, being Soundwill Holdings Limited (stock code: 0878) and Silver Base Group Holdings Limited (previous stock code: 0886), both as corporate finance director. For the period from September 2012 to December 2016, Mr. Hong worked in Wealth Glory Holdings Limited (stock code: 8269), a company listed on the GEM of the Stock Exchange, as chief operation officer and subsequently promoted to executive director, chief executive officer and chairman. For the period from July 2018 to June 2020, Mr. Hong worked as chief financial officer of the Company.

Mr. Hong, being appointed on 1 September 2020, is currently an independent non-executive director of Kelfred Holdings Limited (stock code: 1134), a company listed on the Main Board of the Stock Exchange. Mr. Hong was an independent non-executive director of Ping An Securities Group (Holdings) Limited (formerly known as Madex International (Holdings) Limited), a company delisted from the Main Board of the Stock Exchange (previous stock code: 0231) on 7 November 2022, for the period from May 2014 to November 2015, an independent non-executive director of Evershine Group Holdings Limited, a company delisted from the GEM of the Stock Exchange (previous stock code: 8022) on 17 October 2022, for the period from January 2021 to March 2021, an independent non-executive director of Silver Base Group Holdings Limited, a company delisted from the Main Board of the Stock Exchange (previous stock code: 0886) on 4 December 2023, for the period from March 2022 to June 2022, and an independent non-executive director of Huiyin Holdings Group Limited, a company delisted from the Main Board of the Stock Exchange (previous stock code: 1178) on 22 August 2022, for the period from March 2022 to August 2022.

Mr. Hong is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants and a chartered financial analyst of the CFA Institute. In 1995, Mr. Hong obtained a Bachelor of Arts (Hons) Degree in Accountancy from the Hong Kong Polytechnic University.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. YANG Yang, aged 49, is the Executive Vice President of the Company since 1 June 2016 and is also a director of certain subsidiaries of the Company. He is responsible for the development of new businesses, and the merger and acquisition matters of the Company. Mr. Yang graduated from the Tsinghua University with a Master's degree in Architecture. He was an architect of 中國建築科學研究院 (China Architecture Science Academy) from 1998 to 2003 and was the general manager of Australia TDP (2003–2008), 衡源德路北京投資有限公司 (2008–2011), 中外建瑞典 (2008–2014) and Nordickina Investment Limited (2011–2015). Mr. Yang has extensive experience in architecture and management.

Mr. JENG Pei Hwang, Frederick, aged 63, is the General Manager of Sincere Watch Co., Ltd since July 2003. He is responsible for the general management and administration of the company's operations. Mr. Jeng has over 30 years of working experience in the luxury and watch business in Taiwan, handling S.T. Dupont, Alfred Dunhill, and watch brands including Chopard, Bvlgari, Hermes, Rolex, and Rado. In 2021, he earned his EMBA degree from National Taiwan University. He also graduated with a master's degree in business administration from the University of Wisconsin in 1989 and a bachelor's degree in business administration from National Taipei University in 1984.

Ms. LAU Yuk Shan, aged 47, is the Chief Executive Officer of Sincere Brand Management Limited since November 2023. She oversees business development, sales strategy, purchasing, after-sales services' operations, and project management for the Group.

Before joining the Group in January 2000, Ms. Lau worked as a production coordinator for an event management company specializing in fashion shows, product launches, and exhibitions. She has successfully organized events in Hong Kong, Thailand, and the PRC. Ms. Lau holds a higher diploma in Clothing (Design and Pattern Making) from the Hong Kong Institute of Vocational Education.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board (the "Board") of directors (the "Directors") of the Company is committed to maintaining high standards of corporate governance. The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code of corporate governance practices.

In the opinion of the Directors, the Company has complied with all code provisions set out in Part 2 of the CG Code throughout the year ended 31 March 2024, except for the deviations disclosed in this report.

BUSINESS STRATEGIES AND CULTURE

Our Company is steadfast in its dedication to cultivating a robust corporate culture, which stands on four fundamental pillars: customer-centricity, excellence in product and service delivery, prioritizing our people, and fostering a culture of positivity. This cultural framework is bolstered by our overarching mission and core values, creating an environment that empowers all members of our organization, regardless of their hierarchical level, to flourish and fully realize their potential. Our unwavering commitment to acting ethically and responsibly forms the bedrock upon which this culture is constructed, allowing us to deliver sustained, long-term performance while simultaneously contributing to the betterment of society and the environment.

Our mission and values transcend mere rhetoric; they serve as a guiding compass for our employees' conduct and behaviors. These principles permeate throughout our operational procedures, workplace policies, and interactions with stakeholders, ensuring the consistency and integrity of our corporate identity.

The onus of shaping and nurturing our corporate culture, as well as delineating our mission, values, and strategic trajectory, primarily rests with our esteemed management team. These critical facets remain under continuous scrutiny by the Board to ensure harmonization with the diverse aspects of our corporate culture. This alignment is conspicuously evident across various dimensions, including workforce engagement, employee retention, training initiatives, adherence to legal and regulatory mandates, staff well-being, safety, and support systems. Consequently, the interconnected harmony between culture, mission, values, and strategy within our organization remains a central focal point of our corporate governance efforts.

DIRECTORS' SECURITIES TRANSACTIONS

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.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Group (comprising the Company and its subsidiaries) and oversees the Group's businesses, strategic decisions and performance. The Board has delegated the day-to-day management responsibility to the Executive Directors and senior management who perform their duties under the leadership of the Chief Executive Officer. The Independent Non-executive Directors ensure that the Board accounts for the interests of all shareholders of the Company (the "Shareholders") and that all issues are considered in an objective manner.

The Board is also responsible for performing the corporate governance duties as set out below:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the period from 9 May 2023 to 11 May 2023, the Company has not met the following requirements after the resignation of Mr. Chiu Sin Nang, Kenny as an Independent Non-executive Director on 9 May 2023:

(a) at least three independent non-executive directors on the board of directors under Rule 3.10(1) of the Listing Rules;

(b) at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules;

(c) independent non-executive directors who represent at least one-third of the board of directors under Rule 3.10A of the Listing Rules; and

(d) the audit committee comprising a minimum of three members under Rule 3.21 of the Listing Rules.

On 12 May 2023, Mr. Cheng Sing Kau Colman was appointed as an Independent Non-executive Director and a member of the Audit Committee. Following the appointment of Mr. Cheng, the Company fully complied with the above requirements under Rules 3.10(1), 3.10(2), 3.10A and 3.21 of the Listing Rules.

As at 31 March 2024, the Board consisted of six members, including three Executive Directors, namely Mr. Zhang Xiaoliang *(Chairman and Chief Executive Officer)*, Mr. Yang Guangqiang and Mr. An Muzong; and three Independent Non-executive Directors, namely Mr. Yu Zhenxin, Mr. Zong Hao and Mr. Hong Sze Lung.

The Company has received annual confirmation of independence from all current Independent Non-executive Directors and considers them to be independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

The Company has put in place mechanisms to ensure independent views and input are available to the Board. This is achieved by giving Directors access to external independent professional advice from legal advisers and auditor, as well as the attendance of all Independent Non-executive Directors at almost all the meetings of the Board and its relevant committees held during the year. The Board reviews the implementation and effectiveness of the aforementioned mechanisms on an annual basis.

During the year, the Board members have no financial, business, family or other material/relevant relationship with each other except that Mrs. Chu Yuet Wah (resigned as Non-executive Director on 29 June 2023) is the mother of Mr. Chu, Kingston Chun Ho (resigned as Non-executive Director on 29 June 2023). Given the nature and business objective of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The current list of Directors and their respective biographies are set out on pages 11 to 13 of this annual report. The Company has put in place appropriate and adequate Directors and Officers Liability Insurance to protect the Directors and officers of the Group against their potential legal liabilities.

Under 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. In addition to the Board meetings, the Chairman of the Board met with Independent Non-executive Directors without the presence of other Directors.

The members of the Board and the attendance of each member at the Board meetings and general meetings held during the year are as follows:

	Attended/Eligible to attend	
Name of Board Members	**Board Meetings**	**General Meetings**
Executive Directors		
Mr. Zhang Xiaoliang *(Chairman and Chief Executive Officer)*	8/8	2/2
Mr. Yang Guangqiang	7/8	2/2
Mr. An Muzong	6/8	2/2
Non-executive Directors		
Mrs. Chu Yuet Wah [(a)]	0/0	0/0
Mr. Chu, Kingston Chun Ho [(b)]	0/0	0/0
Independent Non-executive Directors		
Mr. Yu Zhenxin	7/8	2/2
Mr. Zong Hao	8/8	2/2
Mr. Hong Sze Lung [(c)]	6/6	2/2
Mr. Cheng Sing Kau Colman [(d)]	8/8	1/2
Mr. Chiu Sin Nang, Kenny [(e)]	0/0	0/0

Notes:

(a) Mrs. Chu Yuet Wah resigned as a Non-executive Director with effect from 29 June 2023.

(b) Mr. Chu, Kingston Chun Ho resigned as a Non-executive Director with effect from 29 June 2023.

(c) Mr. Hong Sze Lung was appointed as an Independent Non-executive Director with effect from 12 July 2023.

(d) Mr. Cheng Sing Kau Colman was appointed as an Independent Non-executive Director with effect from 12 May 2023 and was removed as an Independent Non-executive Director with effect from 8 March 2024.

(e) Mr. Chiu Sin Nang, Kenny resigned as an Independent Non-executive Director with effect from 9 May 2023.

The Company Secretary assists the Chairman in establishing the meeting agenda, and each Director may request inclusion of items in the agenda. Adequate and appropriate information are circulated normally three days in advance of Board meetings to the Directors. Board and committee minutes are recorded in appropriate details and draft minutes are circulated to all Directors and committee members for comments before being approved by the Board and relevant committees. All minutes are kept by the Company Secretary and are open for inspection by the Directors.

Pursuant to Article 108 of the Company's Articles of Association, at each annual general meeting ("AGM"), one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. A retiring Director shall be eligible for re-election. All the Independent Non-executive Directors have entered into letters of appointment with the Company for a specified period of one year in each term, subject to retirement by rotation at AGMs in accordance with the Company's Articles of Association.

Article 112 of the Company's Articles of Association provides that any Director appointed by the Board either to fill a casual vacancy or as an additional Director shall hold office only until the first AGM after his appointment and shall then be eligible for re-election at the meeting.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under 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 responsible for the overall formulation of business strategies and market development of the Group, the leadership and effective running of the Board and ensuring that all significant and key issues were discussed and where required resolved by the Board timely and constructively, the overall development as well as the strategic planning and positioning and management of the Group's business in the Peoples' Republic of China. Mr. Zhang Xiaoliang is also delegated with the authority and responsibility to run the Group's business and the day-to-day operation, and implement the Group's strategy with respect to the achievement of its business objectives with the assistance of senior management. 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 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.

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Under 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.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. 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. The Company has also devised a training record in order to assist the Directors to record the training they have undertaken.

According to the training records kept by the Company, the following Directors provided a record of the training they received during the year ended 31 March 2024 to the Company:

Name of Directors	**Attending seminars/ conferences/courses/ readings relevant to the business, corporate governance or directors' duties**
Executive Directors	
Mr. Zhang Xiaoliang	✓
Mr. Yang Guangqiang	✓
Mr. An Muzong	✓
Independent Non-executive Directors	
Mr. Yu Zhenxin	✓
Mr. Zong Hao	✓
Mr. Hong Sze Lung	✓

The Company had not received training records from 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).

BOARD COMMITTEES

The Board has set up four committees, namely Audit Committee, Remuneration Committee, Nomination Committee and Investment Committee, to oversee different aspects of the Company's affairs. The most up-to-date terms of reference of these committees are available on the websites of the Stock Exchange and the Company.

Audit Committee

The Audit Committee is responsible for reviewing and overseeing the financial reporting system, risk management and internal control systems of the Company and providing advice and comments to the Board. Meetings of the Audit Committee shall be held at least twice a year.

During the year, the Audit Committee held four meetings. The members of the Audit Committee and the attendance of each member for the year ended 31 March 2024 are as follows:

Name of Audit Committee Members	Attended/Eligible to attend
Independent Non-executive Directors	
Mr. Hong Sze Lung *(chairman)* [a]	3/3
Mr. Zong Hao [b]	3/4
Mr. Yu Zhenxin	4/4
Mr. Cheng Sing Kau Colman [c]	4/4
Mr. Chiu Sin Nang, Kenny [d]	0/0

Notes:

(a) Mr. Hong Sze Lung was appointed as the chairman of the Audit Committee with effect from 12 July 2023.

(b) Mr. Zong Hao resigned as the chairman of the Audit Committee and remains a member of the Audit Committee with effect from 12 July 2023.

(c) Mr. Cheng Sing Kau Colman was appointed as a member of the Audit Committee with effect from 12 May 2023 and was removed as a member of the Audit Committee with effect from 8 March 2024.

(d) Mr. Chiu Sin Nang, Kenny resigned as a member of the Audit Committee with effect from 9 May 2023.

During the year, the Audit Committee performed the following duties:

(a) reviewed with the Company's management the accounting principles and practices adopted by the Group as well as financial reporting matters including the review of the unaudited and audited annual financial statements for the year ended 31 March 2023 and the financial statements for the six months ended 30 September 2023 with recommendations to the Board for approval;

(b) reviewed risk management and internal control systems of the Company;

(c) reviewed and was satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions;

(d) reviewed the engagement and remuneration of the auditor in respect of audit and non-audit services;

(e) met with the auditor to discuss matters relating to the audit issues arising from the annual audit;

(f) reviewed, discussed and made recommendations to the Board on the change of auditor;

(g) reviewed and made recommendations to the Board on the new auditor's re-appointment at the 2023 AGM; and

(h) reviewed the terms of reference of the Audit Committee.

All members of the Audit Committee possess in-depth experience in their own profession and one of the members of the Audit Committee possesses appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules and the Company meets the requirements of Rule 3.21 of the Listing Rules.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all Directors and senior management of the Company. No individual Director or any of his/her associates is involved in decisions relating to his/her own remuneration. The Remuneration Committee has adopted the model under code provision E.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management. Meetings of the Remuneration Committee shall be held at least once a year.

During the year, the Remuneration Committee held one meeting and passed written resolutions to discharge its duties. The members of the Remuneration Committee and the attendance of each member for the year ended 31 March 2024 are as follows:

Name of Remuneration Committee Members	Attended/Eligible to attend
Independent Non-executive Directors	
Mr. Yu Zhenxin *(chairman)*	1/1
Mr. Zong Hao	1/1
Executive Director	
Mr. An Muzong	1/1

During the year, the Remuneration Committee performed the following duties:

(a) reviewed and made recommendations to the Board on the remuneration packages of the Executive Directors and senior management;

(b) reviewed and made recommendations to the Board on the annual directors' fees of two new Independent Non-executive Directors; and

(c) reviewed the terms of reference of the Remuneration Committee.

Details of and the change in the remuneration paid to the Directors and members of senior management by band for the year ended 31 March 2024 are disclosed in note 12 to the consolidated financial statements.

Nomination Committee

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, assessing the independence of the Independent Non-executive Directors, making recommendations to the Board on nominations, appointment and re-appointment of Directors and Board succession.

The Nomination Committee considered that the Board has sufficient diverse expertise, particularly in corporate management, financial control, business development and human resources management. Meetings of the Nomination Committee shall be held at least once a year.

