Sincere Watch (Hong Kong) Limited

(Incorporated in the Cayman Islands with limited liability) Stock Code 股份代號 : 00444

Annual Report 年報

2019

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CORPORATE INFORMATION

Directors

Executive Directors

Mrs. CHU Yuet Wah *(Chairman)*
Mr. ZHANG Xiaoliang
(Deputy Chairman and Chief Executive Officer)
Mr. CHU, Kingston Chun Ho
Mr. YANG Guangqiang
Mr. AN Muzong

Independent Non-executive Directors

Ms. LO Miu Sheung, Betty
Mr. YU Zhenxin
Mr. ZONG Hao
Mr. CHIU Sin Nang, Kenny

Audit Committee

Mr. CHIU Sin Nang, Kenny *(Chairman)*
Ms. LO Miu Sheung, Betty
Mr. YU Zhenxin
Mr. ZONG Hao

Remuneration Committee

Mr. YU Zhenxin *(Chairman)*
Ms. LO Miu Sheung, Betty
Mr. CHIU Sin Nang, Kenny

Nomination Committee

Ms. LO Miu Sheung, Betty *(Chairman)*
Mr. CHIU Sin Nang, Kenny
Mr. YU Zhenxin

Investment Committee

Mrs. CHU Yuet Wah *(Chairman)*
Mr. CHU, Kingston Chun Ho
Mr. YU Zhenxin

Company Secretary

Mr. CHAN Kwong Leung, Eric

Authorised Representatives

Mr. CHU, Kingston Chun Ho
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

Offices Nos. 6101-6103
61st Floor, The Center
99 Queen's Road Central
Hong Kong

Auditor

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
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
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong
(will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019)

Principal Bankers

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

Stock Code

00444

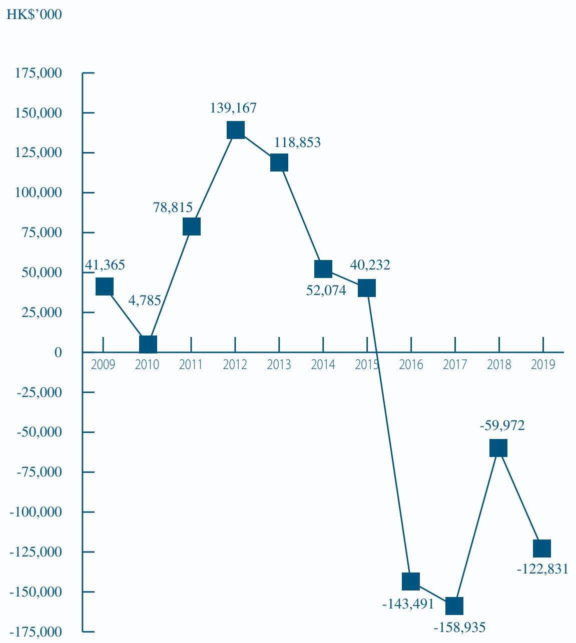
Website

http://www.sincerewatch.com.hk

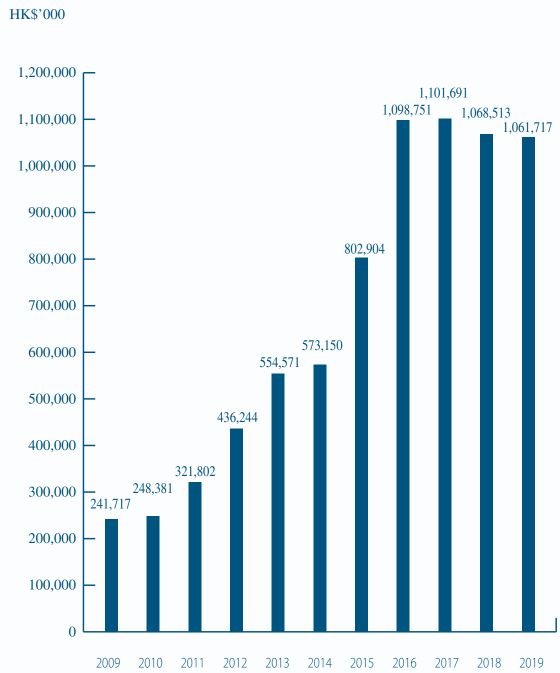
FINANCIAL HIGHLIGHTS

- Revenue for the financial year ended 31 March 2019 ("FY2019") increased by 7.1% from HK$387,026,000 to HK$414,597,000 when compared with last financial year ("FY2018").
- Gross margin increased from 36.4% to 40.1%. Gross profit for this financial year increased from HK$140,917,000 to HK$166,420,000.
- Loss for FY2019 increased to HK$122,831,000 (FY2018: HK$59,972,000), mainly due to fair value losses of investments in equity instruments, the effects of which being immediately recognised in the statement of profit or loss in accordance with the requirements of Hong Kong Financial Reporting Standard 9 newly adopted this year.
- Loss per share was 2.06 HK cents for FY2019 (FY2018: 1.20 HK cents).
- The Board does not recommend the payment of a final dividend for the year ended 31 March 2019 (FY2018: Nil).

(LOSS)/PROFIT FOR THE YEAR



NET ASSETS VALUE



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Sincere Watch (Hong Kong) Limited, we would like to review with you the performance and development of the Group for the year ended 31 March 2019.

The luxury retail markets for fine watches showed signs of recovery during the year under review. However, net loss for the Group increased to HK$122.8 million in FY2019 primarily due to fair value losses of investments in equity instruments.

Despite the net loss for FY2019, we will remain focused on strengthening our core competencies and reinforce our leadership position to leverage new opportunities that may arise to deliver better returns to our shareholders.

Key Financial Highlights

The total revenue was HK$414.6 million, increased by 7.1% from HK$387.0 million for the year ended 31 March 2018, as the sales in Mainland China, Macau and other Asian regions improved in FY2019.

Gross profit increased from HK$140.9 million in FY2018 to HK$166.4 million in FY2019 and gross margin also increased from 36.4% to 40.1%.

Selling and distribution costs decreased by 2.7% to HK$96.7 million mainly due to lower rental expenses for boutiques. General and administrative expenses increased to HK$108.6 million mainly due to the increase in staff costs and premises expenses.

Net loss for the Group increased to HK$122.8 million from HK$60.0 million in FY2018, as the Group recorded HK$52.2 million net loss from fair value change of financial assets in FY2019.

Loss per share was 2.06 HK cents in FY2019 and 1.20 HK cents in FY2018. Net asset value per share was 17.6 HK cents as at 31 March 2019 against 21.4 HK cents as at 31 March 2018.

The Group's cash and bank balances totaled HK$81.8 million and has no outstanding bank borrowings as at 31 March 2019.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 March 2019.

Appreciation

On behalf of the Board, we would like to express our heartfelt gratitude to our shareholders, business partners, suppliers, brand principals, customers and employees for their unfailing trust and support throughout the years.

Chu Yuet Wah
Chairman
Hong Kong, 27 June 2019

DIRECTORS AND SENIOR MANAGEMENT

Directors

Mrs. CHU Yuet Wah

Chairman and Executive Director

Mrs. CHU Yuet Wah, aged 60, was appointed as an Executive Director and the Chairman of the Company on 29 May 2012 and 13 July 2012 respectively. She has been a director of Sincere Watch Limited, a shareholder of the Company, since 21 May 2012 and is also a director of a number of the Company's subsidiaries. Mrs. Chu is a business woman and possesses over 20 years of experience in financial services industry. She is the chief executive officer, an executive director and the ultimate controlling shareholder of Kingston Financial Group Limited, a company listed on the Main Board of the Stock Exchange.

Mrs. Chu is a member of National Committee of Chinese People's Political Consultative Conference, executive vice president of Belt and Road General Chamber of Commerce, permanent member of the Friends of Hong Kong Association, founder and permanent honorary chairman of The Chamber of Hong Kong Listed Companies, permanent honorary president and vice chairman of The Institute of Securities Dealers, vice chairman of Hong Kong Securities Professionals Association, standing chairman of Federation of Hong Kong Guangdong Community Organisations, chairman of the Hong Kong Federation of Dongguan Associations, permanent honorary chairman of Federation of Hong Kong Zhuhai Community, chairman of Aplichau Promotion of Tourism Association, chairman of The Aplichau KaiFong Welfare Association, honorary president of Hong Kong Army Cadets Association, honorary president of Hong Kong New Arrivals Services Foundation Limited and director of Sun Yat-Sen University Advisory Board. She was the chairman (2015–2016) and advisory board member (2016–2017) of Po Leung Kuk. Mrs. Chu received an Honorary Ph.D. Degree in Business Management from York University, the USA and holds a Bachelor Degree of Science in Management from Golden Gate University, the USA. She is the mother of Mr. Chu, Kingston Chun Ho, an Executive Director of the Company.

Mr. ZHANG Xiaoliang

Deputy Chairman, Executive Director and Chief Executive Officer

Mr. ZHANG Xiaoliang, aged 48, 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 is also 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, a 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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. CHU, Kingston Chun Ho

Executive Director

Mr. CHU, Kingston Chun Ho, aged 34, was appointed as an Executive Director of the Company on 29 May 2012. He was the Vice Chairman and Managing Director of the Company from July 2012 to January 2017. Mr. Chu has been a director of Sincere Watch Limited, a shareholder of the Company, since 21 May 2012 and is also a director of a number of the Company's subsidiaries. He is an executive director of Kingston Financial Group Limited and the chairman and an executive director of Synergis Holdings Limited, both of which are companies listed on the Main Board of the Stock Exchange. Mr. Chu was also a non-executive director of New Concepts Holdings Limited from September 2016 to November 2017, which is a company listed on the Main Board of the Stock Exchange. He is a member of Guangxi Committee of The Chinese People's Political Consultative Conference, member of General Committee of The Chamber of Hong Kong Listed Companies, vice president of Hong Kong CPPCC Youth Association, vice president of Federation of HK Guangxi Community Organisations, honorary chairman of Hong Kong Guangxi Youth Organisations, founder chairman of Youth Committee of Hong Kong Federation of Dongguan Associations, vice chairman of Hong Kong Guangdong Youth Association and vice director of Youth Committee of Hong Kong CPPCC (Provincial) Members Association. Mr. Chu holds a Bachelor Degree of Science in Business Administration from the University of Southern California in the USA. He is the son of Mrs. Chu Yuet Wah, the Chairman and an Executive Director of the Company.

Mr. YANG Guangqiang

Executive Director

Mr. YANG Guangqiang, aged 70, 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, chairman of the board 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 55, was appointed as an Executive Director of the Company on 27 August 2016. He is also a director of a number of the Company's subsidiaries and the general manager of Shenyang Development Beida Education Science Park Company Limited (瀋陽發展北大教育科學園有限公司). Mr. An was the general manager of Beijing Beida Sci-Tech Industry Development Center (北京北大科技實業發展中心) from September 2000 to June 2005, during which period he was also the general manager and consultant of several companies within the group, the business of which involves communication, real estate, investment and education. He 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. Mr. An graduated from Beijing Institute of Aeronautics (北京航空學院) in June 1987.