During the year, the Nomination Committee held one meeting and passed written resolutions to discharge its duties. The members of the Nomination Committee and the attendance of each member for the year ended 31 March 2024 are as follows:

Name of Nomination Committee Members	Attended/Eligible to attend
Independent Non-executive Directors	
Mr. Zong Hao *(chairman)*	1/1
Mr. Yu Zhenxin	1/1
Executive Director	
Mr. An Muzong	1/1

During the year, the Nomination Committee performed the following duties:

(a) reviewed the structure, size and composition of the Board;

(b) assessed the independence of the Independent Non-executive Directors with reference to the guidelines under the Listing Rules;

(c) nominated the retiring Directors for re-election at the 2023 AGM;

(d) nominated two Independent Non-executive Directors for appointment to the Board; and

(e) reviewed the Nomination Policy, the Board Diversity Policy and the terms of reference of the Nomination Committee.

The Board adopted a Nomination Policy and a Board Diversity Policy. The Nomination Policy sets out the key selection criteria and nomination procedures of the Nomination Committee in making recommendations to the Board on the appointment of Directors and succession planning for Directors. The Board Diversity Policy sets out the approach to achieving diversity on the Board. The Company recognises the benefits of diversity of Board members.

Nomination of Board members

The Nomination Policy sets out the key selection criteria and nomination procedures of the Nomination Committee in making recommendations to the Board on the appointment of Directors or re-appointment of any existing Directors and succession planning for Directors.

According to the Nomination Policy, the ultimate responsibility for selection and appointment of Directors rests with the entire Board or the Shareholders in general meetings as the case may be. The Board has delegated the relevant screening and evaluation process to the Nomination Committee, which identifies suitably qualified Director candidates and recommends them to the Board. In assessing the suitability of a proposed candidate, the Nomination Committee takes into consideration the candidate's good character, integrity and competent to act as Director, skills, knowledge and experience in the commercial and professional fields which are relevant to the principal business of the Group, his/her commitment to devoting sufficient time and attention to the Board and on merit, against objective criteria and with due regard to the diversity perspectives set out in the Board Diversity Policy. After undertaking adequate due diligence in respect of the appointment of the proposed candidate to the Board, the Nomination Committee nominates the relevant candidate to the Board for approval and appointment. The Board will make recommendation to the Shareholders in respect of the proposed re-election of Directors at general meetings.

The Nomination Committee reviews the Nomination Policy, as appropriate, to ensure its effectiveness. It shall discuss any revisions to the Nomination Policy that may be required and make recommendation to the Board for approval.

Diversity

Pursuant to the Board Diversity Policy, in reviewing the Board's diversity, the Board will consider including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. New Directors, being individuals who are suitably qualified and expected to make a positive contribution to the performance of the Board and having regards to the criteria stated in the Board Diversity Policy, are identified and submitted to the Board or the Shareholders for approval either to fill vacancies on the Board or to be appointed as additional Directors.

Currently, all Board members are male. The Board has set down its goals to appoint at least one female as Board member no later than 31 December 2024 as part of its effort to achieve diversity at the Board level. The Nomination Committee will continue to monitor and actively consider different aspects of diversity in the boardroom, and recommend further actions or plan to the Board when necessary.

As at 31 March 2024, the Group's workforce is approximately 43% male and 57% female. The Board considers that the Group's workforce are diverse in terms of gender. The table below summarizes the share of women at different position levels across the Group as at 31 March 2024.

	Level		
Gender	**Director**	**Senior Management**	**Other employees**
Male	6	2	41
Female	0	1	65

Note: The above data is calculated based on the number of total employees of the Group as of 31 March 2024.

Investment Committee

The Investment Committee is responsible for reviewing and evaluating any investment projects proposed by the Company and making recommendations to the Board on such investment projects. It also monitors the investments of the Group. Meetings of the Investment Committee shall be held at least once a year.

During the year, the Investment Committee held one meeting. The members of the Investment Committee and the attendance of each member for the year ended 31 March 2024 are as follows:

Name of Investment Committee Members	Attended/Eligible to attend
Executive Directors	
Mr. Zhang Xiaoliang *(chairman)*	1/1
Mr. An Muzong	1/1
Non-executive Director	
Mrs. Chu Yuet Wah *(Note)*	0/0
Independent Non-executive Director	
Mr. Yu Zhenxin	1/1

Note: Mrs. Chu Yuet Wah resigned as a member of the Investment Committee with effect from 29 June 2023.

During the year, the Investment Committee performed the following duties:

(a) reviewed, evaluated and made recommendations to the Board on the investment projects worth not exceeding HK$50 million.

AUDITOR'S REMUNERATION

During the year, the remuneration paid and payable to the Company's auditor, CL Partners CPA Limited, is set out as follows:

Services rendered	Fees paid/ payable HK$
Audit services	1,450,000
Non-audit services:	
Review on interim financial information	100,000

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors are responsible for the preparation of the accounts of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group. Similar to last year, in preparing the accounts for the six months ended 30 September 2023 and for the year ended 31 March 2024, the Directors have adopted suitable accounting policies and applied them consistently. The Group continues to adopt the going concern basis in preparing its consolidated financial statements.

The responsibilities of the auditor to the Shareholders are set out in the Independent Auditor's Report on page 43 of this annual report.

Extracts from Independent Auditor's Report

The consolidated financial statements have been audited by the Group's auditor, CL Partners CPA Limited. The independent auditor has issued a disclaimer of opinion with a basis of multiple uncertainties relating to going concern in the auditor's report on the Group's consolidated financial statements for the year ended 31 March 2024. An extract of the independent auditor's report set out on pages 41 to 42 of this annual report is recited below.

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") set out on pages 44 to 119, 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 for 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, as disclosed in Note 39, a subsidiary of the Company, namely Sincere Brand Management Limited ("SBML") has entered into the Arbitration (as defined in Note 39) 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 as set out in Note 3(c) to the consolidated financial statements, 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 as set out in Note 3(c) to the consolidated financial statements 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 detailed in Note 3(c) to the consolidated financial statement 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 analyses 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 to 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 view and position on the disclaimer of opinion

The consolidated financial statements have been prepared by the Group on the basis that the Group will continue to operate as a going concern, the validity of which depends upon the measures being taken by the Directors and the assumption that a final judgement of the Arbitration in favour of the Company will be handed down. However, since the validity and the appropriateness of the adoption of the going concern basis is subject to the significant uncertainties mentioned in the section headed "Basis for Disclaimer of Opinion" above, the existence of these uncertainties may cast significant doubt on the Group's ability to continue as a going concern.

The Company has used its best endeavors per below Action Plan and provided all available documents for the auditor' consideration, however, the availability of certain evidence required by auditor depends on maturity of time and involve on-going negotiations and communications with various external parties which are beyond the absolute control of the Company.

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

Action Plan to address the disclaimer of opinion

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 (the "Action Plan") 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 and any other related claims and penalties 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. No proactive steps could be taken by the Company with respect to the Arbitration as the Arbitration is proceeded pursuant to legal procedures governed by Swiss law. Based on the opinion of the Company's Swiss legal adviser, the first hearing of the Arbitration has been fixed to be held in fourth quarter 2024;

(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. The Group is also negotiating with its other existing lenders currently, and certain of them have expressed intention to extend the existing borrowings to the Company;

(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 RMB500 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, and the PRC Bank requires time to undergo its internal procedures for approving the facility;

(v) The management is 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. The business under these two agreements have already commenced and is currently in the initial startup phase and started to generate revenue since April 2024. The Group will gradually build-up and strengthen the CORUM brand's sales presence in Taiwan and Hong Kong. In June 2024, the Group organized a sales and marketing event in Taiwan to promote the brand. Apart from the CORUM brand, the Group has also reached out to two other brands and is negotiating with them to explore potential opportunities for cooperation; 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 Board is of the view that the Action Plan has addressed most of the uncertainty issues raised by the auditor, including obtaining the outcome of the Arbitration, securing additional financing, obtaining lender's support, and generating revenue from new watch sales channels. While some elements of the Action Plan depend on external factors beyond the Company's full control (such as the timing and outcome of the Arbitration), the Board believes the Action Plan, if successfully implemented, is adequate to resolve the going concern issue.

Having taken into account the above, the Directors hold the view that the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future. It is appropriate to prepare the consolidated financial statements on a going concern basis because, the Directors rely on and believe the supporting documents provided by the Company are sufficient for supporting its position and basis. Despite the auditor did not regard the said documents as sufficient audit evidence, it did not dispute on the validity of the supporting documents provided by the Directors.

Impact of the disclaimer of opinion on the Group's financial position

The consolidated financial statements do not include any adjustment that would result from a failure to obtain such financing to the Group and the compensation and any other related claims and penalties arising from the alleged losses suffered by Multicontinental, which indicates the existence of significant uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. Should the Group be unable to continue in business as a going concern, adjustments would have been made to restate the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, and the compensation and any other related claims and penalties would be booked as liabilities of the Group.

Audit Committee's view towards the disclaimer of opinion

The Audit Committee has reviewed the issues of uncertainties leading to the disclaimer of opinion and the facts and circumstances leading to the conclusion of the Board. On the one hand, the Audit Committee agreed with the views and concerns of the auditor with respect to the disclaimer of opinion. On the other hand, the Audit Committee noted that the Board will or is in the progress of implementing the Action Plan to improve the Group's future liquidity and performance, and to address the matters raised in the disclaimer of opinion.

Notwithstanding the factors of time and matters beyond the Company's control as mentioned above, the Audit Committee is not aware of any indication that the implementation of the Action Plan will be materially and adversely impacted and cannot be completed. Assuming the Action Plan will be timely and successfully implemented (including but not limited to the Arbitration will hand down the final judgement ruling that the Group has no present obligation to compensate the alleged loss), the Audit Committee agreed on the management's position and basis, including matters involving the management's substantial judgments, and is of the view that the Company should be able to provide sufficient and appropriate audit evidence to the auditor, and the Group can continue its business as a going concern and it is likely that the disclaimer of opinion can be removed in the Company's next year auditor's report.

RISK MANAGEMENT AND INTERNAL CONTROL

Goals and objectives

The Board acknowledged that it is its responsibility to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems ("Systems"). Such Systems are designed to manage rather than eliminate risks of failure to achieve business objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

Main features of the risk management and internal control systems

The Company has not established an internal audit department and the Directors are of the view that given the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professional firms to perform the review on internal control function for the Group in order to meet its needs. The review covers all material controls, including financial, operational and procedural compliance controls as well as the process for identification, evaluation and management of the significant risks (including Environmental, Social and Governance ("ESG") risks) faced by the Group. The Company has also allocated adequate resources, staff qualifications and experience with sufficient training and budgets in discharging the duties related to the Group's accounting and financial reporting functions.

The Audit Committee and the Board have discussed results of the review. Where appropriate, the external professional consultant's recommendations have been adopted and enhancements to the risk management and internal controls have been made.

The Group has also established procedures in handling and dissemination of inside information in an accurate and secure manner and to avoid possible mishandling of inside information within the Group.

For the year ended 31 March 2024, the Group had complied with all the code provisions on risk management and internal control under the CG Code. The Board considers that the Systems are effective and adequate.

Control structure

The Board	• responsible for the Systems and reviewing their effectiveness • oversee the Systems on an ongoing basis with the assistance of the Audit Committee • ensure the maintenance of appropriate and effective Systems • define management structure with clear lines of responsibility and limit of authority • determine the nature and extent of significant risks that the Company is willing to take in achieving the strategic objectives and formulate the Group's risk management strategies
Audit Committee	• review and discuss the Systems with the management annually to ensure that the management has performed its duty to have effective Systems • review the internal control report covering financial, operational and procedural compliance functions prepared by the independent internal control consultancy firm • consider major findings on internal control matters (if any) raised by independent internal control consultancy firm or any audit issues raised by external auditor and make recommendations to the Board
The management (includes heads of business units, departments and divisions)	• design, implement and monitor the Systems properly and ensure the Systems are executed effectively • monitor risks and take measures to mitigate risks in their day-to-day operations • give prompt responses to, and follow up the findings (if any) on internal control matters raised by external auditor or independent internal control consultancy firm

Control approach and tools

During the year, the management had analysed the control environment, identified risk pertaining thereto, and implemented various controls therein.

Approach taken: The Company through the independent internal control consultancy firm conducted interviews with relevant staff members, reviewed relevant documentation of the Systems, evaluated findings of any deficiencies in the design of the Group's Systems, provided recommendations for improvement and assessed the effectiveness of implementation of such recommendations, where appropriate. The scope and findings of review on the Systems have been reported to and reviewed by the Audit Committee annually.

Procedure manuals and operational guidelines: They are in place to safeguard the assets against unauthorised use or disposition, ensuring maintenance of proper accounting records in compliance with the applicable laws, rules and regulations for the provision of reliable financial information for internal use and/or external publication.

Management information system and technology: Such use to control over the business activities allows close tracking of various inputs and outputs of the Company's business such as inventory, human resources, products and customer relationship. It also tracks audit trails in the authorisation system, under which permissions and responsibility of authorisation are clearly identified and adequate records can be maintained in the Systems.

Reports and variance analysis: Such reports and analysis of each operating segment are conducted on regular basis such that the performance of each point of sales and each product category can be easily accessible.

Information flow: The transparent information flow alerts us promptly of any deviations. Benchmarking with historical database and comparisons with the same also acts as a detecting device for spotting unusual activities.

Control process

There is an on-going process to safeguard the effectiveness of the Systems and the following key measures, policies and procedures are used or adopted to ensure effective functioning of the Group's financial, operational or compliance areas:

Safeguarding of assets: Insurance coverage on inventory is periodically reviewed by the management for sufficient coverage, and to ensure compliance with the terms and conditions of the insurance policies. To safeguard shops' assets, security systems are installed and properly maintained in good condition at each shop. In addition, tests are carried out on a daily basis to ensure the proper functioning of the security system.

Quality control: Luxury watches are tested in-house with our own experts and professional equipment to assure the quality fulfills good standard requirement. The Company also provides assurance of high quality products and after-sale service to enhance the protection of our customers' interest.

Proper authorisation on sales discounts: Discount policies are properly maintained, controlled and administered by the management and shop managers according to discount policies in place. Discount policies and pricing strategy are reviewed from time to time.

Financial reporting management:

- proper controls are in place for the recording of complete, accurate and timely accounting and management information;
- annual budget and cashflow forecast are prepared and approved by the management before being adopted;
- the management monitors the business activities closely and reviews monthly financial results of operations against budgets/forecast;
- monthly updates on internal financial statements were provided to all Directors which give a balanced and understandable assessment of the Group's performance, financial position and prospects in sufficient details; and
- annual audit by external auditor is carried out to ensure that the consolidated financial statements are prepared in accordance with generally accepted accounting principles, the Group's accounting policies and the applicable laws and regulations.

Cash flow management: Daily available fund report is reviewed to monitor the cash flows against budgets/forecast.

Systems and procedures on disclosure of inside information to ensure that any material information which comes to the knowledge of any one or more officers should be promptly identified, assessed and escalated, where appropriate, for the attention of the Board.

Whistle-blowing policy for the employees of the Group to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters. Such arrangement will be reviewed by the Audit Committee which ensures that proper arrangement is in place for fair and independent investigation of the matters.

Anti-corruption policy for promoting and maintaining a high level of integrity culture and professional ethics of the Company to provide customers with quality services. The policy contains necessary rules and regulations to meet the policy's requirements that (among others) all Directors and employees shall abide by their commitments, perform their duties professionally, and refrain from any conduct that violates the law or damages the Company's reputation.

Group risk management

Risk management process

The risk management process includes risk identification, risk evaluation, risk management measures and risk control and review.

The management is entrusted with duties to identify, analyse, evaluate, respond, monitor and communicate risks associated with any activity, function or process within its scope of responsibility and authority. Risks are evaluated by the Board and management based on (i) the severity of the impact of the risks on the Company's financial results; (ii) the probability that the risks will occur; and (iii) the velocity or speed at which risks could occur.

Based on the risk evaluation, the Company will manage the risk as follows:

- **Risk elimination** — management may identify and implement certain changes or controls that in effect eliminate the risk entirely.
- **Risk mitigation** — management may implement risk mitigation plan designed to reduce the likelihood, velocity or severity of the risk to an acceptable level.
- **Risk control and monitoring** — accidents and other situations involving loss or near-loss will be investigated and properly documented as part of the effort to manage risks.
- **Risk retention** — management may decide that the risk rating is low enough that the risk is acceptable level and no action is required. The risk will continue to be monitored as part of the risk management program to ensure the level of risk does not increase to an unacceptable level.

ESG COMPLIANCE AND GOVERNANCE

The Group recognises the importance of climate change avoidance and has developed internal strategies aimed at creating sustainable value for its stakeholders and minimizing its negative impact on the environment. To carry out the Group's sustainability strategy from top to bottom, the Board holds ultimate responsibility for ensuring the effectiveness of the Group's ESG strategies, including those relating to climate change.

Dedicated teams have been established within each business division to manage ESG issues and monitor progress toward corporate goals for addressing climate change. These teams are responsible for enforcing and overseeing the implementation of relevant ESG policies throughout the Group and have designated staff members to carry out these tasks.

The Group's management and responsible teams regularly review and adjust its sustainability policies to meet the evolving needs of stakeholders, including those related to climate change. Detailed ESG risk and information on the Group's management approaches for environmental and social aspects including climate change avoidance can be found in various sections of the ESG Report 2024. The Board is satisfied with the adequacy of the Group's resources, staff qualifications and experience, training programs and budget relating to ESG performance and reporting.

COMPANY SECRETARY

Mr. Chan Kwong Leung, Eric is engaged and appointed by the Company from an external secretarial services provider as its Company Secretary. During the year, the Company's primary contact person with the Company Secretary was Mr. An Muzong, an Executive Director. For the year ended 31 March 2024, Mr. Chan Kwong Leung, Eric has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS

The Company follows a shareholder communication policy to communicate with the Shareholders and investors through various channels. Relevant information of the Group is disclosed to the Shareholders in a timely manner. The Company also recognises that people other than the Shareholders, such as the potential investors and the investment community generally may have an interest in information about the Company.

CORPORATE GOVERNANCE REPORT

Annual and interim reports offer comprehensive operational and financial performance information to the Shareholders and the AGM is a valuable avenue for the Board to enter into a dialogue directly with the Shareholders. The Company regards the AGM as an important event and all Directors, senior management and external auditor will make an effort to attend the AGM to address Shareholders' queries. All the Shareholders are given not less than 21 days' notice of the date and venue of the AGM. The Company has also complied with the requirements concerning voting by poll under the Listing Rules. Details of the poll voting procedures and the rights of Shareholders to demand a poll are explained by the chairman of general meeting at the meeting. All resolutions proposed at general meeting are voted separately.

All the annual and interim reports, circulars, announcements and notices of general meetings, as well as the terms of reference of the Board committees can be viewed from the websites of the Company and the Stock Exchange.

The shareholder communication policy is reviewed regularly by the Company's management to reflect current regulatory, community and investor requirements. In particular, the policy will be updated in response to the changes in internal structure, legislative, regulatory and market developments.

The Company adopted its dividend policy on 28 January 2019, details of which are published on the websites of the Stock Exchange and the Company. Under the dividend policy, the Board shall take into account, among others, the Group's actual and expected financial performance, retained earnings and distributable reserves, working capital requirements, capital expenditure requirements and future expansion plans, liquidity position, Shareholders' interests, general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group and other factors that the Board deems appropriate. The dividend to be proposed or declared shall be determined at the sole discretion of the Board.

SHAREHOLDERS' RIGHTS

Procedures for convening an extraordinary general meeting and putting forward proposals

Pursuant to Article 64 of the Company's Articles of Association, any one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company, on a one vote per share basis, can deposit a written request to convene an extraordinary general meeting ("EGM") for the transaction of any business or resolution specified in such requisition to the Board or the Company Secretary at Unit 2016–2018, 20/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong. Shareholders can also put forward proposal(s) at Shareholders' meetings in the same manner.

The Company will verify the request with the Company's branch share registrar and transfer office in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to convene an EGM by serving sufficient notice to all the registered Shareholders in accordance with the requirements set out in the Listing Rules and the Company's Articles of Association. In the event that the request has been verified as not in order, the Shareholders concerned will be advised of this outcome and accordingly, the EGM will not be convened as requested.

Such EGM shall be held within two months after the deposit of the requisition. If within 21 days of such deposit of the requisition, the Board fails to proceed to convene an EGM, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for sending enquiries to the Board

Shareholders may at any time send their enquiries to the Board in writing for the attention of the Board or Company Secretary via the followings:

Address	:	Unit 2016–2018, 20/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong
Fax	:	(852) 2506 1866
E-mail	:	info@sincerewatch.com.hk

CONSTITUTIONAL DOCUMENTS

On 8 December 2023, the Shareholders approved at the 2023 AGM the proposed amendments (the "Amendments") to the Memorandum and Articles of Association by way of adoption of the new Memorandum and Articles of Association in substitution for, and to the exclusion of, the existing Memorandum and Articles of Association in order to (i) conform to the core shareholder protection standards; (ii) bring the Memorandum and Articles of Association in line with amendments made to the Listing Rules and the applicable law and procedures in the Cayman Islands; and (iii) incorporate certain housekeeping changes. Details of the Amendments were set out in the circular of the Company dated 15 November 2023. The latest amended and restated Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") present their report and the audited consolidated financial statements for the year ended 31 March 2024.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries 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.

Details of the Company's significant subsidiaries as at 31 March 2024 are set out in note 35 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2024 is set out under the section headed "Management Discussion and Analysis" on pages 5 to 10 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on page 44 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2024.

DISTRIBUTABLE RESERVES

At 31 March 2024, under the Companies Act of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of the Memorandum and Articles of Association of the Company and provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business. At 31 March 2024, the Company did not have any reserves available for distribution to shareholders (2023: HK$106,836,000).

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as set out in note 30 to the consolidated financial statements and in the section headed "Share Option Scheme" on pages 34 and 35 of this annual report, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers contributed approximately 23.2% of the Group's total sales for the year. The largest customer of the Group accounted for approximately 7.1% of the Group's total sales. The Company is committed to delivering excellent quality services to its customers and enhancing customers' loyalty by increasing interaction with customers through events, promotion activities and social media platforms. Our retail shops are all located at prime locations to allow customers to enjoy private, nice and leisure environment for exchange of expert knowledge and insights of timepieces with our staff. We encourage customers' feedback for improvements on our products and services.

REPORT OF THE DIRECTORS

The Group's five largest suppliers contributed approximately 98.1% of the Group's total purchases for the year. The largest supplier of the Group accounted for approximately 91.4% of the Group's total purchases. The Company has established and maintained strong relationships with our major suppliers who are well-known luxury European watch brands. These brands are accredited for their supreme quality and excellent craftsmanship. Their products are required to comply with high production standards and pass through various testing procedures to ensure quality. The Company considers the suppliers' reputation and commitment to quality products before establishing business relationship with them.

During the year, none of the Directors or any of their close associates or any shareholders of the Company (who, to the knowledge of the Directors, own more than 5% of the Company's total number of issued shares) had any interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$20,736,000 as addition to property, plant and equipment to renovate its stores and expand its operations.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the investment properties are set out in note 16 to the consolidated financial statements.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Zhang Xiaoliang *(Chairman and Chief Executive Officer)*
Mr. Yang Guangqiang
Mr. An Muzong

Non-executive Directors

Mrs. Chu Yuet Wah	(Resigned on 29 June 2023)
Mr. Chu, Kingston Chun Ho	(Resigned on 29 June 2023)

Independent Non-executive Directors

Mr. Yu Zhenxin	
Mr. Zong Hao	
Mr. Hong Sze Lung	(Appointed on 12 July 2023)
Mr. Cheng Sing Kau Colman	(Appointed on 12 May 2023 and removed on 8 March 2024)
Mr. Chiu Sin Nang, Kenny	(Resigned on 9 May 2023)

Pursuant to Article 108 of the Company's Articles of Association, Mr. Zhang Xiaoliang and Mr. Yang Guangqiang shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, have offered themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with any members of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2024, none of the Directors was interested in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

MANAGEMENT CONTRACTS

Save for the Directors' service contracts and contracts of service with persons engaged in the full-time employment of the Company, no contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisting during the year.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders (if any) during the year ended 31 March 2024.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 March 2024, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

SHARE OPTION SCHEME

A share option scheme (the "Scheme") was adopted by the Company pursuant to a resolution passed at the annual general meeting of the Company held on 26 August 2016.

A summary of the principal terms of the Scheme is as follows:

(1) The purpose of the Scheme is to motivate the eligible participants to optimise their performance efficiency for the benefit of the Group, and to attract and retain or otherwise maintain an on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth and value of the Group.

(2) Share options may be granted to the eligible participants of the Scheme, being any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; any directors (including Independent Non-executive Directors) of the Company or any of its subsidiaries; and any advisers, consultants, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Company or any of its subsidiaries.

(3) The total number of shares available for issue under the Scheme is 415,200,000 shares representing approximately 6.87% of the issued shares of the Company as at the date of this report.

(4) The total number of shares issued which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to and including the date of grant shall not exceed 1% of the shares in issue as at the date of grant unless it is approved by shareholders (other than the grantees and/or their respective associates) in a general meeting of the Company.

    Any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company or any of their respective associates which will result in the number of shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding), in aggregate over 0.1% of the shares in issue and with an aggregate value (based on the official closing price of the shares at the date of each grant) in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, in any 12-month period up to and including the date of such grant, are subject to shareholders' approval in a general meeting of the Company.

(5) An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion. No option may be granted more than 10 years after the date of approval of the Scheme.

(6) The Scheme does not specify a minimum period for which an option must be held before it can be exercised. However, the Board may, at its sole discretion, specify any minimum period(s) for which an option must be held before it can be exercised at the time of grant of the options.

(7) Upon acceptance of the option, a nominal consideration of HK$1.00 will be paid by each grantee for each lot of share option(s) granted on or before the relevant acceptance date as stated in the offer letter.

(8) The exercise price of an option must be at least the higher of:

  (a) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a trading day;

  (b) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and

  (c) the nominal value of a share.

(9) The Scheme is valid and effective for a period of 10 years commencing from 26 August 2016.

There have been no share option granted under the Scheme since its adoption. The number of share options available for grant under the scheme mandate as at 1 April 2023 and 31 March 2024 was both 415,200,000.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

Connected Transactions

Cooperation Agreement, First Supplemental Agreement and Second Supplemental Agreement

On 23 May 2017, Harmony Cultural Holdings Limited ("Party A"), a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company, Aquamen Entertainment LLC ("Party B"), a company established in California, the United States with limited liability and Mr. Zhang Xiaoliang ("Guarantor"), an Executive Director of the Company, entered into the Cooperation Agreement in relation to the Film Project to be developed by Party B, pursuant to which, Party A will make an investment in the amount of HK$45,000,000 in consideration of the Total Investment Returns from the Film Project upon expiry of the term of the Cooperation.

As (1) Party A is a wholly-owned subsidiary of the Company; (2) Party B is controlled by Mr. Zhang Xiaoliang, an Executive Director, i.e. a connected person of the Company, and the Guarantor under the Cooperation Agreement; and (3) one or more of the applicable ratios in respect of the transaction under the Cooperation Agreement exceed 0.1% but all of them are below 5%, the transaction contemplated under the Cooperation Agreement constitutes a connected transaction for the Company.

On 30 May 2019, Party A, Party B and the Guarantor entered into the First Supplemental Agreement to reflect the amendments to some of the terms of the Cooperation Agreement. The parties agreed that, by entering into the First Supplemental Agreement, inter alia, the cooperation period under the Cooperation Agreement be extended from 31 December 2019 to 31 December 2020 and Party B would return the investment amount of HK$45,000,000 to the Group on or before 31 March 2021. Furthermore, Party A shall receive an investment return from Party B on or before 30 September 2021 at the higher of proportionate sharing of net profit or 20% of the investment amount.

On 31 March 2021, Party A, Party B and the Guarantor entered into the Second Supplemental Agreement to further amend some of the terms of the Cooperation Agreement and the First Supplemental Agreement and a Deed of Assignment together with holder of the promissory note. The parties agreed that, by entering into the Second Supplemental Agreement and Deed of Assignment, inter alia, the cooperation period under the Cooperation Agreement be further extended from 31 December 2020 to 31 December 2021 and Party B would return the investment amount of HK$45,000,000 to the holder of the promissory note by way of the Deed of Assignment. Furthermore, Party A shall receive an investment return (the higher of proportionate sharing of net profit or 20% of the investment amount) and a guaranteed profit (2% of net profit) from Party B on or before 30 September 2022. Moreover, 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 for partial settlement of the promissory note in the amount of HK$54,000,000 without recourse.

Details of the above transactions were set out in the announcements of the Company dated 23 May 2017 and 30 May 2019 and note 26 to the consolidated financial statements.

2020 Tenancy Agreement and Supplemental Agreement — 35 QRC

On 1 July 2020, Sincere Brand Management Limited ("Tenant"), a wholly-owned subsidiary of the Company, entered into the Tenancy Agreement ("2020 Tenancy Agreement") with Modern Day Limited ("Landlord") in relation to the leasing of the premises situated at Ground Floor, 35 QRC, 35 Queen's Road Central, Central, Hong Kong ("Premises") for a term of five (5) years commencing from 1 July 2020 to 30 June 2025 (both days inclusive), with an option to renew for a further five (5) years commencing from 1 July 2025 to 30 June 2030 (both days inclusive) and a rent-free period of four (4) months commencing from 1 July 2020 to 31 October 2020 and a further rent-free period of four (4) months commencing from 1 July 2021 to 31 October 2021, at the rent of HK$543,250 per month (excluding management charges and Government rent and rates).

Based on the monthly rent, and taking into account the aggregate rent-free period of eight months under the 2020 Tenancy Agreement, the aggregate amount payable by the Tenant under the 2020 Tenancy Agreement would be approximately HK$28.2 million.

On 29 August 2020, the Tenant and the Landlord entered into a supplemental agreement to the 2020 Tenancy Agreement ("Supplemental Agreement") to amend certain terms of the 2020 Tenancy Agreement. Pursuant to the Supplemental Agreement, the lease term for the Premises was amended to commence from 1 September 2020 to 31 August 2025 (both days inclusive), with a first renewal option to renew for a further five (5) years commencing from 1 September 2025 to 31 August 2030 (both days inclusive) and a second renewal option to renew for a further five (5) years commencing from 1 September 2030 to 31 August 2035 (both days inclusive), which may be terminated with three (3) months prior notice if both Mrs. Chu Yuet Wah and Mr. Chu, Kingston Chun Ho cease to be directors of the Tenant, at the lower rent of HK$434,600 per month (excluding management charges and Government rent and rates). Pursuant to the Supplemental Agreement, the rent-free period has also been amended to cover a first rent-free period of four (4) months commencing from 1 September 2020 to 31 December 2020, a second rent-free period of three (3) months commencing from 1 September 2021 to 30 November 2021 and a third rent-free period of two (2) months commencing from 1 September 2022 to 31 October 2022.