Ms. LO Miu Sheung, Betty

Independent Non-executive Director

Ms. LO Miu Sheung, Betty, aged 57, was appointed as an Independent Non-executive Director of the Company on 19 June 2012. Ms. Lo is a qualified solicitor in Hong Kong and has over 30 years of experience in general legal practice, with specialisation in conveyancing, commercial and probate laws. She has been in active practice since qualification and is currently a consultant of Messrs. K.C. Ho & Fong, Solicitors & Notaries. Ms. Lo graduated from The University of Hong Kong with a Bachelor Degree in Laws (LL.B.) in 1985 and also holds a Postgraduate Certificate in Laws (PCLL). She is currently an independent non-executive director of AEON Stores (Hong Kong) Co., Limited and Kingston Financial Group Limited, both of which are companies listed on the Main Board of the Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

Mr. YU Zhenxin

Independent Non-executive Director

Mr. YU Zhenxin, aged 48, was appointed as an Independent Non-executive Director of the Company on 27 August 2016. He 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). Mr. Yu 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. He 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 49, was appointed as an Independent Non-executive Director of the Company on 10 December 2016. He obtained a degree of the Master of Laws from Buffalo Law School, the State University of New York in 1997. Mr. Zong is currently an executive director and chief executive officer of King Stone Energy Group Limited, a company listed on the Main Board of the Stock Exchange. He 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. from 2009 to 2015, which is a company listed on the Shenzhen Stock Exchange (stock code: 300215).

Mr. CHIU Sin Nang, Kenny

Independent Non-executive Director

Mr. CHIU Sin Nang, Kenny, aged 57, was appointed as an Independent Non-executive Director of the Company on 10 December 2016. He has over 20 years of experience in accounting. Mr. Chiu has held various senior accounting and finance positions in sectors of property investment and development, and information technology development business. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia. Mr. Chiu received a Master of Accountancy degree from The Chinese University of Hong Kong in December 2006, a Bachelor of Laws degree from the Peking University, the People's Republic of China in July 1998, a degree of Master of Commerce in Accounting from The University of New South Wales, Australia in May 1989, a Bachelor of Administrative Studies degree and a Bachelor of Arts (Economics) degree from the York University, Canada in June 1986 and June 1985 respectively. He is currently an independent non-executive director of Nine Express Limited, a company listed on the Main Board of the Stock Exchange.

Senior Management

Mr. YANG Yang, aged 44, is the Executive Vice President of the Company since 1 June 2016 and is currently a director of certain subsidiaries of the Company. Mr. Yang is responsible for the development of new businesses, and the merger and acquisition matters of the Company. He 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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. HONG Sze Lung, aged 47, is the Chief Financial Officer of the Group. Mr. Hong is responsible for the financial reporting and accounting, internal control, corporate finance and treasury functions of the Group. Mr. Hong has over 23 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 then 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 Hong Kong Stock Exchange, being Soundwill Holdings Limited (stock code: hk.0878) and Silver Base Group Holdings Limited (stock code: hk.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: hk.8269), a company listed on the GEM of the Hong Kong Stock Exchange, as Chief Operation Officer and subsequently was promoted to Executive Director, Chief Executive Officer and Chairman.

Mr. Hong was an independent non-executive director of Ping An Securities Group (Holdings) Limited (formerly known as Madex International (Holdings) Limited) (stock code: hk.0231) for the period from May 2014 to November 2015.

Mr. Hong is a certified public accountant 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.

Ms. LEE Yuk Mei, Jacqueline, aged 48, is the Marketing and Communications Director of the Group. Ms. Lee is responsible for development and implementation of marketing communication strategy, marketing budget planning and control of the Group. Prior to joining the Group in July 2012, she worked as the Marketing and Communications Director of Jaeger LeCoultre under the portfolio of the Richemont Group of luxury brands, and Brand Director of Dior Watches under LVMH Group, Watch and Jewelry Division. She has over 22 years of experience in marketing communication with over 19 years of experience in the luxury industry. Ms. Lee graduated from The Fashion Institute of Design and Merchandising in Los Angeles, California with an associate of arts degree in fashion design in 1995 and a professional diploma in marketing from University of California, Berkeley Extension in 2003.

Mr. JENG Pei Hwang, Frederick, aged 58, is the General Manager of Sincere Watch Co., Ltd since July 2003. Mr. Jeng is responsible for the general management and the administration of the company's operations. Prior to joining the Group, he had over 15 years of working experience in luxury and watch business in Taiwan handling S.T. Dupont, Alfred Dunhill and watch brands including Chopard, Bvlgari, Hermes and Rado. Mr. Jeng graduated with a master degree in business administration from the University of Wisconsin in 1989 and a bachelor degree in business administration from the National Taipei University in 1984.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's revenue for the year ended 31 March 2019 increased by 7.1% from HK$387.0 million to HK$414.6 million when compared with last financial year.

Gross profit increased by 18.1% from HK$140.9 million in FY2018 to HK$166.4 million in FY2019. The gross margin increased from 36.4% to 40.1%.

Selling and distribution costs decreased by 2.7% from HK$99.4 million last year to HK$96.7 million mainly due to lower rental expenses for boutiques. General and administrative expenses increased by 5.4% from HK$103.0 million last year to HK$108.6 million mainly due to increase in staff costs and premises expenses.

Realised foreign exchange gain of the Group was HK$3.4 million in FY2019 as compared with HK$4.9 million loss in FY2018. Unrealised exchange loss was HK$6.7 million in FY2019 as compared with HK$6.3 million gain in FY2018. Loss on fair value change of investment properties was HK$1.7 million in FY2019. There was a HK$7.9 million loss on fair value change of derivative financial instruments in FY2019 as compared with HK$2.4 million gain in FY2018.

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 statement of profit or loss as unrealised gains or losses.

Excluding the realised and unrealised exchange differences, fair value changes of investment properties, non-derivative financial assets and derivative financial instruments, the Group's loss before tax was HK$56.1 million in FY2019 against HK$62.9 million in FY2018.

Net loss was HK$122.8 million in FY2019 as compared to HK$60.0 million in FY2018.

Loss per share was 2.06 HK cents in FY2019 against 1.20 HK cents in FY2018. Net asset value per share was 17.6 HK cents as at 31 March 2019 against 21.4 HK cents as at 31 March 2018.

Trade receivables decreased from HK$33.3 million at 31 March 2018 to HK$17.4 million at 31 March 2019.

Key Performance Indicators: Inventory Turnover and Current Ratio

Inventories as at 31 March 2019 increased by 14.8% to HK$436.2 million when compared with 31 March 2018. Our Inventory Turnover Period, which is calculated by our Inventories balance divided by our Cost of Sales, increased from 563 days to 642 days in FY2019.

Our Current Ratio, which is calculated by our Current Assets divided by our Current Liabilities, was 2.6 as at 31 March 2019 (31 March 2018: 3.3). The decrease in our Current Ratio is mainly due to the decrease in investment in equity instruments and bank balances.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of Major Customers and Suppliers

The sales to the top 5 customers amounted to HK$135.0 million in FY2019, representing an increase of 4.5% from HK$129.2 million in FY2018.

Our top 5 customers in FY2019 represented approximately 32.6% of our total revenue as compared to approximately 33.4% in FY2018. Our largest customer accounted for approximately 14.0% of our total revenue in FY2019 as compared to 15.6% in FY2018. Three out of our top 5 customers are located in Hong Kong. Our largest customer is a leading company engaged in selling watches. The Group has maintained business relationship with the top 5 customers for 1 to over 6 years.

During FY2019, the purchases from the top 5 major suppliers amounted to HK$297.0 million, representing an increase of approximately 12.3% from HK$264.5 million in FY2018.

Our top 5 suppliers in FY2019 represented approximately 98.6% of our total purchases as compared to approximately 99.3% in FY2018. Our largest supplier accounted for approximately 91.2% of our total purchases in FY2019 as compared to approximately 90.8% in FY2018. Our largest supplier is a leading supplier of watches. The Group maintained business relationship with such supplier for over 10 years.

Business Review

The Group is the sole distributor of FRANCK MULLER watches and accessories in Hong Kong, Macau, Taiwan and Mainland China. We also represent five other luxury brands — de GRISOGONO, CVSTOS, Pierre Kunz, European Company Watch and Backes & Strauss.

The Group has consistently embarked on niche marketing initiatives to grow brand awareness and desirability of its global watch brands. This included several unique events in our key markets with a view to increasing brand exposure and extending brand networking.

Distribution network and market penetration

The Group has established its extensive distribution network with 50 retail points of sales and 12 boutiques, making a total of 62 points (31 March 2018: 60).

Other than the 10 boutiques run by the Group, the remaining 52 watch retail outlets are run by 25 independent watch dealers.

During the year under review, the Group actively explored every opportunity to open up new retail points of sales in the regions. New points of sales were added in Hong Kong, Macau, Taiwan and Mainland China through various watch dealers.

Brand enhancement activities

The Group targets to create and sustain brand value among its discerning customers. As such, the Group has conducted several brand enhancement activities to reinforce brand leadership with product imagery and focused product placements in relevant media.

3 October 2018

Backes & Strauss Media Luncheon & Private VIP High Tea Appointment

With the presence of the Brand CEO of Backes & Strauss, Mr. Vartkess Knadjian hosted a media luncheon followed by private VIP high tea appointments with esteemed guests. Mr. Vartkess Knadjian introduced the brand, the world's oldest diamond company, and presented its latest novelties with each making their world premiere in Hong Kong. The exquisite bejeweled watches including the Piccadilly 45 King Tourbillon, Piccadilly Renaissance Ballerina Jonquil and Piccadilly Renaissance Diamond Heart Dint were unveiled among all.

MANAGEMENT DISCUSSION AND ANALYSIS

3-4 October 2018

FRANCK MULLER VIP Dinner

Together with the prestige partners of Dickson Watch & Jewellery and Sun Hung Kai Club Prive, FRANCK MULLER hosted a consecutive two nights of VIP Dinner at Maison FRANCK MULLER to present its latest 2018 Vanguard collections. Mr. Nicholas Rudaz, the COO of the brand welcomed the prestigious guests who enjoyed discovering the luxury time pieces while revelled in the evening with scrumptious fine dining.

5 October 2018

CVSTOS VIP dinner

Together with the Managing Director, Mr. Stefan Kunz, CVSTOS co-hosted a VIP dinner with Oriental Watch Company. Mr. Stefan Kunz introduced the brand philosophy of its distinctive high-tech approach in luxury watchmaking, and presented its latest novelties such as the Jetliner Pirate Gun and Jetliner PS. Guests admired the timepieces while delighted by the exquisite dining experience.