Based on the revised monthly rent, and taking into account the aggregate rent-free period of nine months, the aggregate amount payable by the Tenant under the Supplemental Agreement will be approximately HK$22.2 million. For the year ended 31 March 2024, the Tenant paid the rent of HK$5,215,000 and government rates of HK$298,000 to the Landlord under the Supplemental Agreement out of the internal resources of the Group.

In accordance with HKFRS 16 "Leases", the Company will recognise a right-of-use asset on its consolidated statement of financial position in connection with the lease of the Premises under the 2020 Tenancy Agreement and the Supplemental Agreement. Accordingly, the lease transaction under the 2020 Tenancy Agreement and the Supplemental Agreement was respectively regarded as an acquisition of asset by the Group for the purpose of the Listing Rules.

The ultimate beneficial owner of the Landlord is Mr. Lee Wai Man, who is the father of Mrs. Chu Yuet Wah (an Executive Director from 29 May 2012 to 25 September 2022 and a Non-executive Director from 26 September 2022 to 29 June 2023), an associate of the Director under the Listing Rules. Accordingly, the entering into of the 2020 Tenancy Agreement and the Supplemental Agreement constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios are more than 0.1% but less than 5%, the value of the right-of-use asset to be recognised by the Group under the Supplemental Agreement falls within the thresholds prescribed in Rule 14A.76(2)(a) of the Listing Rules, the entering into of the Supplemental Agreement is exempt from circular and independent shareholders' approval requirements, but is subject to the annual review and reporting and announcement requirements under Chapter 14A of the Listing Rules.

Details of the above transactions were set out in the announcements of the Company dated 1 July 2020, 3 July 2020 and 31 August 2020.

2021 Tenancy Agreement and Supplemental Agreement — The Center

On 22 October 2021, Sincere Brand Management Limited ("Tenant"), a wholly-owned subsidiary of the Company, entered into the Tenancy Agreement ("2021 Tenancy Agreement") with The Center (61) Limited ("Landlord") in relation to the leasing of the premises situated at Offices Nos. 6101–6103, 61st Floor, The Center, 99 Queen's Road Central, Hong Kong ("Premises") for a term of three (3) years commencing from 1 November 2021 to 31 October 2024 (both days inclusive) at the rent of HK$533,625 per month (excluding rates, Government rent, air-conditioning and management charges and other charges). To confer flexibility to the Tenant in deciding the term of the 2021 Tenancy Agreement, the Landlord has subsequently agreed by a supplemental agreement dated 4 November 2021 that the Tenant may at any time after the expiration of twelfth (12th) months from the commencement of the said term terminate the 2021 Tenancy Agreement by giving the Landlord not less than two (2) months' prior notice in writing or by paying to the Landlord a sum equivalent to two (2) months' rental in lieu of notice and that the Tenant understands and agrees that the tenancy hereby granted shall not be terminated before 1 November 2022.

In accordance with HKFRS 16 "Leases", the Company will recognise a right-of-use asset on its consolidated statement of financial position in connection with the lease of the Premises under the 2021 Tenancy Agreement. Accordingly, the lease transaction under the 2021 Tenancy Agreement will be regarded as an acquisition of asset by the Group for the purpose of the Listing Rules.

The ultimate beneficial owner of the Landlord is Mrs. Chu Yuet Wah (an Executive Director from 29 May 2012 to 25 September 2022 and a Non-executive Director from 26 September 2022 to 29 June 2023). Accordingly, the entering into of the 2021 Tenancy Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios are more than 0.1% but less than 5%, the value of the right-of-use asset to be recognised by the Group under the 2021 Tenancy Agreement falls within the thresholds prescribed in Rule 14A.76(2)(a) of the Listing Rules, the entering into of the 2021 Tenancy Agreement is exempt from circular and independent shareholders' approval requirements, but is subject to the annual review and reporting and announcement requirements under Chapter 14A of the Listing Rules.

Details of the above transactions were set out in the announcement of the Company dated 22 October 2021.

On 29 May 2023, the lease of the Premises under the 2021 Tenancy Agreement was terminated pursuant to the terms thereof. During the period from 1 April 2023 to 29 May 2023, the Tenant paid the rent and related expenses of HK$269,000 and government rates of HK$34,000 to the Landlord under the 2021 Tenancy Agreement.

The related party transactions as disclosed in note 34 to the consolidated financial statements also fell under the definition of "connected transactions" or "continuing connected transactions" in Chapter 14A of the Listing Rules. The Group has complied with the disclosure requirements, where applicable, in accordance with Chapter 14A of the Listing Rules.

Other than disclosed above, no contracts of significance to which the Company, any of its fellow subsidiaries or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, the Directors and officers of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain in or about the execution of their duties in their respective offices or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2024, the following persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company, were as follows:

Name of shareholders	Capacity	Number of shares held (long position)	Approximate percentage of the Company's issued shares
Sky League Limited	Beneficial owner	1,294,370,000	21.42%
Wang Fang	Interest of controlled corporation *(Note 1)*	1,294,370,000	21.42%
Allied Crown Investment Limited	Beneficial owner	1,061,950,000	17.57%
Asia Gate Holdings Co., Ltd.	Interest of controlled corporation *(Note 2)*	1,061,950,000	17.57%
Brilliant World Limited	Beneficial owner	550,960,000	9.12%
Bai Ning	Interest of controlled corporation *(Note 3)*	550,960,000	9.12%
Chu Yuet Wah	Beneficial owner	265,000,000	4.38%
	Interest of controlled corporation *(Note 4)*	325,920,000	5.39%
Be Bright Limited	Beneficial owner	325,920,000	5.39%

Notes:

1. These 1,294,370,000 shares were held by Sky League Limited, which was wholly owned by Wang Fang. Accordingly, Wang Fang was deemed to be interested in these 1,294,370,000 shares of the Company by virtue of the SFO.

2. These 1,061,950,000 shares were held by Allied Crown Investment Limited, which was wholly owned by Asia Gate Holdings Co., Ltd.. Accordingly, Asia Gate Holdings Co., Ltd. was deemed to be interested in these 1,061,950,000 shares of the Company by virtue of the SFO.

3. These 550,960,000 shares were held by Brilliant World Limited, which was wholly owned by Bai Ning. Accordingly, Bai Ning was deemed to be interested in these 550,960,000 shares of the Company by virtue of the SFO.

4. These 325,920,000 shares were held by Be Bright Limited, which was wholly owned by Mrs. Chu Yuet Wah. Accordingly, Mrs. Chu Yuet Wah was deemed to be interested in these 325,920,000 shares of the Company by virtue of the SFO.

Save as disclosed above, as at 31 March 2024, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Share Option Scheme disclosed above, at no time during the year was the Company, any of its fellow subsidiaries or subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 March 2024, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are recommended by the Remuneration Committee and decided by the Board, having regard to the Group's operating results, individual performance and comparable market trends.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the environment as the foundation for corporate presence and development and the Group endeavours to achieve sustainable business growth. The Group reduces its environmental impact mainly through implementing procedures and measures relating to waste management and resources conservation in its day-to-day operations.

For details, please refer to our standalone "Environmental, Social and Governance Report 2024".

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RELIEF OF TAXATION

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holding of the listed securities of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total number of issued shares is held by the public as at the date of this report.

AUDITOR

CL Partners CPA Limited was appointed as the auditor of the Company by the Board with effect from 9 November 2023 to fill the casual vacancy following the resignation of BDO Limited. Save for the above, there was no other change in the auditor of the Company in the past three years.

The consolidated financial statements for the year ended 31 March 2024 have been audited by CL Partners CPA Limited who shall hold office until the conclusion of the forthcoming annual general meeting. A resolution to re-appoint CL Partners CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Zhang Xiaoliang
Chairman and Chief Executive Officer
Hong Kong
28 June 2024

INDEPENDENT AUDITOR'S REPORT

CL Partners

TO THE SHAREHOLDERS OF SINCERE WATCH (HONG KONG) LIMITED
(incorporated in the Cayman Islands with limited liability)

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") set out on pages 44 to 119, 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 for 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, as disclosed in Note 39, a subsidiary of the Company, namely Sincere Brand Management Limited ("SBML") has entered into the Arbitration (as defined in Note 39) 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 as set out in Note 3(c) to the consolidated financial statements, 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 as set out in Note 3(c) to the consolidated financial statements 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.

BASIS FOR DISCLAIMER OF OPINION (continued)

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

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 detailed in Note 3(c) to the consolidated financial statements 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 analyses 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.

Other Matter

The consolidated financial statements for the year ended 31 March 2023 were audited by another auditor who expressed a disclaimer of opinion on those statements in relation to going concern basis in preparation of the consolidated financial statements on 15 September 2023.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are also responsible for overseeing the Group's financial reporting process. Those charged with governance assists the directors of the Company in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

However, because of the matter described in the "Basis for Disclaimer of Opinion" section of our report, we were not able to form an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

CL Partners CPA Limited
Certified Public Accountants
Fong Ho Keung
Practising Certificate no. P08079
Hong Kong
28 June 2024

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	7	**125,647**	98,212
Cost of sales		**(144,673)**	(118,934)
Gross loss		**(19,026)**	(20,722)
Other income, gains and losses	8	**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	9	**(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)	10	**6**	(56)
Loss for the year	11	**(195,842)**	(275,579)
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")	18	**(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	14	**(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	15	**6,533**	29,903
Investment properties	16	**424,103**	428,550
Financial assets at FVTOCI	18	**3,234**	8,401
Other receivables	20	**15,646**	24,730
Deferred tax assets	27	**94**	94
		449,610	491,678
Current assets			
Inventories	19	**44,495**	178,130
Trade and other receivables	20	**31,258**	39,529
Financial assets at FVTPL	17	**1,412**	1,333
Bank balances and cash	21	**29,107**	65,475
		106,272	284,467
Current liabilities			
Trade and other payables	22	**157,815**	159,055
Contract liabilities	23	**4,265**	4,397
Lease liabilities	29	**19,990**	26,931
Loans and borrowings	25	**91,430**	63,197
Loan from a shareholder	24	**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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	NOTES	2024 HK$'000	2023 HK$'000
Non-current liabilities			
Loans and borrowings	25	**150,890**	145,136
Note payable	26	**22,164**	24,000
Loan from a shareholder	24	**27,512**	45,045
Lease liabilities	29	**31,483**	50,327
		232,049	264,508
Net assets		**32,756**	241,444
Capital and reserves			
Share capital	28	**120,879**	120,879
Reserves		**(88,959)**	120,956
		31,920	241,835
Non-controlling interests		**836**	(391)
Total equity		**32,756**	241,444

The consolidated financial statement on pages 44 to 119 were approved and authorised for issue by the Board of the Directors on 28 June 2024 and are signed on its behalf by:

Zhang Xiaoliang
Executive Director

An Muzong
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2024

	Attribute to owners of the Company								
	Share capital	Share premium	FVTOCI reserve	Special reserve	Translation reserve	Accumulated losses	Total	Non-controlling interest	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(note 28)	(note 36)	(note 18)	(Note)					
At 1 April 2022	120,879	963,553	(36,172)	801	(5,562)	(496,620)	546,879	–	546,879
Exchange difference arising from translation of foreign operations	–	–	–	–	(31,051)	–	(31,051)	136	(30,915)
Fair value change of financial assets measured at FVTOCI	–	–	507	–	–	–	507	–	507
Loss for the year	–	–	–	–	–	(274,500)	(274,500)	(1,079)	(275,579)
Total comprehensive income (expense) for the year	–	–	507	–	(31,051)	(274,500)	(305,044)	(943)	(305,987)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	552	552
At 31 March 2023 and 1 April 2023	120,879	963,553	(35,665)	801	(36,613)	(771,120)	241,835	(391)	241,444
Exchange difference arising from translation of foreign operations	–	–	–	–	(7,852)	–	(7,852)	(158)	(8,010)
Fair value change of financial assets measured at FVTOCI	–	–	(5,167)	–	–	–	(5,167)	–	(5,167)
(Loss) profit for the year	–	–	–	–	–	(196,896)	(196,896)	1,054	(195,842)
Total comprehensive (expense) income for the year	–	–	(5,167)	–	(7,852)	(196,896)	(209,915)	896	(209,019)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	331	331
At 31 March 2024	**120,879**	**963,553**	**(40,832)**	**801**	**(44,465)**	**(968,016)**	**31,920**	**836**	**32,756**

Note: The special reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the reorganisation during its listing in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2005.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2024

	2024 HK$'000	2023 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(195,848)**	(275,523)
Adjustments for:		
Impairment loss (reversal of impairment loss) under expected credit loss model on financial assets, net	**2,627**	(972)
Interest income	**(535)**	(159)
Fair value change of investment properties	**35,411**	54,620
Impairment loss on property, plant and equipment	**10,837**	41,705
Write-down of inventories	**28,186**	35,446
Write off of inventories	**352**	196
Write off of property, plant and equipment	**–**	192
Depreciation of property, plant and equipment	**6,911**	26,605
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)**	–
Fair value change of financial assets at FVTPL	**(79)**	135
Finance costs	**22,799**	20,293
Unrealised exchange loss	**9,877**	3,122
Rent concession	**–**	(1,428)
Operating loss before working capital changes	**(104,348)**	(95,768)
Decrease in inventories	**108,234**	59,772
Decrease (increase) in trade and other receivables	**3,450**	(9,686)
Increase in trade and other payables	**905**	55,073
(Decrease) increase in contract liabilities	**(132)**	3,207
Cash generated from operations	**8,109**	12,598
Macau Profits Tax paid	**–**	(1,531)
PRC Profits Tax refunded (paid)	**6**	(54)
Korea Profits Tax paid	**–**	(2)
NET CASH FROM OPERATING ACTIVITIES	**8,115**	11,011

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2024

	2024 HK$'000	2023 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investment properties	**(11,535)**	–
(Placement of)/withdrawal of restricted bank deposits	**(4,677)**	2,711
(Increase) decrease in loan receivables	**(4,363)**	9,590
Purchase of property, plant and equipment	**(2,951)**	(19,762)
Withdrawal of pledged bank deposits	**13,714**	–
Proceeds from disposal of property, plant and equipment	**800**	–
Interest received	**535**	159
NET CASH USED IN INVESTING ACTIVITIES	**(8,477)**	(7,302)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank borrowing	**(77,342)**	(12,914)
Repayment of other borrowings	**(67,024)**	–
Repayment of principal portion of lease liabilities	**(23,452)**	(28,087)
Repayment of loan from a shareholder	**(16,566)**	(23,054)
Interest paid on loans and borrowings	**(10,857)**	(10,985)
Interest paid on lease liabilities	**(3,791)**	(4,697)
Interest paid on loan from a shareholder	**(3,434)**	(5,675)
Proceeds from other borrowings	**184,197**	49,712
Capital contribution from non-controlling interests	**331**	552
NET CASH USED IN FINANCING ACTIVITIES	**(17,938)**	(35,148)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(18,300)**	(31,439)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**51,434**	71,199
Effect of foreign exchange rate changes	**(9,014)**	11,674
Cash and cash equivalents at end of the year, represented by bank balances and cash	**24,120**	51,434

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 of Hong Kong Limited ("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.

2. 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.

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

(a) Application of new and amendments to HKFRSs (continued)

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

(c) 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 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) 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 of the Company 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 of the Company that the compensation and any other related claims and penalties 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 . No proactive steps could be taken by the Company with respect to the Arbitration as the Arbitration is proceeded pursuant to legal procedures governed by Swiss Law. Based on the opinion of the Company's Swiss legal adviser, the first hearing of the Arbitration has been fixed to be held in fourth quarter 2024;

(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. The Group is also negotiating with its other existing lenders currently, and certain of them have expressed intention to extend the existing borrowings to the Company;

(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 RMB500 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, and the PRC Bank requires time to undergo its internal procedures for approving the facility;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

(c) Going concern assumption (continued)

(v) The management is 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. The business under these two agreements have already commenced and is currently in the initial startup phase and started to generate revenue since April 2024. The Group will gradually build-up and strengthen the CORUM brand's sales presence in Taiwan and Hong Kong. In June 2024, the Group organised a sales and marketing event in Taiwan to promote the brand. Apart from the CORUM brand, the Group has also reached out to two other brands and is negotiating with them to explore potential opportunities for cooperation; 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment held for use in the supply of goods, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and amortisation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continuing use of the asset. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

An item of property, plant and equipment is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	$33^1/_3$% or over the term of the relevant lease of the rented premises, whichever period is shorter
Furniture and fixtures	$33^1/_3$%–50%
Office equipment	$33^1/_3$%
Computers	$33^1/_3$%
Motor vehicles	20%

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(d) Investment properties

Investment properties are properties and right-of-use assets held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss in the period in which the property is derecognised.

(e) Leasing

Accounting as a lessee

All leases (irrespective whether they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 and are carried at fair value. The right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

The Group presents right-of-use assets within the same line item as "Property, plant and equipment".

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(e) Leasing (continued)

Accounting as a lessee (continued)

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use of the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modification

The Group accounts for a lease modification as a separate lease if: (i) the modification increases the scope of the lease by adding the right-to-use one or more underlying assets; and (ii) the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of a particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the lease modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(e) Leasing (continued)

Accounting as a lessor

The Group has leased out its investment property to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

Rental income that are derived from the Group's ordinary course of business are presented as revenue.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. If the head lease is a short-term lease to which the Group applies the exemption described above, the sublease shall be classified as an operating lease.

Lease modification

For operating lease

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

For finance lease

The Group accounts for a change in the lease payments of a finance lease as a lease modification, that is not accounted for as a separate lease, in accordance with the requirements of HKFRS 9. If the change represents a substantial modification, the finance lease receivables of the original lease are derecognised and a derecognition gain or loss calculated using the revised lease payments discounted at the rate used for the head lease is recognised in profit or loss on the date of the modification. If the change does not represent substantial modification, the Group shall continue to recognise in which such carrying amount will be calculated at the present value of the modified contractual cash flows discounted at the finance lease receivables' original discount rate. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the effective date of modification.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(f) Impairment losses on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating units ("CGUs") to which the asset belongs. When reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to disposal and value-in-use ("VIU"). In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(g) Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately to profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group can irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVTOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(g) Financial Instruments (continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables, other receivables, financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has performed collective assessment that is based on the Group's historical settlement pattern and default history of debtors, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other receivables and other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(g) Financial Instruments (continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, loans and borrowings, note payable and loan from a shareholder are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(vii) Modification

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 percent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using specific identification basis for watches and first-in-first-out basis for other inventories. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(i) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents comprise cash (i.e. cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash.

(j) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Sales of goods
Income from sales of goods is recognised at a point in time when the goods are delivered to customers and title has passed.

Rental income
Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Commission income
Income from commission is recognised on a net basis when the Group expects to be entitled in exchange for arranging for the specified goods to be provided by the other party.

Repair service income
Income from repair service is recognised when the services have been rendered.

Interest income
Interest income from financial assets is accrued on a time basis on the principal outstanding at the applicable effective interest rate.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(j) Revenue recognition (continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Contract liabilities

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(k) Taxation

Income tax expense represents the sum of current and deferred income tax expense.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'loss before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(k) Taxation (continued)

Deferred tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(l) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

(m) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

(n) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution pension plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(p) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of property, plant and equipment

If a triggering event occurs indicating that the carrying amount of an asset may not be recoverable, a valuation of the carrying amount of that asset will be performed. Management carried out the valuation of the recoverable amounts of the CGUs of the Group as at 31 March 2024. The recoverable amounts were determined based on the value-in-use calculation of each of the CGUs. The valuations are dependent on certain key assumptions that require significant management judgement, including forecast revenue growth rate, gross profit margin and pre-tax discount rate in the projection period. As at 31 March 2024, the carrying amount of the Group's property, plant and equipment is approximately HK$6,533,000 (2023: HK$29,903,000), after net of impairment loss on property, plant and equipment of approximately HK$169,211,000 (2023: HK$158,374,000).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Allowance for inventories

The inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories in the ordinary course of business less all estimated costs of completion and estimated costs necessary to make the sale. Management estimated the net realisable value of inventories at the end of the reporting period, and made provision for write-down in value, if any. Estimates are based on management's monitoring of the aging and current market conditions, and the historical experience of selling the inventories of similar nature. As at 31 March 2024, the carrying amount of inventories is approximately HK$44,495,000 (2023: HK$178,130,000), after net of allowance for inventories of approximately HK$153,558,000 (2023: HK$244,820,000).

Fair value of investment properties

The Group carries its investment properties at fair value with changes in the fair value recognised in the consolidated statement of profit or loss and other comprehensive income. Independent external valuations were obtained for the investment properties in order to support management's estimates. The valuations are dependent on certain key assumptions are set out in Note 16 in the consolidated financial statements that require significant management judgement, including capitalisation rates and fair market rents. As at 31 March 2024, the aggregate fair value of the Group's investment properties amounted to HK$424,103,000 (2023: HK$428,550,000) based on the valuation performed by independent professional valuers.

Potential loss on litigation against Multicontinental

In determining the net profit margin of loss on profit of Multicontinental related to the litigation disclosed in Note 39, independent external valuation was obtained for the valuation on net profit margin for watch manufacturing industry in which Multicontinental are engaged to support management's estimates. The valuation requires significant management judgement, including comparable selections.

6. 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 administrative expenses and 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.

6. SEGMENT INFORMATION (continued)

(a) Segment revenue and results (continued)

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 HK$'000	PRC and Macau HK$'000	Other locations HK$'000	Sub-total HK$'000	PRC HK$'000	HK$'000	Total 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

6. SEGMENT INFORMATION (continued)

(a) Segment revenue and results (continued)

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.

6. SEGMENT INFORMATION (continued)

(a) Segment revenue and results (continued)

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	PRC			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	PRC			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

6. SEGMENT INFORMATION (continued)

(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

6. SEGMENT INFORMATION (continued)

(b) Disaggregation of revenue (continued)

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.

6. SEGMENT INFORMATION (continued)

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

7. REVENUE

The following is an analysis of the Group's revenue from its major operations:

	2024 HK$'000	2023 HK$'000
Watch distribution	**112,445**	88,707
Others	**136**	139
Revenue from contracts with customers	**112,581**	88,846
Property investment	**13,066**	9,366
Total revenue	**125,647**	98,212

The Group has applied the practical expedient to its sales contracts for watch distribution and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for watch distribution that had an original expected duration of one year or less.

8. OTHER INCOME, GAINS AND LOSSES

	2024 HK$'000	2023 HK$'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.

9. FINANCE COSTS

	2024 HK$'000	2023 HK$'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

10. INCOME TAX (CREDIT)/EXPENSE

	2024 HK$'000	2023 HK$'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.

The income tax (credit) expense for the year can be reconciled to the loss before taxation in the consolidated statement of profit or loss and other comprehensive income as follows:

	2024 HK$'000	2023 HK$'000
Loss before taxation	**(195,848)**	(275,523)
Tax at the domestic income tax rate of 16.5% (2023: 16.5%)	**(32,315)**	(45,461)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(6,856)**	(6,701)
Tax effect of income not taxable in determining taxable profit	**(4,141)**	(854)
Tax effect of expenses not deductible in determining taxable profit	**13,131**	29,601
Tax effect of tax losses not recognised	**33,922**	24,250
Tax effect of temporary differences not recognised	**(3,292)**	(337)
Utilisation of tax losses previously not recognised	**(449)**	(498)
(Over)/under provision in prior years	**(6)**	56
Income tax (credit) expense for the year	**(6)**	56

11. LOSS FOR THE YEAR

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

	2024 HK$'000	2023 HK$'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 (included in selling and distribution costs and administrative expenses)	**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

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G).

For the year ended 31 March 2024 is as follows:

Name of directors	Fees HK$'000	Salary, allowance and benefits HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Executive directors				
Mr. An Muzong	–	1,537	176	1,713
Mr. Zhang Xiaoliang	–	1,055	41	1,096
Mr. Yang Guangqiang	–	–	–	–
Non-executive directors				
Mrs. Chu Yuet Wah (Re-designated on 26 September 2022 and resigned on 29 June 2023)	–	90	5	95
Mr. Chu Kingston Chun Ho (Re-designated on 1 February 2023 and resigned on 29 June 2023)	–	183	5	188
Independent non-executive directors				
Mr. Yu Zhenxin	192	–	–	192
Mr. Zong Hao	192	–	–	192
Mr. Hong Sze Lung (Appointed on 12 July 2023)	173	–	–	173
Mr. Chiu Sin Nang, Kenny (Resigned on 9 May 2023)	20	–	–	20
Mr. Cheng Sing Kau, Colman (appointed on 12 May 2023 and removed on 8 March 2024)	158	–	–	158
	735	2,865	227	3,827

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION (continued)

(a) Directors' remuneration (continued)

For the year ended 31 March 2023 is as follows:

Name of directors	Fees	Salary, allowance and benefits	Contributions to retirement benefits schemes	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors				
Mr. An Muzong	–	1,165	159	1,324
Mrs. Chu Yuet Wah	–	175	9	184
Mr. Chu, Kingston Chun Ho	–	659	15	674
Mr. Zhang Xiaoliang	–	459	42	501
Mr. Yang Guangqiang	–	–	–	–
Non-executive directors				
Mrs. Chu Yuet Wah	–	185	9	194
Mr. Chu Kingston Chun Ho	–	131	3	134
Independent non-executive directors				
Mr. Chiu Sin Nang, Kenny	192	–	–	192
Ms. Lo Miu Sheung, Betty (Resigned on 11 February 2023)	166	–	–	166
Mr. Yu Zhenxin	192	–	–	192
Mr. Zong Hao	192	–	–	192
	742	2,774	237	3,753

Mr. Zhang Xiaoliang is also the chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive officer.

Fees, salaries, allowances and benefits in kind paid to or for the executive directors of the Company are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION (continued)

(b) Employees' emoluments

(i) Five highest paid individuals

For the year ended 31 March 2024, the five highest paid individuals included two (2023: one) directors, details of whose remuneration are included above. The remuneration of the remaining three (2023: four) highest paid individual in 2024 were as follows:

	2024 **HK$'000**	2023 HK$'000
Salaries, allowances and other benefits	**6,210**	6,133
Retirement benefits schemes contributions	**54**	72
	6,264	6,205

The emoluments of the employees were within the following band:

	Number of employees	
	2024	2023
HK$1,000,001 to HK$1,500,000	**–**	3
HK$1,500,001 to HK$2,000,000	**2**	–
HK$2,500,001 to HK$3,000,000	**1**	1
	3	4

No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. Except for Mr. Yang Guangqiang, an executive director of the Company, voluntarily suspended his monthly salary of HK$40,000 with effect from 1 May 2020, no other directors have waived any remuneration during both years.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION (continued)

(b) Employees' emoluments (continued)

(ii) Senior management's emoluments

The emoluments paid or payable to senior management (included three (2023: three) highest paid individuals as disclosed above) were as follows:

	2024 **HK$'000**	2023 HK$'000
Salaries, allowances and other benefits	**7,780**	4,689
Retirement benefits schemes contributions	**75**	91
	7,855	4,780

The emoluments of the senior management were within the following band:

	Number of employees	
	2024	2023
Nil to HK$1,000,000	**2**	3
HK$1,000,001 to HK$2,000,000	**2**	3
HK$2,000,001 to HK$3,000,000	**1**	–
	5	6

13. DIVIDEND

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

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

	2024 **'000**	2023 '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.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computers HK$'000	Motor vehicles HK$'000	Right-of-use assets HK$'000	Total HK$'000
At 31 March 2022							
Cost	81,883	3,326	2,923	4,693	1,281	218,630	312,736
Accumulated depreciation and impairment loss	(73,610)	(3,315)	(2,881)	(4,621)	(368)	(183,504)	(268,299)
Carrying value	8,273	11	42	72	913	35,126	44,437
Carrying value							
At 1 April 2022	8,273	11	42	72	913	35,126	44,437
Additions	18,626	491	406	239	–	34,646	54,408
Write off	(192)	–	–	–	–	–	(192)
Depreciation	(8,207)	(133)	(141)	(93)	(192)	(17,839)	(26,605)
Impairment loss	(8,665)	(369)	(18)	(200)	(720)	(31,733)	(41,705)
Exchange realignment	(416)	–	(3)	(4)	(1)	(16)	(440)
At 31 March 2023	9,419	–	286	14	–	20,184	29,903
At 31 March 2023							
Cost	72,787	3,457	3,210	4,757	1,281	253,276	338,768
Accumulated depreciation and impairment loss	(63,368)	(3,457)	(2,924)	(4,743)	(1,281)	(233,092)	(308,865)
Carrying value	9,419	–	286	14	–	20,184	29,903
Carrying value							
At 1 April 2023	9,419	–	286	14	–	20,184	29,903
Additions	2,704	20	138	89	–	17,785	20,736
Transfer to investment properties	(6,415)	–	–	–	–	(18,011)	(24,426)
Depreciation	(1,864)	(1)	(169)	(6)	–	(4,871)	(6,911)
Early termination of leases (Note 29)	–	–	–	–	–	(1,811)	(1,811)
Impairment loss	(844)	(142)	–	(88)	–	(9,763)	(10,837)
Exchange realignment	(140)	142	(14)	–	–	(109)	(121)
At 31 March 2024	**2,860**	**19**	**241**	**9**	**–**	**3,404**	**6,533**
At 31 March 2024							
Cost	**67,489**	**3,573**	**3,236**	**4,780**	**–**	**208,324**	**287,402**
Accumulated depreciation and impairment loss	**(64,629)**	**(3,554)**	**(2,995)**	**(4,771)**	**–**	**(204,920)**	**(280,869)**
Carrying value	**2,860**	**19**	**241**	**9**	**–**	**3,404**	**6,533**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2024

15. PROPERTY, PLANT AND EQUIPMENT (continued)

During the year ended 31 March 2024, the Group entered into new leases for shops and offices with right-of-use assets amounted to approximately HK$17,785,000 (31 March 2023: HK$34,646,000) recognised.

During the year ended 31 March 2024, the Group has entered into certain sublease agreements with independent third parties for certain commercial properties located in the PRC which are held by the Group under head leases with landlords for investment purpose. The directors of the Company considered the sublease arrangements as operating leases. Accordingly, the carrying amounts of the right-of-use assets and the corresponding leasehold improvements were transferred from property, plant and equipment to investment properties.

The Group performed an impairment assessment on property, plant and equipment of the Group's on each separately identifiable CGU in geographical segments, in accordance with the accounting policy on impairment of non-financial assets. Based on the assessment, an impairment loss of approximately HK$10,837,000 (2023: HK$41,705,000) was recognised and charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2024. The recoverable amounts of these property, plant and equipment using VIU calculation were determined by the discounted cash flows generated from each segment based on a management's financial budget plan, a pre-tax discount rate of 17% (2023: 18%) and various management's assumptions and estimates.