21 October 2018

Oriental Watch Shatin Trophy "Gentlemen's Bow Tie Raceday"

FRANCK MULLER participated a joint annual event with Oriental Watch Company together with 8 renowned luxury watch brands at Shatin Racecourse. A catwalk show was staged at the Jockey Club Box, carried out by celebrity guests and models showcasing the Vanguard Lady Moonphase with paved diamonds and Vanguard 7 Days Power Reserve Skeleton. To enrich the partnership, a FRANCK MULLER timepiece from the VINTAGE collection was awarded to the celebrity guest, Mr. Stefan Wong, as the best dressed award of the event.

7-8 December 2018

DFS "Masters of Time X" Event

DFS Group, the world's leading luxury travel retailer, hosted the largest edition of "Masters of Time" exhibition on 7-8 December 2018 in commemoration of the event's milestone 10th anniversary. Attended by over 500 international media, VIP guests and celebrities, 30 renowned luxury watch and jewellery brands including FRANCK MULLER was showcased at the event. Tribute to this milestone, a special edition of Vanguard Crazy Hours was presented, limited to 5 pieces only worldwide to each of the Men and Ladies version. The prominent red color in the design, representing the corporate identity of DFS, is strikingly set off by the elegantly crafted full diamond set case and dial. The signature Art Deco Arabic numerals are laid out in non-sequential fashion, with the number '10' in contrasting roman numeral, highlighting the 10th anniversary of MOT.

14 December 2018

FRANCK MULLER Christmas Cocktail

In celebrating the Christmas season, a warm welcoming cocktail was hosted at Maison FRANCK MULLER to greet VIP and Media guests. Guests were presented to our latest Vanguard Collection, and welcomed to mix their own cocktail exclusively sponsored by Henderick's Gin, a prestige Gin made in Scotland.

24 January 2019

Exclusive Whisky Tasting Cocktail by Highland Park

Guests were cordially invited to an exclusive single malt Scotch whisky master class hosted at Maison FRANCK MULLER. The brand welcomed the prestigious guests with a welcoming whisky cocktail, while enjoyed discovering the luxury timepieces in the evening. The brand ambassador from Highland Park Whisky introduced guests the selected limited editions of Whisky which were exclusively offered at the event only.

MANAGEMENT DISCUSSION AND ANALYSIS

29 March 2019

Crazy Hours 24/7 Party

FRANCK MULLER hosted a "Crazy Hours 24/7" party at Kingston International Centre on 29 March. On the scene were the brand's Asia Ambassador Julian Cheung Chi-lam and his wife Anita Yuen, and celebrity guests and fashionistas, etc, mingling with over 500 watch connoisseurs, VIP clients and media friends alike. Under one roof and the inspiration of the "Crazy Hours", guests came together as they first laid their eyes on the brand new Vanguard Crazy Hours Asia Exclusive collection. After being enthralled by the new collection, guests could explore and party in the specially curated zones.

Performance by business operations and geographical markets

Watch distribution and dining business

Hong Kong, Mainland China and Macau remained the key revenue drivers, contributing together HK$357.8 million which accounted for 86.3% of the Group's total revenue in FY2019.

Hong Kong

Hong Kong continues to be the Group's major market, accounting for 44.8% of the Group's revenue in FY2019. Performance in this market recorded a decrease in revenue of HK$28.4 million, or 13.3% from HK$214.0 million in the previous year to HK$185.6 million this year.

Hong Kong recorded segmental profit of HK$48.7 million, decreased by 6.7% when compared with last year. This market accounted for 29.2% of the Group's segmental profit.

Mainland China and Macau

The percentage contribution of Mainland China and Macau to the Group's total revenue increased from 36.1% in FY2018 to 41.5% in FY2019. Sales in this region showed an increase of 23.3% to HK$172.2 million from HK$139.6 million last year.

The market in Mainland China and Macau recorded an increase in segmental profit by HK$14.0 million, or 21.1% to HK$80.5 million in FY2019.

Other Asian locations

The Group's other Asian territories' (i.e. Taiwan, Singapore and Korea) segment result improved significantly. This segment recorded a revenue of HK$30.1 million in FY2019, 82.5% higher than HK$16.5 million last year.

Segmental profit increased 96.0% to HK$10.6 million from HK$5.4 million in FY2018.

Property investment

Revenue from property investment in Mainland China amounted to HK$26.7 million in FY2019, 57.8% higher than HK$16.9 million in FY2018. During the year, the Group acquired another investment property in Beijing, which contributed to the increase in revenue in this business segment.

Prospects

In April 2018, the Group further expanded its property investment business in China through acquisition of an investment property situated in a prime location in Beijing. Apart from their potential for capital growth, the investment properties held by the Group are a source of stable rental income.

In April 2019, the Group entered into a memorandum of understanding with potential vendors in relation to the possible acquisition of 51% equity interest in an Australian entity principally engaged in international film sales, distribution and production. Further details were disclosed in the Company's voluntary announcement dated 12 April 2019.

The Group will continue its efforts in exploring appropriate investment opportunities in order to diversify its sources of income.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, Financial Resources and Gearing Ratio

As at 31 March 2019, the Group had fixed bank deposits and cash and bank balances totalling HK$81.8 million when compared with HK$194.0 million as at 31 March 2018. In April 2018, upon completion of the acquisition of the entire issued share capital of Allied Champion Development Limited (the "Acquisition"), HK$45.0 million was paid in cash while a zero-coupon promissory note with principal amount of HK$150 million, maturing in 2 years, was issued to the vendor as partial settlement of the consideration for the Acquisition. At 31 March 2019, the Group's gearing ratio (debt divided by equity) was 13.6%. The Group has no outstanding bank loan.

At 31 March 2019, details of the Group's investments in equity instruments were as below:

		At 31 March 2019		FY2019	
Stock Code	**Stock Name**	**No. of shares held**	**Fair value**	**Change in fair value recognised in statement of profit or loss**	**Change in fair value recognised in statement of other comprehensive income**
			HK$'000	HK$'000	HK$'000
3823	Tech Pro Technology Development Ltd.	36,760,000	1,470	(441)	–
3886	Town Health International Medical Group Ltd.	6,600,000	2,627	(1,003)	–
376	Yunfeng Financial Group Ltd.	1,196,000	5,681	658	–
2066	Shengjing Bank Co., Ltd. — H Shares	500,000	2,180	(750)	–
8172	Lajin Entertainment Network Group Ltd.	18,800,000	2,331	(4,249)	–
627	Fullsun International Holdings Group Co., Ltd.	12,645,000	7,081	(15,205)	–
663	King Stone Energy Group Ltd.	350,000,000	40,250	–	(22,750)
1076	Imperial Pacific International Holdings Ltd.	328,280,000	19,040	(13,474)	–
938	Man Sang International Ltd.	–	–	900	–
36	Far East Holdings International Ltd.	–	–	(8,563)	–
1003	Huanxi Media Group Ltd.	–	–	(5,917)	–
1622	Redco Properties Group Ltd.	–	–	(6,392)	–
Total			80,660	(54,436)	(22,750)

These investments were listed securities measured at fair value. As at 31 March 2019, investments in equity instruments amounted to HK$80.7 million.

In FY2019, a net fair value loss of HK$54.4 million was charged to the statement of profit or loss directly while HK$22.8 million was charged to other comprehensive income to reflect the overall decrease in fair value of the investments in equity instruments.

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

It was noted that trading in the shares of Tech Pro Technology Development Limited and Town Health International Medical Group Limited has been suspended with effect from 9:00 a.m. on 9 November 2017 and 9:00 a.m. on 27 November 2017 respectively, details of which are referred to in the announcement made by Tech Pro Technology Development Limited on 9 November 2017 and the announcement made by Town Health International Medical Group Limited on 27 November 2017 respectively.

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 minimize the negative impact of any under-performing investment on the overall return of the investment portfolio of the Group. The performance of the available-for-sale investments of the Group will be affected by the degree of volatility in the Hong Kong stock market and subject to other external factors that may affect their values.

The Group's net current assets decreased from HK$544.8 million as at 31 March 2018 to HK$383.2 million as at 31 March 2019. Net assets stood at HK$1,061.7 million as at 31 March 2019 as compared to HK$1,068.5 million as of 31 March 2018. 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 2019, the total number of issued shares of the Company was 6,043,950,000. During the year, 1,061,950,000 new shares were allotted and issued by the Company as partial settlement of the consideration for the Acquisition.

The Group recorded a realised exchange gain of HK$3.4 million in FY2019 compared to a loss of HK$4.9 million in FY2018. In addition, the Group booked an unrealised exchange loss of HK$6.7 million in FY2019 against a gain of HK$6.3 million in FY2018. There was HK$7.9 million loss on fair value change of derivative financial instruments recorded in FY2019, while HK$2.4 million gain on fair value change of derivative financial instruments was booked in the previous year.

The Group pursued a prudent policy on financial risk management and the management of foreign currencies and interest rates. The Group continues to benefit from favourable payment terms from its suppliers that may result in unrealised gains or losses from time to time in applying Hong Kong Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates".

Charge on Assets

The Group did not have any material charge on its assets as at 31 March 2019 (31 March 2018: no material charge).

Employment and Remuneration Policy

As at 31 March 2019, the Group's work force stood at 167 including Directors (31 March 2018: 173). Employees were paid at market rates with discretionary bonus and medical benefits, covered under the mandatory provident fund scheme. The Company has adopted a share option scheme which aims to provide incentive or rewards to staff.

The Group is constantly reviewing its staff remuneration to ensure it stays competitive with market practice.

Events after the Reporting Period

Inventory Control Agreement

On 1 April 2019 (after trading hours), the Company and Sincere Watch Limited ("SWL") entered into the 2019 Inventory Control Agreement, whereby members of the Group and members of SWL and its subsidiaries ("SWL Group") may sell and purchase the Products to and from each other on the condition that their respective customers shall have priority over the Group or members of the SWL Group (as the case may be) when purchasing the same Products, subject to the annual caps of HK$19,000,000 (HK$5,000,000 for sale and HK$14,000,000 for purchase respectively) for each of the three financial years ending 31 March 2020, 31 March 2021 and 31 March 2022.

The transactions contemplated under the 2019 Inventory Control Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules and will be subject to the reporting, announcement and annual review requirements of the Listing Rules.

Further details of the 2019 Inventory Control Agreement were disclosed in the announcement of the Company dated 1 April 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Memorandum of Understanding in relation to the Possible Acquisition

On 12 April 2019 (after trading hours), a wholly-owned subsidiary of the Company as the purchaser (the "Purchaser") and the potential vendors (the "Vendors") entered into the memorandum of understanding (the "MOU") indicating the intention of the Purchaser and the Vendors to enter into the formal agreement during the exclusivity period in respect of the possible acquisition ("Possible Acquisition") of 51% equity interest in the Australian entity (the "Target") upon the successful reorganization of the Target and its subsidiaries (the "Target Group").

The Target Group is principally engaged in international film sales, distribution and production since 2002, with its major operations in Los Angeles, and offices in New York, Beijing and Sydney.

The consideration for the Possible Acquisition will be subject to further negotiation between the parties to the MOU and will be determined in the formal agreement.

Further details of the MOU were disclosed in the voluntary announcement of the Company dated 12 April 2019.

Lease of Office Premises

On 12 October 2018, a wholly-owned subsidiary of the Company as the tenant (the "Tenant"), entered into the tenancy agreement (the "Tenancy Agreement") with The Center (61) Limited (the "Landlord") in respect of the lease of the premises known as Offices Nos. 6101-6103, 61st Floor, The Center, 99 Queen's Road Central, Hong Kong (the "Premises") as the new head office and principal place of business of the Company in Hong Kong for a term of 3 years commencing from 1 November 2018 and expiring on 31 October 2021.

The lease of the Premises pursuant to the Tenancy Agreement became a continuing connected transaction of the Company on 16 April 2019 under Chapter 14A of the Listing Rules and is subject to the annual caps of HK$9,300,000, HK$9,400,000 and HK$5,500,000 for each of the three financial years ending 31 March 2020, 31 March 2021 and 31 March 2022.

The lease of the Premises pursuant to the Tenancy Agreement is subject to the reporting, announcement and annual review requirements under Rule 14A.60 of the Listing Rules.

Further details of the Tenancy Agreement were disclosed in the announcements of the Company dated 12 October 2018 and 16 April 2019.

Supplemental Agreement dated 30 May 2019

On 30 May 2019 (after trading hours), a wholly-owned subsidiary of the Company ("Party A"), Aquamen Entertainment LLC ("Party B"), and Mr. Zhang Xiaoliang (the "Guarantor") entered into a supplemental agreement (the "Supplemental Agreement") to reflect the amendments to some of the terms of the Cooperation Agreement (details of the Cooperation Agreement were disclosed in the announcement of the Company dated 23 May 2017). The parties agreed that, by entering into the Supplemental Agreement, inter alia, 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.

Further details of the Supplemental Agreement were disclosed in the voluntary announcement of the Company dated 30 May 2019.

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 14 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 the CG Code throughout the year ended 31 March 2019, except for certain deviations disclosed herein.

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 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2019.

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.

At 31 March 2019, the Board consisted of nine members, including five Executive Directors, namely Mrs. Chu Yuet Wah *(Chairman)*, Mr. Zhang Xiaoliang *(Deputy Chairman and Chief Executive Officer)*, Mr. Chu, Kingston Chun Ho, Mr. Yang Guangqiang and Mr. An Muzong and four Independent Non-executive Directors, namely Ms. Lo Miu Sheung, Betty, Mr. Yu Zhenxin, Mr. Zong Hao and Mr. Chiu Sin Nang, Kenny.

During the year ended 31 March 2019, the Board at all time met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise. The number of Independent Non-executive Directors also represented at least one-third of the members of the Board.

CORPORATE GOVERNANCE REPORT

The Company has received annual confirmation of independence from each of Ms. Lo Miu Sheung, Betty, Mr. Yu Zhenxin, Mr. Zong Hao and Mr. Chiu Sin Nang, Kenny and considers them to be independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

The Board members have no financial, business, family or other material/relevant relationship with each other except as disclosed in the "Directors and Senior Management" of this annual report. 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 list of Directors and their respective biographies are set out on pages 5 to 7 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 A.1.1 of the CG Code, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the year, the Board held three regular Board meetings. The significant matters concerning the business activities and operation of the Group had been either duly reported, discussed and resolved at the three regular Board meetings or dealt with by the Board by way of written resolutions for expeditious commercial decisions making purposes. Under code provision A.1.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the year, a regular Board meeting was convened with less than 14 days' notice to enable the Board members to react timely and make expeditious decision making in respect of transactions which were of significance to the Group's business. As a result, the aforesaid regular Board meeting was held with a shorter notice period than required with the consent of all Directors. The Board will do its best endeavours to meet the requirement of code provision A.1.3 of the CG Code in the future. In addition to the regular 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 annual general meeting held during the year are as follows:

	Attended/Eligible to attend	
Name of Board Members	**Board Meetings**	**Annual General Meeting**
Executive Directors		
Mrs. Chu Yuet Wah *(Chairman)*	2/3	1/1
Mr. Zhang Xiaoliang *(Deputy Chairman and Chief Executive Officer)*	3/3	0/1
Mr. Wu Ting Yuk, Anthony *(Deputy Chairman)* (retired on 31 August 2018)	1/1	0/1
Mr. Chu, Kingston Chun Ho	3/3	1/1
Mr. Yang Guangqiang	3/3	1/1
Mr. An Muzong	3/3	0/1
Independent Non-executive Directors		
Ms. Lo Miu Sheung, Betty	2/3	1/1
Mr. Yu Zhenxin	3/3	1/1
Mr. Zong Hao	2/3	1/1
Mr. Chiu Sin Nang, Kenny	3/3	1/1

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 at their next immediate meeting. 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, 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 annual general meetings of the Company in accordance with the Company's Articles of Association.

Article 112 of the Company's Articles of Association provides that (i) any Director appointed by the Board to fill a casual vacancy shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at the meeting, and (ii) any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

Chairman and Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer of the Company are held by separate individuals to ensure a balance of power and authority.

Mrs. Chu Yuet Wah, who is the Chairman of the Company, is responsible for the overall formulation of business strategies and market development of the Group. She is also responsible for 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.

Mr. Zhang Xiaoliang, who is the Deputy Chairman and Chief Executive Officer of the Company, is responsible for the overall development as well as the strategic planning and positioning and management of the Group's business in the Peoples' Republic of China (the "PRC"). He 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.

Directors' Training and Continuous Professional Development

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has provided relevant reading 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 and they are requested to provide training records to the Company.

The Company has received from each of the Directors their record of training for the year ended 31 March 2019. According to the records maintained by the Company, the training that the Directors received during the year is summarized as follows:

Name of Directors	Attending seminars/ conferences/courses/ readings relevant to the business, corporate governance or directors' duties
Executive Directors	
Mrs. Chu Yuet Wah	✓
Mr. Zhang Xiaoliang	✓
Mr. Wu Ting Yuk, Anthony (retired on 31 August 2018)	✓
Mr. Chu, Kingston Chun Ho	✓
Mr. Yang Guangqiang	✓
Mr. An Muzong	✓
Independent Non-executive Directors	
Ms. Lo Miu Sheung, Betty	✓
Mr. Yu Zhenxin	✓
Mr. Zong Hao	✓
Mr. Chiu Sin Nang, Kenny	✓

CORPORATE GOVERNANCE REPORT

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 was established on 19 September 2005. It 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 three meetings. The members of the Audit Committee and the attendance of each member are as follows:

Name of Audit Committee Members	Attended/ Eligible to attend
Independent Non-executive Directors	
Mr. Chiu Sin Nang, Kenny *(chairman)*	3/3
Ms. Lo Miu Sheung, Betty	3/3
Mr. Yu Zhenxin	3/3
Mr. Zong Hao	1/3

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 audited financial statements for the year ended 31 March 2018 and the unaudited financial statements for the six months ended 30 September 2018 with recommendations to the Board for approval;

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

(c) met with the auditor to discuss matters relating to the interim results review and the audit issues arising from the annual audit;

(d) reviewed and made recommendations to the Board on the auditor's re-appointment and remuneration; and

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

All members of the Audit Committee possess in-depth experience in their own profession. The chairman of the Audit Committee, Mr. Chiu Sin Nang, Kenny, possesses appropriate professional qualifications in finance and accounting and the Company meets the requirements of Rule 3.21 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee was established on 19 September 2005. It 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 B.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. The members of the Remuneration Committee and the attendance of each member are as follows:

Name of Remuneration Committee Members	Attended/ Eligible to attend
Independent Non-executive Directors	
Mr. Yu Zhenxin *(chairman)*	1/1
Ms. Lo Miu Sheung, Betty	1/1
Mr. Chiu Sin Nang, Kenny	1/1

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

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

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

Details of the remuneration paid to the Directors and members of senior management by band for the year ended 31 March 2019 are disclosed in note 11 to the consolidated financial statements.

Nomination Committee

The Nomination Committee was established on 2 August 2011. It is responsible for reviewing the structure, size and diversity of the Board, assessing the independence of the Independent Non-executive Directors, making recommendations to the Board on nominations, appointment of Directors and Board succession.

Taking into consideration the revised Listing Rules effective from 1 January 2019, the Company adopted the Nomination Policy, revised the Board Diversity Policy and the terms of reference of Nomination Committee in January 2019. 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. The Nomination Committee selects candidates for directorship based on the Company's Nomination Policy as well as the factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

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. The members of the Nomination Committee and the attendance of each member are as follows:

Name of Nomination Committee Members	Attended/ Eligible to attend
Independent Non-executive Directors	
Ms. Lo Miu Sheung, Betty *(chairman)*	1/1
Mr. Chiu Sin Nang, Kenny	1/1
Mr. Yu Zhenxin	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 requirements under the Listing Rules;

(c) nominated the retiring Directors for re-election at the annual general meeting held on 31 August 2018; and

(d) reviewed the Nomination Policy and revised the Board Diversity Policy and the terms of reference of the Nomination Committee with recommendations to the Board for adoption and approval in light of the revised Listing Rules effective from 1 January 2019.

Investment Committee

The Investment Committee was established on 12 December 2014. It 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 six meetings. The members of the Investment Committee and the attendance of each member are as follows:

Name of Investment Committee Members	Attended/ Eligible to attend
Executive Directors	
Mrs. Chu Yuet Wah *(chairman)*	6/6
Mr. Chu, Kingston Chun Ho	6/6
Independent Non-executive Director	
Mr. Yu Zhenxin	6/6

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

(a) reviewed, evaluated and approved the investment projects worth not exceeding HK$50 million; and

(b) reviewed, evaluated and made recommendations to the Board on the investment projects worth over HK$50 million.

CORPORATE GOVERNANCE REPORT

Auditor's Remuneration

During the year, the Group was charged HK$1,081,000 for auditing services and HK$196,600 for non-auditing services by the Company's auditor, BDO Limited.

Services rendered	Fees paid/ payable HK$
Audit services	1,081,000
Non-audit services:	
Review of continuing connected transactions	20,000
Review of results announcements	20,000
Review of interim financial information	156,600

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 2018 and for the year ended 31 March 2019, the Directors have adopted suitable accounting policies and applied them consistently. The accounts for the reporting year have been prepared on a going concern basis.