16. INVESTMENT PROPERTIES

	2024			2023
	Owned properties HK$'000	**Subleased properties HK$'000**	**Total HK$'000**	Owned properties HK$'000
Opening	**428,550**	**–**	**428,550**	522,366
Additions	**12,434**	**17,205**	**29,639**	–
Transfer from property, plant and equipment (Note 15)	**–**	**24,426**	**24,426**	–
Fair value change	**(38,749)**	**3,338**	**(35,411)**	(54,620)
Exchange realignment	**(21,786)**	**(1,315)**	**(23,101)**	(39,196)
Closing	**380,449**	**43,654**	**424,103**	428,550

The fair value of the Group's investment properties as at 31 March 2024 have been arrived on the basis of valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL") and Masterpiece Valuation Advisory Limited ("MPV") (2023: JLL). JLL and MPV are independent qualified professional valuers to the Group. They have appropriate qualifications and recent experiences in the valuation of properties in the PRC.

The valuation of the investment properties as at 31 March 2024 and 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.

The fair value of investment properties of the Group is derived by Level 3 recurring fair value measurement as at 31 March 2024 and 2023.

16. INVESTMENT PROPERTIES (continued)

There were no transfers into or out of Level 3 during both years.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Properties	Fair value	Location	Fair value hierarchy	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
2024							
Units A and A1 of Level 1 and the entire floor of Level 2 of HP Tower ("Property A")	HK$217,430,000	Chaoyang District, Beijing, the PRC	Level 3	Income Approach	Current Daily Rent	RMB6.9 per square metre ("psm") to RMB13.7 psm	The higher the current daily rent, the higher the fair value
					Market Daily Rent	RMB8.8 psm to RMB19.8 psm	The higher the daily market rent, the higher the fair value
					Term Yield	4.25%	The higher the term yield, the lower the fair value
					Reversionary Yield	4.75%	The higher the reversionary yield, the lower the fair value
Dong Shan Shu, Building 1 ("Property B")	HK$163,019,000	Chaoyang District, Beijing, the PRC	Level 3	Income Approach	Current Daily Rent	N/A	The higher the current daily rent, the higher the fair value
					Market Daily Rent	RMB7.2 psm to RMB12.0 psm	The higher the daily market rent, the higher the fair value
					Term Yield	N/A	The higher the term yield, the lower the fair value
					Reversionary Yield	4.75%	The higher the reversionary yield, the lower the fair value
Commercial properties held under sublease agreements — Siheyuan	HK$43,654,000	Dongcheng District and Xicheng District, Beijing, the PRC	Level 3	Income Approach	Current Daily Rent	RMB18.2 psm to RMB36.5 psm	The higher the current daily rent, the higher the fair value
					Market Daily Rent	RMB12.6 psm to RMB15.6 psm	The higher the daily market rent, the higher the fair value
					Term Yield	4.5%	The higher the term yield, the lower the fair value
					Reversionary Yield	5%	The higher the reversionary yield, the lower the fair value

16. INVESTMENT PROPERTIES (continued)

Properties	Fair value	Location	Fair value hierarchy	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
2023							
Units A and A1 of Level 1 and the entire floor of Level 2 of HP Tower	HK$247,645,000	Chaoyang District, Beijing, the PRC	Level 3	Income Approach	Current Daily Rent	RMB7.8 per square metre ("psm") to RMB17.6 psm	The higher the current daily rent, the higher the fair value
					Market Daily Rent	RMB9.0 psm to RMB20.0 psm	The higher the daily market rent, the higher the fair value
					Term Yield	4.25%	The higher the term yield, the lower the fair value
					Reversionary Yield	4.75%	The higher the reversionary yield, the lower the fair value
Dong Shan Shu, Building 1	HK$180,905,000	Chaoyang District, Beijing, the PRC	Level 3	Income Approach	Current Daily Rent	RMB4.5 psm	The higher the current daily rent, the higher the fair value
					Market Daily Rent	RMB9.5 psm	The higher the daily market rent, the higher the fair value
					Term Yield	4.25%	The higher the term yield, the lower the fair value
					Reversionary Yield	4.75%	The higher the reversionary yield, the lower the fair value

The fair value measurement is based on the highest and best use of the investment properties, which does not differ from their actual use.

The land use rights for Property A and Property B have been granted for terms both expiring in 2044.

Rental income of HK$13,066,000 from investment properties was recognised during the year ended 31 March 2024 (2023: HK$9,366,000).

As at 31 March 2024, Property A and Property B with fair value in aggregate amounting to HK$380,449,000 (2023: HK$428,550,000) are pledged to loans and borrowings of RMB174,659,000 (equivalent to HK$189,313,000) (2023: RMB138,800,000 (equivalent to HK$158,621,000)) to the Group.

17. FINANCIAL ASSETS AT FVTPL

	2024	2023
	HK$'000	HK$'000
Listed equity securities in Hong Kong		
Listed equity securities in Hong Kong	**199**	157
Unquoted equity securities in Hong Kong	**1,213**	1,176
Total financial assets at FVTPL	**1,412**	1,333
Classified as		
Current asset	**1,412**	1,333

The fair values of listed equity securities are based on quoted market prices. For the 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 equity securities are summarised as follows:

	HK$'000
As at 1 April 2022	1,468
Fair value change of financial assets measured at FVTPL	(135)
As at 31 March 2023 and 1 April 2023	1,333
Fair value change of financial assets measured at FVTPL	79
As at 31 March 2024	1,412

18. FINANCIAL ASSETS AT FVTOCI

	2024	2023
	HK$'000	HK$'000
Listed equity securities in Hong Kong	**3,234**	8,401

Note: The above listed equity investments represent ordinary shares of an entity listed in Hong Kong. These investments are not held for trading, instead, they are held for long-term purpose. The directors of the Company have elected to designate these investments in equity instruments at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

The movement in listed equity securities are summarised as follows:

	HK$'000
As at 1 April 2022	7,894
Fair value change of financial assets measured at FVTOCI	507
As at 31 March 2023 and 1 April 2023	8,401
Fair value change of financial assets measured at FVTOCI	(5,167)
As at 31 March 2024	3,234

19. 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.

20. TRADE AND OTHER RECEIVABLES

	2024 HK$'000	2023 HK$'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

20. TRADE AND OTHER RECEIVABLES (continued)

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

Management closely monitors the credit quality of trade receivables and considers trade receivables that are neither past due nor impaired are of good credit quality.

Movement in the loss allowances amount in respect of trade receivables during the year is as follows:

	Credit-impaired	**Not credit-impaired**	**Total**
	HK$'000	HK$'000	HK$'000
Balance as at 1 April 2022	16,135	652	16,787
ECLs recognised during the year	–	373	373
Reversal of ECLs recognised	–	(652)	(652)
Exchange realignment	(1,207)	–	(1,207)
Balance as at 31 March 2023 and 1 April 2023	**14,928**	**373**	**15,301**
ECLs recognised during the year	**–**	**3,625**	**3,625**
Reversal of ECLs recognised	**–**	**(373)**	**(373)**
Amounts written off as uncollectible (Note)	**(14,159)**	**–**	**(14,159)**
Exchange realignment	**(769)**	**–**	**(769)**
Balance as at 31 March 2024	**–**	**3,625**	**3,625**

Note: During the year ended 31 March 2024, the directors of the Company confirmed that it has no realistic prospect of recovering the amounts which were previously identified as credit-impaired.

20. TRADE AND OTHER RECEIVABLES (continued)

Movement in the loss allowances amount in respect of other receivables during the year is as follows:

	Credit-impaired HK$'000	Not credit-impaired HK$'000	Total HK$'000
Balance as at 1 April 2022	–	3,495	3,495
ECLs recognised during the year	–	341	341
Reversal of ECLs recognised	–	(1,034)	(1,034)
Exchange realignment	–	142	142
Balance as at 31 March 2023 and 1 April 2023	**–**	**2,944**	**2,944**
Reversal of ECLs recognised during the year	**–**	**(625)**	**(625)**
Exchange realignment	**–**	**(15)**	**(15)**
Balance as at 31 March 2024	**–**	**2,304**	**2,304**

Notes:

(a) As at 31 March 2024, other receivables including loans to independent third parties of aggregate principal amounts HK$3,035,000 (2023: HK$3,200,000) at interest rates ranging from 0.2% to 2.2% (2023: 0.3% to 2.3%) per annum which are secured by personal and corporate guarantee, and unsecured loans to independent third parties of aggregate principal amounts HK$9,852,000 (2023: HK$8,149,000) at interest rates ranging from 1% to 12% (2023: 3% to 12%) per annum. Except the principal amounts of HK$6,364,000 (2023: HK$6,578,000) with repayment terms over one year, all of the other receivables are expected to be recovered within one year.

(b) As at 31 March 2024, prepayments to independent third parties of nil amount and HK$6,834,000 (2023: HK$3,954,000 and HK$14,578,000) are related to the purchase of goods for trading purpose and leasehold improvement for non-current assets respectively.

21. BANK BALANCES AND CASH

	2024 HK$'000	2023 HK$'000
Cash at bank	**24,120**	51,434
Restricted bank deposits (Note)	**4,987**	327
Pledged bank deposits (Note)	**–**	13,714
Bank balances and cash	**29,107**	65,475

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 0.1%–0.7% (2023: 0.3% to 2.25%) per annum.

Note: As at 31 March 2023, the bank deposits were pledged as collateral against the Group's bank borrowing.

22. TRADE AND OTHER PAYABLES

	2024 HK$'000	2023 HK$'000
Trade payables	**64,054**	57,960
Accrued charges	**8,760**	13,000
Commission payables	**36,438**	37,509
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 HK$'000	2023 HK$'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

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

	2024 HK$'000	2023 HK$'000
Denominated in CHF	**62,650**	49,372
Denominated in EUR	**84**	50
Denominated in TWD	**11**	–
Denominated in RMB	**1,309**	8,538

23. CONTRACT LIABILITIES

	2024 HK$'000	2023 HK$'000
Contract liabilities arising from watch distribution	**4,265**	4,397

As at 1 April 2022, contract liabilities amounted to HK$1,181,000.

The Group's watch distribution contracts mainly related to the consideration received from customers in advance.

Movements in contract liabilities:

	HK$'000
Balance as at 1 April 2022	1,181
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(515)
Increase in contract liabilities as a result of billing in advance of watch distribution activities	3,731
Balance as at 31 March 2023 and 1 April 2023	**4,397**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(575)**
Increase in contract liabilities as a result of billing in advance of watch distribution activities	**444**
Exchange realignment	**(1)**
Balance as at 31 March 2024	**4,265**

24. LOAN FROM A SHAREHOLDER

	2024 HK$'000	2023 HK$'000
Current portion:		
Fixed interest-rate borrowings that are repayable:		
— within one year	**17,533**	16,566
Non-current portion:		
Fixed interest-rate borrowings that are repayable:		
— over one year but within two years	**27,512**	17,533
— over two years but within five years	**–**	27,512
	27,512	45,045
	45,045	61,611

The loan was provided by Mrs. Chu Yuet Wah, a shareholder and a non-executive director, who resigned on 29 June 2023, of the Company. The amount was unsecured, interest bearing at 6% (2023: 6%) per annum and with maturity date on 31 March 2026.

25. LOANS AND BORROWINGS

	2024 HK$'000	2023 HK$'000
Secured		
Bank borrowings	**73,705**	158,621
Other borrowings	**115,608**	45,712
	189,313	204,333
Unsecured		
Other borrowings	**53,007**	4,000
	242,320	208,333
Classified as:		
Current	**91,430**	63,197
Non-current	**150,890**	145,136
	242,320	208,333

As at 31 March 2024, the Group had secured bank borrowings of HK$73,705,000 (2023: HK$158,621,000) with maturity date on 29 April 2024 and borne interest of 6.30% (2023: 5.59% to 6.30%) per annum.

The banking facility is subject to the fulfilment of covenants, if the covenants were breached, the drawn down facilities would become repayable on demand. As at 31 March 2024 and 2023, none of the covenants relating to bank borrowings had been breached.

The bank borrowings are secured by the followings:

(i) Group's investment property of fair value of HK$163,019,000 (2023: HK$428,550,000) as at 31 March 2024; and

(ii) Personal guarantee given by Mr. Zhang Xiaoliang, a director of the Company as at 31 March 2024 and 2023.

As at 31 March 2023, the Group had a secured other borrowing of HK$45,712,000 which was served by guarantors, with a repayment clause within 2 months and interest free.

25. LOANS AND BORROWINGS (continued)

As at 31 March 2024, the Group had a secured other borrowing of approximately HK$115,608,000 (2023: nil) with maturity date on 9 August 2028, which is pledged by entire equity interest of a subsidiary of the Company and borne fixed interest rate 6% per annum. In accordance with the loan agreement and nominee agreement entered into between Sanya Qingfeiniao Tourism Industry Investment Company Limited (三亞青飛鳥旅遊產業投資有限公司), a wholly-owned subsidiary of the Company (the "Borrower") and an independent third party (the "Lender") on 30 June 2023 and a supplementary loan agreement entered into between the Borrower and the Lender on 25 July 2023, the Borrower has pledged the entire equity interest in its subsidiary, Sanya Qingniao Tourism Industry Investment Company Limited (三亞青鳥旅遊產業投資有限公司) ("Sanya Qingniao") as security ("Pledged Equity Interest") for the loan. An investment property with fair value of approximately HK$217,430,000 as at 31 March 2024 was held by a wholly-owned subsidiary of Sanya Qingniao. The Lender shall hold the Pledged Equity Interest as a nominee for and on behalf of the Borrower. In the opinion of the directors of the Company, the shareholder's right and controlling interest of Sanya Qingniao are held by the Borrower, and the Lender does not have any rights of disposal or transfer of the Pledged Equity Interest to third parties unless obtained the Borrower's consent.

In addition, as at 31 March 2024, the Group has unsecured other borrowings amounted to HK$40,000,000 with interest rate at 1.9% per month and maturity date on 30 April 2025.

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

	2024 **HK$'000**	2023 HK$'000
On demand or within one year	**73,705**	13,485
More than one year, but not exceeding two years	**–**	85,710
More than two years, but not exceeding five years	**–**	28,856
After five years	**–**	30,570
	73,705	158,621

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

	2024 **HK$'000**	2023 HK$'000
On demand or within one year	**17,725**	49,712
More than one year, but not exceeding two years	**40,000**	–
More than two years, but not exceeding five years	**110,890**	–
	168,615	49,712

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For the year ended 31 March 2024

26. NOTE PAYABLE

The promissory note is unsecured and non-interest bearing and repayable on 30 June 2026 (2023: 30 June 2024). It is measured at amortised cost using the effective interest method of 3.6% (2023: 3.6%) per annum.

	2024 **HK$'000**	2023 HK$'000
Classified as		
Non-current liability	**22,164**	24,000

On 31 March 2023, the Company 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.

On 31 March 2024, 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 2026. All other terms in the promissory note shall remain valid and in force. A gain on modification of note payable amounted to HK$1,836,000 is recognised in profit or loss during the year ended 31 March 2024.

27. DEFERRED TAX ASSETS

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Accelerated accounting depreciation HK$'000	**Total** HK$'000
At 1 April 2022, 31 March 2023 and 31 March 2024	**94**	**94**

The Group has unused tax losses of HK$820,076,000 (2023: HK$642,552,000) available for offset against future profits. Of the unrecognised tax losses, HK$28,404,000 (2023: HK$22,801,000) will expire from 2025 to 2029 (2023: expire from 2024 to 2028). Other tax losses may be carried forward indefinitely. During the years ended 31 March 2024 and 2023, no deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Under the laws and regulations in Taiwan, withholding tax of 21% (2023: 21%) is imposed on dividends declared in respect of profits earned by a subsidiary incorporated and operating in Taiwan. Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the undistributed retained profits earned by that Taiwan subsidiary amounting to approximately HK$7,239,000 (2023: HK$10,171,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

PRC withholding income tax of 10% shall be levied on the dividends declared by the companies established in the PRC to their foreign investors out of their profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated or operated in Hong Kong and fulfill the requirements to the tax treaty arrangements between the PRC and Hong Kong. Deferred tax assets have not been recognised for such losses at the reporting date due to the unpredictability of future profit streams in the relevant subsidiaries in the PRC and/or Hong Kong.