The responsibilities of the auditor to the Shareholders are set out in the Independent Auditor's Report on pages 37 to 40 of this annual 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.

In FY2019, 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 analyzed 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 unauthorized 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 authorization system, under which permissions and responsibility of authorization 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 authorization 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.

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, analyze, 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.

CORPORATE GOVERNANCE REPORT

Company Secretary

Mr. Chan Kwong Leung, Eric is engaged and appointed by the Company from an external secretarial services provider as its Company Secretary. The primary contact person with the Company Secretary is Mr. Hong Sze Lung, the Chief Financial Officer of the Company. For the year ended 31 March 2019, 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 policy of disclosing relevant information 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.

Annual and interim reports offer comprehensive operational and financial performance information to the Shareholders and the annual general meeting is a valuable avenue for the Board to enter into a dialogue directly with the Shareholders. The Company regards the annual general meeting as an important event and all Directors, senior management and external auditor will make an effort to attend the annual general meeting of the Company to address Shareholders' queries. All the Shareholders are given a minimum of 20 clear business days' notice of the date and venue of the annual general meeting of the Company. The Company supports the CG Code's principle to encourage Shareholders' participation. 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 Group 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 can deposit a written request to convene an extraordinary general meeting ("EGM") for the transaction of any business specified in such requisition to the Board or the Company Secretary at Offices Nos. 6101–6103, 61st Floor, The Center, 99 Queen's 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.

CORPORATE GOVERNANCE REPORT

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	:	Offices Nos. 6101–6103, 61st Floor, The Center, 99 Queen's Road Central, Hong Kong
Fax	:	(852) 2506 1866
E-mail	:	info@sincerewatch.com.hk

Constitutional Documents

There was no significant change in the Company's constitutional documents for the year ended 31 March 2019.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") present their annual report and the audited consolidated financial statements for the year ended 31 March 2019.

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"), dining business and property investment.

Details of the Company's significant subsidiaries as at 31 March 2019 are set out in note 33 to the consolidated financial statements.

Business Review

The business review of the Group for the year ended 31 March 2019 is set out under the section headed "Management Discussion and Analysis" on pages 9 to 15 of this annual report.

Results and Appropriations

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 41 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2019.

Distributable Reserves of the Company

At 31 March 2019, under the Companies Law Chapter 22 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 distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. At 31 March 2019, the Company's reserves available for distribution to shareholders amounted in total to approximately HK$1,014,732,000 (2018: HK$863,036,000).

Equity-Linked Agreements

Save for the share option scheme of the Company as set out in note 28 to the consolidated financial statements and in the section headed "Share Option Scheme" on pages 31 and 32 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 32.6% of the Group's total sales for the year. The largest customer of the Group accounted for approximately 14.0% of the Group's total sales. The Group's five largest suppliers contributed approximately 98.6% of the Group's total purchases for the year. The largest supplier of the Group accounted for approximately 91.2% of the Group's total purchases.

Franck Muller Pte Ltd, a wholly-owned subsidiary of Sincere Watch Limited ("SWL", a substantial shareholder of the Company), was one of the Group's five largest suppliers during the year whereas SWL is wholly owned by Mrs. Chu Yuet Wah (a Director and a substantial shareholder of the Company). Other than Mrs. Chu Yuet Wah and SWL, at no time during the year did any of the Directors, their close associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers and suppliers.

REPORT OF THE DIRECTORS

Property, Plant And Equipment

During the year, the Group spent approximately HK$16,191,000 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 14 to the consolidated financial statements.

Investment Properties

Details of the investment properties are set out in note 15 to the consolidated financial statements.

Directors

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

Executive Directors

Mrs. Chu Yuet Wah *(Chairman)*
Mr. Zhang Xiaoliang *(Deputy Chairman and Chief Executive Officer)*
Mr. Wu Ting Yuk, Anthony *(Deputy Chairman)* (retired on 31 August 2018)
Mr. Chu, Kingston Chun Ho
Mr. Yang Guangqiang
Mr. An Muzong

Independent Non-executive Directors

Ms. Lo Miu Sheung, Betty
Mr. Yu Zhenxin
Mr. Zong Hao
Mr. Chiu Sin Nang, Kenny

Pursuant to Article 108 of the Company's Articles of Association, Mr. Chu, Kingston Chun Ho, Mr. An Muzong and Ms. Lo Miu Sheung, Betty shall retire by rotation from office 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

At 31 March 2019, 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 2019.

REPORT OF THE DIRECTORS

Directors' and Chief Executives' Interests in Shares

At 31 March 2019, the interests or short positions of the Directors and chief executives of the Company 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 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of Director	Capacity	Number of shares held (long position)	Approximate percentage of the Company's issued shares
Chu Yuet Wah	Beneficial owner	265,000,000	4.38%
	Interest of controlled corporation (Note)	325,920,000	5.39%

Note: These 325,920,000 shares were held by Sincere Watch Limited, which was wholly owned by Be Bright Limited and Be Bright Limited 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, none of the Directors nor chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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 pursuant to the Model Code and none of the Directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

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. No share option has been granted since the adoption of the Scheme.

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 annual report.

(4) The total number of shares issued and 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 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.

Directors' Interests in Contracts of Significance and Connected Transactions

Continuing Connected Transactions

The Company and SWL, a shareholder of the Company, entered into the Inventory Control Agreement on 29 March 2016 for a term from 1 April 2016 to 31 March 2019 to govern the continuing connected transactions with the annual cap of (a) HK$14,500,000 for sale of the products by the Group to members of SWL and its subsidiaries ("SWL Group"), and (b) HK$14,500,000 for purchase of the products by the Group from SWL Group for each of the three financial years ended 31 March 2017, 31 March 2018 and 31 March 2019.

During the year, the Group had the following continuing connected transactions with SWL Group:

i. The Group sold watches to SWL Group for sale and distribution on an as needed basis when SWL Group is out of certain models of watches. Such sales amounted to a total of approximately HK$641,000 and did not exceed the cap amount of HK$14,500,000 as mentioned in the announcement of the Company dated 29 March 2016.

ii. The Group purchased watches from SWL Group on an as needed basis to meet customers' demand when certain models of watches are out of stock in Hong Kong, Macau, Taiwan or the PRC. Such purchases amounted to a total of approximately HK$10,021,000 and did not exceed the cap amount of HK$14,500,000 as mentioned in the announcement of the Company dated 29 March 2016.

Pursuant to the Listing Rules, the Independent Non-executive Directors had reviewed the above continuing connected transactions and confirmed that the transactions were entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or on terms no less favourable to the Company than terms available from independent third parties; (iii) in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (iv) have not exceeded the relevant maximum amount capped in accordance with the announcement of the Company as mentioned above.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Connected Transaction

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 (Deputy Chairman of the Board and the Chief Executive Officer), 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.

Details of the above transaction and the capitalized terms in the above paragraphs were set out and defined in the announcement of the Company dated 23 May 2017.

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.

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

At 31 March 2019, the following persons (other than the interests disclosed above in respect of the Directors or chief executives of the Company) 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 shareholder	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%
Cui Tao	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%
Sincere Watch Limited	Beneficial owner	325,920,000	5.39%
Be Bright Limited	Interest of controlled corporation (Note 4)	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 Cui Tao. Accordingly, Cui Tao 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 Sincere Watch Limited, which was wholly owned by Be Bright Limited. Accordingly, Be Bright Limited 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 2019, 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.

REPORT OF THE DIRECTORS

Arrangements to Purchase Shares or Debentures

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 Listed Securities

During the year, the Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries has purchased or sold any of the shares of the Company.

Compliance with Corporate Governance Code

The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the year, except for certain deviations as disclosed in the Corporate Governance Report on pages 16 to 28 of this annual report.

Compliance with Laws and Regulations

During the year ended 31 March 2019, 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.

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 coming standalone "Environmental, Social and Governance Report 2019".

Pre-Emptive Rights

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

Sufficiency of Public Float

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

Auditor

A resolution will be submitted to the annual general meeting to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

Chu Yuet Wah
Chairman
Hong Kong
27 June 2019

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Sincere Watch (Hong Kong) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 41 to 109, which comprise the consolidated statement of financial position as at 31 March 2019, 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 a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at and for the year ended 31 March 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Provision for write-down of inventories

The carrying amount of the Group's inventories at 31 March 2019 was HK$436.2 million.

These inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and 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.

We identified the provision for inventories as a key audit matter because of its significance to the consolidated financial statements and the estimations used in applying this methodology are subject to uncertainty and management judgment as a result of changes of economy condition, competitor actions, cost to make the sale for the products and customer taste.

Refer to note 4 and 19 in the consolidated financial statements.

Key Audit Matters (continued)

Provision for write-down of inventories (continued)

Our response:

Our procedures in relation to the provision for write-down of inventories included:

— Testing management's controls over purchases of inventories;

— Performing substantive procedures relating to the costs and net realizable value with reference to the purchase invoices and subsequent sales records;

— Evaluating key assumptions adopted by the Group's management on provision for write-down of inventories; and

— Recalculating the provision.

Valuation of investment properties

Management estimated the fair value of the Group's investment properties to be HK$728.5 million at 31 March 2019, with a revaluation loss of HK$1.7 million for the year ended 31 March 2019 recorded 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 that require significant management judgement, including capitalisation rates and fair market rents.

We identified the valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's consolidated financial statements and the valuation process is dependent upon certain assumptions and a determination of key inputs, which are judgmental. Any changes to these inputs may have a significant impact on the fair value.

Refer to note 4 and 15 in the consolidated financial statements.

Our response:

Our procedures in relation to management's valuation of investment properties included:

— Evaluating the independent external valuers' competence, capabilities and objectivity;

— Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry in the People's Republic of China; and

— Checking, on a sample basis, the accuracy and relevance of the input data used.