27. DEFERRED TAX ASSETS (continued)

For the purposes of measuring deferred tax arising from the Group's investment properties — commercial properties held under sublease agreements in the PRC, which are measured using fair value model, the directors of the Company concluded that they are held under a business model whose objective is to consume substantially all of the economic benefits embodied in these investment properties over time. Therefore, in determining the deferred taxation on these investment properties, the directors of the Company have determined that the presumption that the carrying amounts of these investment properties are recovered entirely through sale is rebutted.

For the purposes of measuring deferred tax arising from the Group's remaining investment properties that are measured using the fair value model, the directors of the Company have reviewed the portfolios and concluded that these investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in these investment properties over time. Therefore, in determining the deferred taxation on these investment properties, the directors of the Company have determined that the presumption that the carrying amounts of these investment properties measured using the fair value model are recovered entirely through sale is not rebutted.

28. 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

29. LEASE LIABILITIES

	Premises HK$'000	**Motor vehicle** HK$'000	**Total** HK$'000
At 1 April 2022	71,909	184	72,093
Additions	34,646	–	34,646
Interest expense	4,686	11	4,697
Lease payments	(32,446)	(338)	(32,784)
Rent concession	(1,428)	–	(1,428)
Foreign exchange movements	(123)	157	34
At 31 March 2023 and 1 April 2023	**77,244**	**14**	**77,258**
Additions	**22,825**	**–**	**22,825**
Early termination of leases (Note)	**(24,061)**	**–**	**(24,061)**
Interest expense	**3,791**	**–**	**3,791**
Lease payments	**(27,229)**	**(14)**	**(27,243)**
Foreign exchange movements	**(1,097)**	**–**	**(1,097)**
At 31 March 2024	**51,473**	**–**	**51,473**

Note: During the year ended 31 March 2024, the Group mutually agreed with a landlord to early terminate leases with carrying amount of right-of-use assets and lease liabilities amounted to approximately HK$1,811,000 and HK$24,061,000, respectively. Gain on early termination of leases amounted to approximately HK$22,250,000 was recognised in profit or loss accordingly.

29. LEASE LIABILITIES (continued)

Future lease payments are due as follows:

	Minimum lease payments 31 March 2024 HK$'000	**Interest 31 March 2024 HK$'000**	**Present value 31 March 2024 HK$'000**
Not later than one year	**22,306**	**2,316**	**19,990**
Later than one year and not later than two years	**14,654**	**1,105**	**13,549**
Later than two years and not later than five years	**12,220**	**1,461**	**10,759**
Later than five years	**7,773**	**598**	**7,175**
	56,953	**5,480**	**51,473**

	Minimum lease payments 31 March 2023 HK$'000	Interest 31 March 2023 HK$'000	Present value 31 March 2023 HK$'000
Not later than one year	30,639	3,708	26,931
Later than one year and not later than two years	24,607	2,017	22,590
Later than two years and not later than five years	20,500	1,916	18,584
Later than five years	10,055	902	9,153
	85,801	8,543	77,258

The present value of future lease payments are analysed as:

	2024 HK$'000	2023 HK$'000
Current liabilities	**19,990**	26,931
Non-current liabilities	**31,483**	50,327
	51,473	77,258

	2024 HK$'000	2023 HK$'000
Short term lease expense	**3,771**	330

29. LEASE LIABILITIES (continued)

Operating leases — lessee

The Group leases the majority of its properties. The terms of property leases vary from country to country, although they all tend to be tenancy requiring rent reviews every 2 to 5 years and many have break clauses. Contingent rent arises on four of the Group's properties, whereby 15% (2023: 11% to 15%) per month premium is added to the rental amount if revenue generated from the watch distribution segment exceeds from range nil to HK$462,000 (2023: nil to HK$462,000).

The lease payments recognised as expenses are as follows:

	2024 HK$'000	2023 HK$'000
Short term lease expense	**3,771**	330
Contingent rents	**112**	259
Total cash outflow of leases	**31,126**	33,373

Operating leases — lessor

The Group's investment properties are leased to a number of tenants for varying terms. The lease rental income during the year ended 31 March 2024 was HK$13,066,000 (2023: HK$9,366,000).

The minimum rent receivables under non-cancellable operating leases are as follows:

	2024 HK$'000	2023 HK$'000
Not later than one year	**12,549**	12,348
Later than one year and not later than two years	**12,755**	5,595
Later than two years and not later than three years	**11,294**	5,622
Later than three years and not later than four years	**6,317**	5,693
Later than four years and not later than five years	**868**	5,929
	43,783	35,187

30. SHARE-BASED PAYMENT TRANSACTIONS

At the annual general meeting of the Company held on 26 August 2016 (the "Adoption Date"), shareholders of the Company have adopted a new share option scheme (the "Share Option Scheme").

Pursuant to the Share Option Scheme, the total numbers of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Company must not in aggregate exceed 10% of the aggregate of the Shares of the Company in issue on the date of adoption. The Company may renew this 10% limit with shareholders' approval provided that such renewal may not exceed 10% of the shares in the Company in issue as at the date of the shareholders' approval.

The total number of shares of the Company which may be issued upon exercise of all outstanding options to be granted and yet to be exercised under the Share Option Scheme and all outstanding options granted and yet to be exercised under any other share option scheme adopted by the Company should not exceed 30% of the shares in issue from time to time.

Unless approved by the shareholders of the Company in general meeting, the total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant (including both exercised and unexercised options) under the Share Option Scheme and any other share option schemes adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the date of grant of the options. The exercise of options may also be subject to any conditions imposed by the Company at the time of offer.

The subscription price for the shares of the Company to be issued upon exercise of the options must be at least the higher of (i) the official closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant; (ii) the average of the official closing prices of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share of the Company on the date of grant. The subscription price will be approved by the board of directors at the time the option is offered to the participants.

Since the Adoption Date, the Company had no share option being granted, outstanding, lapsed or cancelled pursuant to the Share Option Scheme as at 31 March 2024 and 2023.

31. NOTES SUPPORTING CASH FLOW STATEMENT

(a) Major non-cash transactions

During the year ended 31 March 2024, the Group had non-cash additions to right-of-use assets, investment properties and lease liabilities of HK$17,785,000, HK$5,040,000 and HK$22,825,000, respectively, in respect of lease arrangements for premises (2023: HK$34,646,000, nil and HK$34,646,000). In addition, the Group had non-cash rent concession of HK$1,428,000 (2024: nil) granted by certain landlords due to direct consequence of COVID-19 pandemic during the year ended 31 March 2023.

During the year ended 31 March 2024, the Group had recognised prepayments of HK$13,064,000 as additions to investment properties (2023: nil).

During the year ended 31 March 2024, the Group transferred leasehold improvements and right-of-use assets of HK$6,415,000 and HK$18,011,000, respectively, to investment properties (2023: nil).

(b) Reconciliation of liabilities arising from financing activities

	Loan from a shareholder HK$'000	Lease liabilities HK$'000	Loans and borrowing HK$'000	Note payable HK$'000	Total HK$'000
At 1 April 2023	**61,611**	**77,258**	**208,333**	**24,000**	**371,202**
Changes from cash flows:					
Proceeds from other borrowings	**–**	**–**	**184,197**	**–**	**184,197**
Repayment of loan from a shareholder	**(16,566)**	**–**	**–**	**–**	**(16,566)**
Repayment of principal portion of lease liabilities	**–**	**(23,452)**	**–**	**–**	**(23,452)**
Repayment of principal portion of bank borrowing	**–**	**–**	**(77,342)**	**–**	**(77,342)**
Repayment of other borrowings	**–**	**–**	**(67,024)**	**–**	**(67,024)**
Interest paid	**(3,434)**	**(3,791)**	**(10,857)**	**–**	**(18,082)**
Total changes from financing cash flows	**(20,000)**	**(27,243)**	**28,974**	**–**	**(18,269)**
Other changes:					
Increase in lease liabilities from entering into new leases during the year	**–**	**22,825**	**–**	**–**	**22,825**
Interest expenses	**3,434**	**3,791**	**15,574**	**–**	**22,799**
Gain on early termination of leases	**–**	**(24,061)**	**–**	**–**	**(24,061)**
Gain on modification of note payable	**–**	**–**	**–**	**(1,836)**	**(1,836)**
Exchange realignment	**–**	**(1,097)**	**(10,561)**	**–**	**(11,658)**
Total other changes	**3,434**	**1,458**	**5,013**	**(1,836)**	**8,069**
At 31 March 2024	**45,045**	**51,473**	**242,320**	**22,164**	**361,002**

31. NOTES SUPPORTING CASH FLOW STATEMENT (continued)

(b) Reconciliation of liabilities arising from financing activities (continued)

	Loan from a shareholder HK$'000	Lease liabilities HK$'000	Loans and borrowing HK$'000	Note payable HK$'000	Total HK$'000
At 1 April 2022	85,937	72,093	185,404	23,792	367,226
Changes from cash flows:					
Proceeds from other borrowings	–	–	49,712	–	49,712
Repayment of loan from a shareholder	(23,054)	–	–	–	(23,054)
Repayment of principal portion of lease liabilities	–	(28,087)	–	–	(28,087)
Repayment of principal portion of bank borrowing	–	–	(12,914)	–	(12,914)
Interest paid	(5,675)	(4,697)	(10,985)	–	(21,357)
Total changes from financing cash flows	(28,729)	(32,784)	25,813	–	(35,700)
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	34,646	–	–	34,646
Interest expenses	4,403	4,697	10,985	208	20,293
Rent concession	–	(1,428)	–	–	(1,428)
Exchange realignment	–	34	(13,869)	–	(13,835)
Total other changes	4,403	37,949	(2,884)	208	39,676
At 31 March 2023	61,611	77,258	208,333	24,000	371,202

32. COMMITMENTS

Capital commitments

	2024 HK$'000	2023 HK$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**–**	633

33. RETIREMENT BENEFITS SCHEMES

The Group operates a mandatory provident fund scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the rules and regulations of the Mandatory Provident Fund Authority. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. Contributions are made based on a percentage of the participating employee relevant income from the Group and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.

The Group also participates a defined contribution plan under the Labor Pension Act ("LPA") in Taiwan. Under this scheme, the employers are required to make contribution to the scheme at the rates specified in LPA. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

The employees in the Group's subsidiaries in the PRC and Macau are members of the state-managed retirement benefit schemes operated by the PRC government and the Macau government respectively. Those subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total amount recognised as an expense for the retirement benefits schemes is HK$1,395,000 (2023: HK$1,561,000)

34. RELATED PARTY TRANSACTIONS

(a) Related party and continuing connected party transactions

In addition to the balances with related parties as disclosed in Note 24, the Group had the following transactions with the related parties, which are also regarded as connected parties pursuant to Chapter 14A of the Listing Rules.

	Notes	**2024** **HK$'000**	2023 HK$'000
Administrative service fee paid to a related company	(i)	**60**	240
Interest paid to a shareholder	(i)	**3,434**	4,403
Lease payments and other related expenses paid to a related company	(i)	**722**	7,610
Lease payments and other related expenses paid to a related company	(ii)	**5,513**	5,555

Notes:

(i) Mrs. Chu Yuet Wah, a shareholder and a non-executive director, who resigned on 29 June 2023, of the Company, is also a director and shareholder of the related companies.

(ii) The ultimate beneficial owner of the landlord is a close family member of Mrs. Chu Yuet Wah.

(b) Compensation of key management personnel

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in Note 12.

35. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 March 2024 and 2023 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company				Principal activity
			Directly		Indirectly		
			2024	2023	**2024**	2023	
Sincere Brand Holdings Limited	British Virgin Islands ("BVI")/Hong Kong	US$200	**100%**	100%	**–**	–	Investment holding
Sincere Brand Management Limited	Hong Kong	HK$1,000,000	**–**	–	**100%**	100%	Watch distribution
Sincere Watch Co. Ltd.	Taiwan	NTD5,000,000	**–**	–	**100%**	100%	Watch distribution
Sincere Watch Korea Ltd.	Korea	KRW100,000,000	**–**	–	**100%**	100%	Watch distribution
Pendulum (Macau) Limited	Macau	MOP25,000	**–**	–	**100%**	100%	Watch distribution
Pendulum Limited	Hong Kong	HK$2	**–**	–	**100%**	100%	Investment holding
Sincere Watch Trading Company Limited	Hong Kong	HK$1	**–**	–	**100%**	100%	Investment holding
Sincere Health Care Limited	Hong Kong	HK$1	**100%**	100%	**–**	–	Investment holding
Sincere Distribution Limited	BVI	US$100	**100%**	100%	**–**	–	Investment holding
Shanghai Franck Muller Fine Watch Co. Ltd. (note a)	PRC	HK$40,000,000	**–**	–	**100%**	100%	Watch distribution
Empire Jade Limited	BVI	US$100	**100%**	100%	**–**	–	Investment holding
Hong Kong Jade Bird South Sea Investment Limited	Hong Kong	HK$2,000,100	**–**	–	**100%**	100%	Investment holding
三亞青鳥旅遊產業投資有限公司 (note a)	PRC	HK$5,000,000	**–**	–	**100%**	100%	Investment holding
北京沈發物業管理有限公司 (note b)	PRC	RMB500,000	**–**	–	**100%**	100%	Property investment
北京圖升國際貿易有限公司 (note b)	PRC	RMB10,000,000	**–**	–	**100%**	100%	Trading

35. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company				Principal activity
			Directly		Indirectly		
			2024	2023	**2024**	2023	
Hua Wei Jin Development Limited	BVI	US$1	**100%**	100%	**–**	–	Investment holding
Allied Honest Group Limited	Hong Kong	HK$10,000	**–**	–	**100%**	100%	Investment holding
上海墨承商務諮詢有限公司 (note a)	PRC	US$200,000	**–**	–	**100%**	100%	Investment holding
北建新業(北京)商貿有限公司 (note b)	PRC	RMB1,000,000	**–**	–	**100%**	100%	Property investment and trading agent of commodity products
北京長富鼎興裝飾工程有限公司 (note b)	PRC	RMB10,000,000	**–**	–	**100%**	100%	Building maintenance work
北京法穆蘭鐘錶有限公司 (note b)	PRC	RMB1,000,000	**–**	–	**100%**	100%	Watch distribution
北京麥立威爾科技有限公司 (note b)	PRC	RMB10,000,000	**–**	–	**100%**	100%	Building maintenance work
Orient Tycoon Limited	BVI	US$1	**100%**	100%	**–**	–	Investment holding
Harmony Cultural Holdings Limited	Hong Kong	HK$1	**–**	–	**100%**	100%	Investment holding
三亞青飛鳥旅遊產業投資有限公司 (note a)	PRC	HK$5,000,000	**–**	–	**100%**	100%	Investment holding
北京四合街坊文化發展有限公司 (note b)	PRC	RMB100,000,000	**–**	–	**65%**	65%	Investment holding
北京四合八角文化發展有限公司 (note b)	PRC	RMB1,000,000	**–**	–	**65%**	65%	Sub-lease
北京四合鼓西文化發展有限公司 (note b)	PRC	RMB1,000,000	**–**	–	**65%**	65%	Sub-lease

35. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company				Principal activity
			Directly		Indirectly		
			2024	2023	**2024**	2023	
北京四合廊營文化發展有限公司 (note b)	PRC	RMB1,000,000	**–**	–	**65%**	65%	Sub-lease
Oriental Prevail Limited	BVI	US$1	**100%**	100%	**–**	–	Investment holding
Sincere Mobility Limited	Hong Kong	HK$1	**–**	–	**100%**	100%	Investment holding
Club Sincere Limited	Hong Kong	HK$1	**–**	–	**100%**	100%	Watch distribution

Notes:

(a) These subsidiaries are registered as foreign joint venture under the law of PRC.