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Lee Ka Leung, Daniel
Practising Certificate no. P01220
Hong Kong
27 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	7	**414,597**	387,026
Cost of sales		**(248,177)**	(246,109)
Gross profit		**166,420**	140,917
Other income		**1,567**	4,681
Gain on disposal of available-for-sale investments		**–**	16,501
Impairment on available-for-sale investments		**–**	(21,506)
Provision of impairment loss on property, plant and equipment		**(9,070)**	(1,049)
Selling and distribution costs		**(96,744)**	(99,386)
General and administrative expenses		**(108,593)**	(103,016)
Expected credit losses on financial assets		**(5,065)**	–
Finance costs		**(4,604)**	–
Loss before taxation, exchange gain/(loss), fair value changes of investment properties and financial assets at fair value through profit or loss, (loss)/gain on fair value change of derivative financial instruments		**(56,089)**	(62,858)
Realised exchange gain/(loss)	8	**3,398**	(4,870)
Unrealised exchange (loss)/gain		**(6,721)**	6,320
Fair value change of investment properties		**(1,735)**	614
Fair value change of financial assets at fair value through profit or loss		**(52,173)**	–
(Loss)/gain on fair value change of derivative financial instruments		**(7,926)**	2,442
Loss before taxation		**(121,246)**	(58,352)
Income tax expense	9	**(1,585)**	(1,620)
Loss for the year	10	**(122,831)**	(59,972)
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Fair value change of financial assets at fair value through other comprehensive income		**(22,750)**	–
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(45,030)**	32,391
Fair value gain on available-for-sale investments		**–**	2,824
Release of investments revaluation reserve to profit or loss upon disposal of available-for-sale investments		**–**	(16,501)
Release of investment revaluation reserve to profit or loss for impairment loss on available-for-sale investments		**–**	8,080
Other comprehensive income for the year		**(67,780)**	26,794
Total comprehensive income for the year		**(190,611)**	(33,178)
Loss per share			
— basic and diluted	13	**(2.06 HK cents)**	(1.20 HK cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	14	**6,381**	5,121
Investment properties	15	**728,544**	375,857
Available-for-sale investments	16	**–**	63,000
Financial assets at fair value through profit or loss	17	**49,213**	46,950
Financial assets at fair value through other comprehensive income	18	**40,250**	–
Deposit paid for acquisition of subsidiary		**–**	35,000
		824,388	525,928
Current assets			
Inventories	19	**436,239**	379,949
Trade and other receivables	20	**63,763**	74,073
Amounts due from related parties	21	**202**	204
Derivative financial instruments	25	**–**	1,360
Available-for-sale investments	16	**–**	136,788
Financial assets at fair value through profit or loss	17	**40,410**	–
Bank balances and cash	22	**81,776**	194,027
		622,390	786,401
Current liabilities			
Trade and other payables	23	**228,071**	235,669
Contract liabilities	24	**2,346**	–
Amounts due to related parties	21	**4,325**	3,359
Derivative financial instruments	25	**2,345**	1,556
Taxation payable		**2,110**	1,066
		239,197	241,650
Net current assets		**383,193**	544,751
Total assets less current liabilities		**1,207,581**	1,070,679

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Long term liabilities	26	**144,394**	–
Deferred tax liabilities	29	**1,470**	2,166
		145,864	2,166
Net assets		**1,061,717**	1,068,513
Capital and reserves			
Share capital	27	**120,879**	99,640
Reserves		**940,838**	968,873
Total equity		**1,061,717**	1,068,513

Chu Yuet Wah
Executive Director

Zhang Xiaoliang
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Share capital HK$'000 (note 27)	Share premium HK$'000 (note 34)	Investments revaluation reserve HK$'000 (note 16)	FVOCI reserve HK$'000 (note 18)	Special reserve HK$'000 (Note)	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2017	99,640	800,932	36,489	–	801	(16,333)	180,162	1,101,691
Exchange difference arising from translation of foreign operations	–	–	–	–	–	32,391	–	32,391
Fair value gain on available-for-sale investments	–	–	2,824	–	–	–	–	2,824
Release to profit or loss upon disposal of available-for-sale investments	–	–	(16,501)	–	–	–	–	(16,501)
Release to profit or loss for impairment loss on available-for-sale investments	–	–	8,080	–	–	–	–	8,080
Loss for the year	–	–	–	–	–	–	(59,972)	(59,972)
Total comprehensive income for the year	–	–	(5,597)	–	–	32,391	(59,972)	(33,178)
At 31 March 2018 and 1 April 2018	99,640	800,932	30,892	–	801	16,058	120,190	1,068,513
Initial application of HKFRS 15 (note 2)	–	–	–	–	–	–	–	–
Initial application of HKFRS 9 (note 2)	–	–	(30,892)	14,350	–	–	16,497	(45)
Restated balances at 1 April 2018	99,640	800,932	–	14,350	801	16,058	136,687	1,068,468
Exchange difference arising from translation of foreign operations	–	–	–	–	–	(45,030)	–	(45,030)
Fair value loss on financial assets measured at FVOCI	–	–	–	(22,750)	–	–	–	(22,750)
Loss for the year	–	–	–	–	–	–	(122,831)	(122,831)
Total comprehensive income for the year	–	–	–	(22,750)	–	(45,030)	(122,831)	(190,611)
Placing of shares (note 27)	21,239	162,621	–	–	–	–	–	183,860
At 31 March 2019	**120,879**	**963,553**	**–**	**(8,400)**	**801**	**(28,972)**	**13,856**	**1,061,717**

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 in 2005.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(121,246)**	(58,352)
Adjustments for:		
Expected credit losses on financial assets	**5,065**	–
Write-down of inventories	**13,784**	23,408
Interest income	**(901)**	(2,499)
Fair value change of investment properties	**1,735**	(614)
Loss on disposal of property, plant and equipment	**–**	522
Gain on disposal of available-for-sale investments	**–**	(16,501)
Impairment on available-for-sales investments	**–**	21,506
Impairment of property, plant and equipment	**9,070**	1,049
Written off of inventories	**613**	539
Depreciation of property, plant and equipment	**5,732**	6,662
Written off of property, plant and equipment	**10**	–
Change in fair value of other long term investment	**–**	(1,637)
Change in fair value of financial assets at FVTPL	**52,173**	–
Accrued interests on financial liabilities measured at amortised cost	**4,604**	–
Unrealised exchange loss/(gain)	**6,721**	(6,320)
Change in fair value of derivative financial instruments	**7,926**	(2,442)
Operating cash flows before movements in working capital	**(14,714)**	(34,679)
Increase in inventories	**(75,264)**	(47,741)
Decrease/(increase) in trade and other receivables	**5,946**	(11,378)
(Decrease)/increase in trade and other payables	**(9,393)**	60,796
Increase in contract liabilities	**2,346**	–
Increase in amounts due to related parties	**966**	3,359
Decrease in amounts due from related parties	**2**	1,158
Cash (outflow)/inflow on derivative financial instruments	**(5,777)**	1,166
Cash used in operations	**(95,888)**	(27,319)
Hong Kong Profits Tax refund	**–**	695
Macau Profits Tax paid	**(42)**	–
PRC Profits Tax paid	**(970)**	(940)
Korea Profits Tax paid	**(68)**	–
Taiwan Profits Tax refunded	**–**	1
NET CASH USED IN OPERATING ACTIVITIES	**(96,968)**	(27,563)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES		
Purchase of financial assets measured at FVTPL	**(30,000)**	–
Purchase of property, plant and equipment	**(16,191)**	(2,066)
Purchase of other long term investment	**–**	(45,313)
Net cash outflow for acquisition of investment properties through acquisition of subsidiaries	**(38,384)**	–
Deposit paid for acquisition of subsidiaries	**–**	(35,000)
Proceeds from disposal of available-for-sale investments	**–**	57,445
Proceeds from disposal of financial assets measured at FVTPL	**71,942**	–
Interest received	**901**	2,499
Proceeds from disposal of property, plant and equipment	**–**	1,218
NET CASH USED IN INVESTING ACTIVITIES	**(11,732)**	(21,217)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(108,700)**	(48,780)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**194,027**	238,807
Effect of foreign exchange rate changes	**(3,551)**	4,000
Cash and cash equivalents at end of the year, represented by bank balances and cash	**81,776**	194,027

1. General

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 21 July 2004 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The shares of the Company are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

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

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective 1 April 2018

In the current year, the Group has applied the following new Interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The adoption of these amendments has no impact on these financial statements as the periods to which the transition provision exemptions related have passed.

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2018 (continued)

Amendments to HKFRS 2 — Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

A. HKFRS 9 Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of reserves, and retained profits as of 1 April 2018 as follows (increase/(decrease)):

	HK$'000
Retained profits	
Retained profits as at 31 March 2018	120,190
Increase in expected credit losses ("ECLs") in trade and other receivables (note 2(a)A(ii) below)	(45)
Increase in ECLs in debt instrument at FVOCI (note 2(a)A(i) below)	–
Increase in ECLs in debt instruments at amortised cost (note 2(a)A(i) below)	–
Reclassify investments from available-for-sale at fair value to FVTPL (note 2(a)A(i) below)	16,542
Restated retained profits as at 1 April 2018	136,687
Available-for-sale investment reserve	
Reserves balances at 31 March 2018	30,892
Reclassify investments from available-for-sale at fair value to FVOCI (note 2(a)A(i) below)	(14,350)
Reclassify investments from available-for-sale at fair value to FVTPL (note 2(a)A(i) above)	(16,542)
Restated reserves balance as at 1 April 2018	–
FVOCI reserve	
Reserves balances at 31 March 2018	–
Reclassify investments from available-for-sale at fair value to FVOCI (note 2(a)A(i) above)	14,350
Restated reserves balance as at 1 April 2018	14,350

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2018 (continued)

A. *HKFRS 9 Financial Instruments ("HKFRS 9")* (continued)

(i) Classification and measurement of financial instruments (continued)

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) financial assets at FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could 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. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2018 (continued)

A. *HKFRS 9 Financial Instruments ("HKFRS 9")* (continued)

(i) Classification and measurement of financial instruments (continued)

The accounting policies which would be applied to the Group's financial assets are as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	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.
FVOCI (debt investments)	Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity investments)	Equity investments at FVOCI 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.

(a) As of 1 April 2018, certain investment in listed equity investments were reclassified from available-for-sale investments to financial assets at FVTPL. The Group intends to hold these listed equity investments for trading as they were acquired principally for the purpose of sale in the near term. The Group has designated such listed equity investments at the date of initial application as measured at FVTPL. As at 1 April 2018, there is no difference between the previous carrying amount and fair value.

(b) In addition to (a) above, certain investment in listed equity investments were reclassified from available-for-sale investments to financial assets at FVOCI. The Group intends to hold these equity investments for long term strategic purposes. Under HKFRS 9, the Group has designated these equity investments at the date of initial application as measured at FVOCI. As a result, financial assets with a fair value of HK$63,000,000 were reclassified from available-for-sale investments at fair value to FVOCI and fair value gains of HK$14,350,000 were reclassified from the available-for-sale investment reserve to the FVOCI reserve on 1 April 2018.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2018 (continued)

A. HKFRS 9 Financial Instruments ("HKFRS 9") (continued)

(i) Classification and measurement of financial instruments (continued)

The following table summarizes the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 April 2018 under HKAS 39 HK$'000	Carrying amount as at 1 April 2018 under HKFRS 9 HK$'000
Derivative financial instruments	Held-for-trading	FVTPL	1,360	1,360
Listed equity investments	Available-for-sale (at fair value) (note 2(a)A(i)(a))	FVTPL	136,788	136,788
Listed equity investments	Available-for-sale (at fair value) (note 2(a)A(i)(b))	FVOCI	63,000	63,000
Amounts due from related parties	Loans and receivables	Amortised cost	204	204
Trade and other receivables	Loans and receivables	Amortised cost	74,073	74,028
Cash and cash equivalents	Loans and receivables	Amortised cost	194,027	194,027

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognised ECL for trade receivables, financial assets at amortised costs, debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances 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.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due 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 established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets measured at amortised cost, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. 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 and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2018 (continued)

A. *HKFRS 9 Financial Instruments ("HKFRS 9")* (continued)

(ii) *Impairment of financial assets* (continued)

Measurement of ECLs (continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default 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.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the assets.

Impact of the ECL model

(a) Impairment on trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade receivables. To measure the ECLs, these trade receivables have been grouped based on shared credit risk characteristics and the days past due. The increase in loss allowance for trade receivables upon the transition to HKFRS 9 as of 1 April 2018 was HK$41,000. During the year ended 31 March 2019, additional impairment of HK$5,065,000 was recognised for these receivables.

1 April 2018	Current	More than 30 days past due	More than 90 days past due	Total
Expected credit loss rate (%)	0.01%	0.1%	10%	
Gross carrying amount (HK$'000)	31,153	1,774	358	33,285
Loss allowance (HK$'000)	(3)	(2)	(36)	(41)

(b) Impairment on other receivables

Other receivables has low credit risk and the increase in loss allowance for other receivables upon the transition to HKFRS 9 as of 1 April 2018 was HK$4,000. No additional impairment during the year ended 31 March 2019 is recognised.

Other financial assets at amortised cost of the Group included amounts due from related parties. No impairment for amounts due from related parties as at 1 April 2018 and during the year ended 31 March 2019 is recognised as the amount of additional impairment measured under the ECLs model is insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2018 (continued)

A. *HKFRS 9 Financial Instruments ("HKFRS 9")* (continued)

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the consolidated statement of financial position on 1 April 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained profits and reserves as at 1 April 2018. Accordingly, the information presented for the year ended 31 March 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as measured at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

B. *HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")*

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits at the date of initial application (that is, 1 April 2018). As a result, the financial information presented for the year ended 31 March 2018 has not been restated.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation

Step 5: Recognise revenue when each performance obligation is satisfied

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2018 (continued)

B. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (continued)

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or services in the contract. HKFRS 15 identifies 3 situations in which control of the promised goods or services is regarded as being transferred over time:

(a) when the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

(b) when the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) when the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15, the entity recognises revenue for the sale of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The following tables summarised the impact of adopting HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019. There was no material impact on the Groups' consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 31 March 2019:

Impact on the consolidated statement of financial position as of 31 March 2019

	HKFRS 15	Previous HKFRS	Increase/ (decrease)
	HK$'000	HK$'000	HK$'000
Liabilities			
Receipt in advance	5,597	7,943	(2,346)
Contract liabilities	2,346	–	2,346
Total liabilities	7,943	7,943	–

Presentation of contract liabilities

The Group has voluntarily changed the presentation of certain amounts in the consolidated statement of financial position to reflect the terminology of HKFRS 15.

The contract liabilities of HK$2,346,000 as at 31 March 2019 are in relation to the Group's obligation to provide goods to watch distribution and dining business customers for which the Group has received consideration. The amount was previously presented as receipt in advance.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2018 (continued)

B. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (continued)

Nature of the goods, satisfaction of performance obligations and payments

(i) Watch distribution

The Group is the sole distributor of FRANCK MULLER watches and accessories in Hong Kong, Macau, Taiwan and Mainland China. Sales are recognised when control of the products has been transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped or transported to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. There is generally only one performance obligation in the contract. The adoption of HKFRS 15 did not result in significant impact on the Group's accounting policies.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Invoices are usually payable within 30 days. Sale return is considered insignificant and no refund liability is recognised.

(ii) Property investment

The Group owns two investment properties in Mainland China which generate rental income. Revenue from leasing of properties continues to be accounted for in accordance with HKAS 17 "Leases" and fall into the exception of applying HKFRS 15.

(iii) Dining business

The Group operates restaurants in Hong Kong for dining segment revenue. The adoption of HKFRS 15 did not result in significant changes to the Group's accounting policies regarding the recognition of the dining segment revenue or significant impact on the Group's consolidated financial statements.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. Based on the assessment of the Group, the adoption of HKFRS 15 from 1 April 2018 has resulted in changes in accounting policies of the Group, however, it does not have significant impact on the timing and amounts of revenue recognition of the Group, and no adjustment to the opening balance of equity at 1 April 2018 have been made. However, additional disclosures have been presented for the current accounting period in note 7 of the consolidated financial statements as a result of adoption of HKFRS 15.

Amendments HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this year.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

(a) Adoption of new/revised HKFRSs — effective 1 April 2018 (continued)

Amendments to HKAS 40, Investment Property — Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred. The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The adoption of these amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously assessed transfers.

HK(IFRIC)-Int 22 — Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

[1] Effective for annual periods beginning on or after 1 January 2019

[2] The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (continued)

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

At 31 March 2019, the Group, as lessee, has non-controllable operating lease commitment of HK$125,396,000. A preliminary assessment indicated that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value assets or short-term leases upon the adoption of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (continued)

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and consolidated financial statements.

3. Basis of Preparation & Significant Accounting Policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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.

Functional and presentation currency

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

3. Basis of Preparation & Significant Accounting Policies (continued)

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 when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

3. Basis of Preparation & Significant Accounting Policies (continued)

Revenue recognition (accounting policies applied from 1 April 2018)

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.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

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.

Interest income

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

3. Basis of Preparation & Significant Accounting Policies (continued)

Revenue recognition (accounting policies applied until 31 March 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sales of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income

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

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Contract liabilities (accounting policies applied from 1 April 2018)

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.

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. Hong Kong dollars) 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.

Goodwill and fair value adjustment on identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3. Basis of Preparation & Significant Accounting Policies (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

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 a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. Basis of Preparation & Significant Accounting Policies (continued)

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.

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.

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 continued 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.

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%

3. Basis of Preparation & Significant Accounting Policies (continued)

Investment properties

Investment properties are properties 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.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and any accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured at the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment losses on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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 unit to which the asset belongs. When reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units 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. In assessing value in use, 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 cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using specific identification basis for watches; 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.

3. Basis of Preparation & Significant Accounting Policies (continued)

Financial Instruments (accounting policies applied from 1 April 2018)

(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.

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.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

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.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could 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 FVOCI 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.

3. Basis of Preparation & Significant Accounting Policies (continued)

Financial Instruments (accounting policies applied from 1 April 2018) (continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables, financial assets measured at amortised cost and debt investments measured at FVOCI. 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 established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months 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.

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.

(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 FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

3. Basis of Preparation & Significant Accounting Policies (continued)

Financial Instruments (accounting policies applied from 1 April 2018) (continued)

(iii) Financial liabilities (continued)

Financial liabilities at FVTPL (continued)

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, amounts due to related parties and note payable issued by the Group 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.

Financial instruments (accounting policies applied until 31 March 2018)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3. Basis of Preparation & Significant Accounting Policies (continued)

Financial instruments (accounting policies applied until 31 March 2018) (continued)

Financial assets

Financial assets are classified into financial assets at FVTPL, loans and receivables and available-for-sale financial assets ("AFS financial assets"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amounts related parties and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

3. Basis of Preparation & Significant Accounting Policies (continued)

Financial instruments (accounting policies applied until 31 March 2018) (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables and amounts due to related parties) are subsequently measured at amortised cost using the effective interest method.

3. **Basis of Preparation & Significant Accounting Policies** (continued)

Financial instruments (accounting policies applied until 31 March 2018) (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying value on initial recognition.

Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

The Group derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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.

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.

3. Basis of Preparation & Significant Accounting Policies (continued)

Related parties (continued)

(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.

4. 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.

Provision for impairment of trade and other receivables

The impairment of trade and other receivables are assessed on lifetime and 12-month ECLs basis to determine whether the credit risk of a financial asset has increased significantly since initial recognition. Assessments are done based on the Group's historical credit losses experience, existing market conditions as well as forward looking estimates at the end of each reporting period. The provision of ECL is sensitive to changes in estimates. As at 31 March 2019, the carrying amount of trade and other receivables is approximately HK$63,763,000 (2018: HK$74,073,000), after net of provision made of approximately HK$5,132,000 (2018: HK$Nil).

4. Key Sources of Estimation Uncertainty (continued)

Impairment of non-financial assets other than goodwill

If a triggering event occurs indicating that the carrying amount of an asset may not be recoverable, an assessment of the carrying amount of that asset will be performed. Triggering events include significant adverse changes in the market value of an asset, changes in the business or regulatory environment, or certain legal events. The interpretation of such events requires judgement from management with respect to whether such an event has occurred. Upon the occurrence of triggering events, the carrying amounts of non-financial assets are reviewed to assess whether their recoverable amounts have declined below their carrying amounts. The recoverable amount is the present value of estimated net future cash flows which the Group expects to generate from the future use of the asset, plus residual value of the asset on disposal. Where the recoverable amount of non-financial assets is less than its carrying value, an impairment loss is recognised to write the assets down to its recoverable amount. The impairment assessment is performed based on the discounted cash flow analysis. This analysis relies on factors such as forecast of future performance and long-term growth rates and the selection of discount rates. If these forecast and assumptions prove to be inaccurate or circumstances change, further write-down or reversal of the write-down of the carrying value of the non-financial assets may be required.

Allowance for inventories

Management reviews the inventory ageing listing on a periodic basis. This review involves comparison of the carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether an allowance is required to be made in the consolidated financial statements for slow-moving items. Management is satisfied that adequate allowance for inventories has been made in the consolidated financial statements. As at 31 March 2019, the carrying amount of inventories is approximately HK$436,239,000 (2018: HK$379,949,000), after net of allowance for inventories of approximately HK$176,874,000 (2018: HK$164,527,000).

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. It obtains independent valuations at least annually. In making the judgement, consideration is given to assumptions that are mainly based on market conditions existing at the reporting date, using Income Approach of valuation which use direct capitalisation approach by capitalising the rental income from the existing tenancies. Changes in subjective input assumptions can materially affect the fair value estimate. The key assumptions used in the valuation in determining fair value for the Group's properties are set out in note 15 in the consolidated financial statements.

As at 31 March 2019, the aggregate fair value of the Group's investment properties amounted to HK$728,544,000 (2018: HK$375,857,000) based on the valuation performed by independent professional valuers.

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

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

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues.