(b) These subsidiaries are registered as limited liability companies under the law of PRC.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results of the year or constituted a substantial portion of the assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

36. INFORMATION ABOUT THE FINANCIAL POSITION OF THE COMPANY

Information about the financial position of the Company at the end of the reporting period includes:

	Notes	2024 HK$'000	2023 HK$'000
Non-current assets			
Unlisted investments in subsidiaries		**207,682**	246,290
Loans to a subsidiary		**90,000**	90,000
		297,682	336,290
Current assets			
Amounts due from subsidiaries	(a)	**3,981**	250,788
Other current assets		**1,312**	1,057
		5,293	251,845
Current liabilities			
Amounts due to subsidiaries	(a)	**293,418**	272,616
Other current liabilities		**2,649**	2,193
Loan from a shareholder		**17,533**	16,566
		313,600	291,375
Net current liabilities		**(308,307)**	(39,530)
Non-current liabilities			
Note payable		**22,164**	24,000
Loan from a shareholder		**27,512**	45,045
		49,676	69,045
Net (liabilities) assets		**(60,301)**	227,715
Capital and reserves			
Share capital		**120,879**	120,879
Reserves	(b)	**(181,180)**	106,836
		(60,301)	227,715

Notes:

(a) The amounts are unsecured, non-interest bearing and repayable on demand.

(b) The movement of the reserves of the Company is as follows:

	Share premium HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2022	963,553	76,780	(694,799)	345,534
Loss and total comprehensive expense for the year	–	–	(238,698)	(238,698)
At 31 March 2023 and 1 April 2023	963,553	76,780	(933,497)	106,836
Loss and total comprehensive expense for the year	–	–	(288,016)	(288,016)
At 31 March 2024	**963,553**	**76,780**	**(1,221,513)**	**(181,180)**

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2024 HK$'000	2023 HK$'000
Financial assets		
FVTPL		
— Listed/delisted equity investments	**1,412**	1,333
FVTOCI		
— Listed equity investments	**3,234**	8,401
Amortised cost		
— Trade and other receivables	**31,092**	33,126
— Bank balances and cash	**29,107**	65,475
Financial liabilities		
Amortised cost		
— Trade and other payables	**154,258**	155,021
— Loan from a shareholder	**45,045**	61,611
— Loans and borrowings	**242,320**	208,333
— Note payable	**22,164**	24,000

(b) Financial risk management objectives and policies

The Group's major financial instruments include listed/delisted equity instruments, trade and other receivables, bank balances and cash, trade and other payables, loans and borrowings, loan from a shareholder and note payable. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

Interest rate risk

The Group has exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and loans and borrowings. Borrowing issued at variable rates expose the Group to cash flow interest rate risk. In the opinion of the directors of the Company, the Group had no significant concentration of interest rate risk.

At 31 March 2024, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year and decrease/increase the Group's reserves by HK$416,000 (2023: increase/decrease the Group's loss after income tax and retained profits by approximately HK$931,000). The assumed changes have no impact on the Group's other components of equity.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(i) ***Market risk*** (continued)

Currency risk

Several subsidiaries of the Company have foreign currency denominated monetary assets and liabilities, which arose from foreign currency purchases and sales, thus exposing the Group to foreign currency risk. All of the Group's purchases are denominated in currencies other than the functional currency of the Group entity making the purchases.

The carrying amounts of the Group entities' foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

		Assets		Liabilities	
	Currency	**2024 HK$'000**	2023 HK$'000	**2024 HK$'000**	2023 HK$'000
Euro	EUR	**99**	99	**84**	50
Renminbi	RMB	**3**	12	**–**	–
Singapore dollars	SGD	**16**	16	**–**	–
Swiss Franc	CHF	**494**	79	**62,650**	49,372
Hong Kong dollars	HK$	**336**	503	**–**	–
Taiwan dollars	TWD	**1**	1	**11**	–
United States dollars	USD	**2**	15	**–**	–
South Korean Won	KRW	**16**	17	**–**	–

The Group currently does not have a formally written foreign exchange hedging policy to eliminate the currency exposures. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(i) ***Market risk*** (continued)

Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to the fluctuation in exchange rate of CHF.

The following table details the Group's sensitivity to a 10% (2023: 10%) weakening and strengthening in Hong Kong dollars against CHF. 10% (2023: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% (2023: 10%) change in foreign currency rate. The increase/decrease in loss for the year is mainly attributable to the exposure on outstanding trade payables net of bank balances denominated in Swiss Franc at the year end date. A positive number below indicates a decrease in post-tax loss for the year where Hong Kong dollars strengthen 10% (2023: 10%) against CHF. For a 10% (2023: 10%) weakening of Hong Kong dollars against CHF, there would be an equal and opposite impact on the post-tax loss for the year and the amounts below would be negative.

	Swiss Franc impact	
	2024	2023
	HK$'000	HK$'000
Increase/decrease in post-tax loss for the year	**5,190**	4,116

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year.

Other price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities in Hong Kong. The sensitivity analysis has been estimated based on the exposure to equity price risk at the end of the reporting period when the equity price has been 10% higher/lower, total comprehensive income would increase/decrease by HK$343,000 (2023: HK$856,000) as a result of the changes in fair value of financial assets at FVTPL and FVTOCI.

(ii) ***Credit risk***

As at 31 March 2024, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in consolidated statement of financial position.

In order to manage the credit risk in relation to trade receivables, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The directors of the Company are of the opinion that the risk of default by counterparties is low.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(ii) ***Credit risk*** (continued)

The Group's concentration of credit risk on trade receivables as at 31 March 2024 from five major customers which accounted for 0% (2023: 73%) of trade receivables. They are assessed by the management as high credit rating customers as they are reputable watch retailers with major operations in Hong Kong and with good repayment record during the past years.

The Group's concentration of geographical risk on trade receivables mainly from Hong Kong which accounted for 52% (2023: Mainland China and Macau 56%) of the total trade receivables. The Group has closely monitored the sales performance and would seek for the chance to diversify its customer bases.

Trade receivables

The Group applies the simplified approach to providing for ECLs prescribed by HKFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The ECLs on trade receivables are estimated by reference to historical settlement pattern and default history of the debtors and current market condition in relation to each debtor's exposure. The ECLs also incorporate forward-looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables. To measure ECLs, the trade receivables have been grouped based on share credit risk characteristics under collective assessment.

Other receivables

The management of the Group takes into account three years historical default experience and forward-looking information, as appropriate, for example the Group considers the consistently low historical default rates of counterparties. The Group always measures the loss allowance for other financial assets (including other receivables) at an amount equal to 12-month ECLs. Management considers rental deposits do not have significant credit risk since the deposits are refundable from landlords upon end of lease term or recoverable by the Group through using the leased property.

For the years ended 31 March 2024 and 2023, there is change in the expected loss rate for other financial assets, mainly due to significant change in the forward-looking information of other financial assets based on which the expected loss rate is determined. The management of the Group has assessed that other financial assets, including loans to independent third parties which are unsecured and secured by personal guarantee and corporate guarantee, do not have a significant increase in credit risk since initial recognition and risk of default is insignificant. Accordingly, the reversal of allowance is measured at an amount equal to 12-month ECLs and net reversal of loss allowance provision amounted to HK$625,000 (2023: loss allowance of HK$693,000) was recognised during the year.

Cash and cash equivalents

In respect of cash and cash equivalents, the Group mitigates its exposure to credit risk by placing deposits with banks with established credit rating. All bank balances of the Group were classified as "Low risk" category as at 31 March 2023 and 2024. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(ii) ***Credit risk*** (continued)

The Group's internal credit risk grading assessment comprises the following category:

Internal credit rating	Description	Trade receivables	Other financial assets at amortised cost
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL — not credit-impaired	12-month ECL
Watch list	Debtor frequently repays but usually settles in full after due dates	Lifetime ECL — not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(ii) ***Credit risk*** (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables as at 31 March 2024 and 2023:

31 March 2024

Internal credit rating	**Expected loss rate**	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**	**Net carrying amount HK$'000**
Low risk	**3.4%**	**1,305**	**45**	**1,260**
Doubtful	**80.6%**	**4,442**	**3,580**	**862**
		5,747	**3,625**	**2,122**

31 March 2023

Internal credit rating	Expected loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Low risk	3.6%	8,350	301	8,049
Watch list	10.0%	723	72	651
Loss	100%	14,928	14,928	–
		24,001	15,301	8,700

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(ii) Credit risk (continued)

Set out below is the information about the credit risk exposure on the Group's other receivables using a collective assessment as at 31 March 2024 and 2023:

31 March 2024

Internal credit rating	**Expected loss rate**	**Gross carrying amount HK$'000**	**12-month ECL HK$'000**	**Lifetime ECL — not credit impaired HK$'000**	**Net carrying amount HK$'000**
Low risk	**9.6%**	**11,922**	**1,153**	**–**	**10,769**
Watch list	**18.1%**	**6,365**	**1,151**	**–**	**5,214**
		18,287	**2,304**	**–**	**15,983**

31 March 2023

Internal credit rating	Expected loss rate	Gross carrying amount HK$'000	12-month ECL HK$'000	Lifetime ECL — not credit impaired HK$'000	Net carrying amount HK$'000
Low risk	9.0%	9,947	895	–	9,052
Watch list	24.2%	3,166	765	–	2,401
Doubtful	33.5%	3,840	–	1,284	2,556
		16,953	1,660	1,284	14,009

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

(iii) Liquidity risk

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows at the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

	Effective interest rate %	Less than 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 March 2024							
Non-derivative financial liabilities							
Trade and other payables		154,258	–	–	–	154,258	154,258
Lease liabilities		22,306	14,654	12,220	7,773	56,953	51,473
Loan from a shareholder	6.0%	20,000	28,888	–	–	48,888	45,045
Loans and borrowings	6.4%	103,311	47,413	130,850	–	281,574	242,320
Note payable	3.6%	–	–	24,000	–	24,000	22,164
		299,875	90,955	167,070	7,773	565,673	515,260

	Effective interest rate %	Less than 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 March 2023							
Non-derivative financial liabilities							
Trade and other payables		132,356	22,665	–	–	155,021	155,021
Lease liabilities		30,639	24,607	20,500	10,055	85,801	77,258
Loan from a shareholder	6.0%	20,000	20,000	28,888	–	68,888	61,611
Loans and borrowings	6.0%	73,107	89,757	36,791	33,013	232,668	208,333
Note payable	3.6%	–	24,000	–	–	24,000	24,000
		256,102	181,029	86,179	43,068	566,378	526,223

(c) Fair value

The fair value of financial assets and financial liabilities carried at amortised cost is determined using generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximate their fair values due to their immediate or short-term maturities.

37. FINANCIAL INSTRUMENTS (continued)

(d) Fair value measurements recognised in the consolidated statement of financial position

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined.

Financial assets	Fair value as at 31 March 2024	Fair value as at 31 March 2023	Fair value hierarchy	Valuation techniques and key inputs
Listed equity investments	**Financial assets at FVTPL HK$199,000** **Financial assets at FVTOCI HK$3,234,000**	Financial assets at FVTPL HK$157,000 Financial assets at FVOCI HK$8,401,000	Level 1	Quoted market prices in an active market
Delisted Shares classified as financial assets at FVTPL	**HK$1,213,000**	HK$1,176,000	Level 3	Index return method

The fair values of listed equity investments are based on quoted market prices, except for certain listed securities, the trading of which on the Stock Exchange has been suspended or delisted by the Stock Exchange. The fair value of Delisted Shares is based on the reference to market comparable companies. The valuation methods are based on assumptions that are not supported by observable market prices or rates. The valuation requires making estimates about the movements of share prices of other comparable companies during the suspension and discount for lack of marketability. Management believes that the estimated fair value resulting from the valuation technique is reasonable, and that it was the most appropriate value at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative analysis as at 31 March 2024 and 2023:

	Valuation technique	Significant unobservable input	Range/Amount	Sensitivity of fair value to the input
Delisted Shares classified as financial assets at FVTPL	Index Return Method	Change in share price of comparable companies during the suspension period	-275.68% to 30.01% (2023: -275.68% to 20.37%)	10% increase/decrease in the change in share price would result in decrease/increase in fair value by HK$162,000 (2023: HK$54,000)
		Discount for lack of marketability	33.4% (2023: 33.4%)	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in fair value by HK$173,000 (2023: HK$184,000)

37. FINANCIAL INSTRUMENTS (continued)

(d) Fair value measurements recognised in the consolidated statement of financial position (continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 March 2024

	Fair value measurement using			
	Quoted market price in active markets Level 1 HK$'000	Significant observable inputs Level 2 HK$'000	Significant unobservable inputs Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
— Listed equity investment	**199**	**–**	**–**	**199**
— Delisted Shares	**–**	**–**	**1,213**	**1,213**
Financial assets at FVTOCI				
— Listed equity investments	**3,234**	**–**	**–**	**3,234**
	3,433	**–**	**1,213**	**4,646**

As at 31 March 2023

	Fair value measurement using			
	Quoted market price in active markets Level 1 HK$'000	Significant observable inputs Level 2 HK$'000	Significant unobservable inputs Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
— Listed equity investment	157	–	–	157
— Delisted Shares	–	–	1,176	1,176
Financial assets at FVTOCI				
— Listed equity investments	8,401	–	–	8,401
	8,558	–	1,176	9,734

During the year ended 31 March 2024, no transfer of fair value measurements from and to Level 3 for equity investments (2023: no transfers of fair value measurements from and to Level 3).

38. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital. The Group's overall strategy remains unchanged from prior year.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debts.

The capital structure of the Group consists of equity attributable to owners of the Company only, comprising issued share capital and reserves including retained profits.

The capital structure of the Group consists of debts, which include the loan from a shareholder, loans and borrowings and note payable disclosed in Notes 24, 25 and 26 respectively, bank balance and cash and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in Notes 21 and 28 respectively. The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital.

The debt to equity ratio at reporting date was as follows:

	2024 **HK$'000**	2023 HK$'000
Debt	**309,529**	293,944
Cash and cash equivalents	**(24,120)**	(51,434)
Net debt	**285,409**	242,510
Equity	**32,756**	241,444
Net debt to equity ratio	**871.3%**	100.4%

39. 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 first hearing of the Arbitration has been fixed to be held in fourth quarter 2024.

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

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 March				
	2024 **HK$'000**	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000
Revenue	**125,647**	98,212	148,719	136,356	262,574
Loss before taxation	**(195,848)**	(275,523)	(154,792)	(205,692)	(148,511)
Income tax credit (expense)	**6**	(56)	(2,027)	(4,608)	6,196
Loss for the year	**(195,842)**	(275,579)	(156,819)	(210,300)	(142,315)
Loss per share					
Basic (HK cents)	**(3.26)**	(4.54)	(2.59)	(3.48)	(2.35)

ASSETS AND LIABILITIES

	At 31 March				
	2024 **HK$'000**	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000
Total assets	**555,882**	776,145	1,018,207	1,166,027	1,238,429
Total liabilities	**(523,126)**	(534,701)	(471,328)	(440,382)	(380,824)
Total equity	**32,756**	241,444	546,879	725,645	857,605