6. Financial Instruments

6a. Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
FVTPL		
— Other long term investment	**49,213**	46,950
— Listed equity investments	**40,410**	199,788
— Derivative financial instruments	**–**	1,360
FVOCI		
— Listed equity investments	**40,250**	–
Amortised cost		
— Bank balances and cash	**81,776**	–
— Trade and other receivables	**46,332**	–
— Amounts due from related parties	**202**	–
Loans and receivables		
— Bank balances and cash	**–**	194,027
— Trade and other receivables	**–**	100,820
— Amounts due from related parties	**–**	204
Financial liabilities		
Amortised cost		
— Trade and other payables	**220,494**	217,999
— Amounts due to related parties	**4,325**	3,359
— Long term liabilities	**144,394**	–
FVTPL		
— Derivative financial instruments	**2,345**	1,556

6b. Financial risk management objectives and policies

The Group's major financial instruments include listed equity instruments, other long term investment, trade and other receivables, balances with related parties, bank balances and cash, trade and other payables, derivative financial instruments and other long term liabilities. 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 interest rate risk exposure is minimal. 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.

Market risk

Interest rate risk

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The Group is also exposed to fair value interest rate risk relates primarily to its fixed rate short-term bank deposits. The directors of the Company consider the Group's exposure of the short term bank deposits to interest rate risk is not significant as interest bearing bank balance are within short maturity.

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.

6. Financial Instruments (continued)

6b. Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

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:

	Currency	Assets 2019 HK$'000	Assets 2018 HK$'000	Liabilities 2019 HK$'000	Liabilities 2018 HK$'000
Euro	EUR	**91**	100	**266**	374
Renminbi	RMB	**20**	462	**–**	–
Singapore dollars	SGD	**82**	170	**3,067**	4,752
Swiss Franc	CHF	**693**	1,560	**138,564**	140,345
Hong Kong dollars	HKD	**6,294**	1,363	**–**	–
Taiwan dollars	TWD	**1**	1	**–**	–
United States dollars	USD	**3,145**	7,197	**–**	–
South Korean Won	KRW	**10**	–	**–**	–

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. The Group has entered into foreign currency forward contracts to minimise the effect of exchange rate fluctuations between Hong Kong dollars and CHF.

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% (2018: 10%) weakening and strengthening in Hong Kong dollars against CHF. 10% (2018: 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% (2018: 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.

	Swiss Franc impact 2019 HK$'000	Swiss Franc impact 2018 HK$'000
Increase/Decrease in post-tax loss for the year	**11,512**	11,589

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.

6. Financial Instruments (continued)

6b. Financial risk management objectives and policies (continued)

Market risk (continued)

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$8,066,000 (2018: HK$19,979,000) as a result of the changes in fair value of financial assets at FVTPL and FVOCI.

The Group is also exposed to currency risk for the outstanding foreign exchange forward contracts. For the foreign exchange forward contracts at 31 March 2019, the sensitivity analysis has been estimated based on the contracts outstanding at the end of reporting period. When the relevant market forward exchange rate of CHF against HKD strengthens/weakens by 10%, the potential effect on post-tax loss for the year will be decreased/increased by approximately HK$7,640,000 (2018: HK$7,696,000).

The details of the foreign exchange forward contracts are set out in note 25.

Credit risk

As at 31 March 2019, 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. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

The Group's concentration of credit risk on trade receivables as at 31 March 2019 is mainly from five major customers which accounted for 76% (2018: 81%) 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 88% (2018: 87%) of the total trade receivables. The Group has closely monitored the sales performance and would seek for the chance to diversify its customer bases.

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.

In addition, the following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

6. **Financial Instruments** (continued)

6b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average effective interest rate %	Within 90 days HK$'000	Over 90 days and less than 1 year HK$'000	More than 1 year but less than 2 years HK$'000	Total contractual undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 March 2019						
Non-derivative financial liabilities						
Trade and other payables		**132,767**	**87,727**	**–**	**220,494**	**220,494**
Amounts due to related parties		**4,325**	**–**	**–**	**4,325**	**4,325**
Long term liabilities	**3.6%**	**–**	**–**	**150,000**	**150,000**	**144,394**
		137,092	**87,727**	**150,000**	**374,819**	**369,213**

	Weighted average effective interest rate %	Within 90 days HK$'000	Over 90 days and less than 1 year HK$'000	More than 1 year but less than 2 years HK$'000	Total contractual undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 March 2018						
Non-derivative financial liabilities						
Trade and other payables	–	154,400	63,599	–	217,999	217,999
Amounts due to related parties		3,359	–	–	3,359	3,359
		157,759	63,599	–	221,358	221,358

6c. 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 consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximate their fair values.

6. Financial Instruments (continued)

6d. Fair value measurements recognised in the consolidated statement of financial position

Some of the Group's financial assets and financial liabilities 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 and financial liabilities are determined.

Financial assets/ financial liabilities	Fair value as at 31 March 2019	31 March 2018	Fair value hierarchy	Valuation techniques and key inputs
Foreign currency forward contracts (note 25)	Financial liabilities HK$2,345,000	Financial assets HK$1,360,000 Financial liabilities HK$1,556,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counter parties.
Listed equity investments	Financial assets at FVTPL HK$36,313,000 (note 17) Financial assets at FVOCI HK$40,250,000 (note 18)	HK$194,246,000	Level 1	Quoted market prices in an active market.
Suspended listed Shares classified as financial assets at FVTPL (note 17)	HK$1,470,000 HK$2,627,000	HK$1,912,000 HK$3,630,000	Level 3 Level 3	Index return method Guideline public company method (2018: Index return method) (Note)
Other long term Investment (note 17)	HK$49,213,000	HK$46,950,000	Level 3	Discounted cash flow. Future cash flows are estimated based on the minimum investment return and discount rate.

Note: The Directors have determined that guideline public company method is to be applied as there is reliable and latest updated financial information of the investee available to the public. Further, the enterprise value to revenue multiple is adopted by the valuer as the most preferable valuation multiple as the investee's earnings are highly correlated with its revenue.

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 by the Securities and Futures Commission (the "Suspended Shares"). The fair values of these Suspended Shares are 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.

6. Financial Instruments (continued)

6d. Fair value measurements recognised in the consolidated statement of financial position (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative analysis as at 31 March 2019:

	Valuation technique	Significant unobservable input	Range/ Amount	Sensitivity of fair value to the input
Suspended listed Shares classified as financial assets at FVTPL (2018: available-for-sale investments)	Index Return Method	Change in share price of comparable companies during the suspension period	–63.18% to 20.15% (2018: -25.7% to +267.0%)	10% increase/decrease in the change in share price would result in decrease/increase in fair value by HK$37,000/HK$Nil (2018: HK$554,000)
		Discount for lack of marketability	33.4% (2018: 15.9%)	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in fair value by HK$221,000 (2018: HK$683,000)
	Guideline Public Company Method	Enterprise value to revenue multiple of comparable companies	0.40 to 2.31	10% increase/decrease in the change in enterprise value to revenue multiple would result in increase/decrease is fair value by approximately HK$86,000
		Discount for lack of marketability	33.4%	10% increase/decrease in the discount for lack of marketability would result in decrease/increase in fair value by HK$396,000

6. Financial Instruments (continued)

6d. 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 2019

	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				
— Other long term investment	–	–	49,213	49,213
— Listed equity investments	36,313	–	4,097	40,410
Financial assets at FVOCI				
— Listed equity investments	40,250	–	–	40,250
	76,563	–	53,310	129,873
Financial liabilities at FVTPL				
— Foreign currency forward contracts	–	2,345	–	2,345

6. **Financial Instruments** (continued)

6d. Fair value measurements recognised in the consolidated statement of financial position (continued)

As at 31 March 2018

	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				
— Other long term investment	–	–	46,950	46,950
Financial assets at FVTPL				
— Foreign currency forward contracts	–	1,360	–	1,360
Available-for-sale financial assets				
— Listed equity investments	194,246	–	5,542	199,788
	194,246	1,360	52,492	248,098
Financial liabilities at FVTPL				
— Foreign currency forward contracts	–	1,556	–	1,556

During the year ended 31 March 2019, there was no transfer between level 1 and 2 fair value hierarchy or transfer into or out of Level 3.

During the year ended 31 March 2018, there was a transfer of fair value measurements into Level 3 for available-for-sale investments and the movements in fair value measurements in Level 3 are as follows:

	HK$'000
Available-for-sale investments	
At 1 April 2017	–
Net change in unrealised loss recognised in profit or loss	(7,862)
Transfer from Level 1	13,404
At 31 March 2018	5,542

6. Financial Instruments (continued)

6d. Fair value measurements recognised in the consolidated statement of financial position (continued)

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

Listed equity investments	Financial assets at FVTPL 31 March 2019 HK$'000
At 1 April 2018	5,542
Total losses:	
— in profit or loss (included in fair value change of financial assets at FVTPL)	(1,445)
At 31 March 2019	4,097

Except for the listed equity instruments disclosed above, the Group's financial assets at FVTPL represent the investment in the film project. The fair value of other long term investment in the film project is estimated using a discounted cash flow method, with significant unobservable input including discount rate of 4.82% and minimum investment return of HK$6.75 million.

If the discount rate is 1% higher/lower while all other variables were held constant, the carrying amount of the other long term investment would decrease/increase by approximately HK$496,000/HK$506,000 (2018: HK$912,000/HK$940,000) respectively as at 31 March 2019.

The classification of the measurement of the fair value of financial assets at FVTPL as at 31 March 2019 and 2018 is determined using Level 3 of fair value hierarchy.

There were no changes in valuation techniques during the year.

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

Other long term investment	Financial assets at FVTPL 31 March 2019 HK$'000
At 1 April 2018	46,950
Total gains:	
— in profit or loss (included in fair value change of financial assets at FVTPL)	2,263
At 31 March 2019	49,213

7. Segment Information

The Group determines its operating segments based on the internal reports reviewed by the Executive Directors of the Company, who are the chief operating decision maker, that are used to allocate resources and assess performance. The Group has two business operations, being the watch distribution and dining business and property investment, which are for the analysis based on the geographical locations of the sales.

(a) Segment revenue and results

Segment results represents the profit before taxation earned by each segment and excluding unallocated other income and unallocated expenses. Unallocated expenses mainly included directors' salaries, staff costs, commissions paid to staff, depreciation, rental expenses, freight charges, credit card charges, advertising and promotion expenses, entertainment, exclusivity and royalty fees, legal and professional fees, repair and maintenance, insurance, travelling, printing, utility expenses and impairment losses. This is the measure reported to the Executive Directors for the purpose of resource allocation and assessment of segment performance.

The following tables set out information about the business and geographical location of the Group's revenue from external customers.

Year ended 31 March 2019

	Watch distribution and dining business				Property investment	
	Hong Kong HK$'000	Mainland China and Macau HK$'000	Other Asian locations HK$'000 (Note)	Sub-total HK$'000	Mainland China HK$'000	Consolidated HK$'000
Revenue						
External sales	**185,619**	**172,164**	**30,086**	**387,869**	**26,728**	**414,597**
RESULT						
Segment result	**48,662**	**80,458**	**10,572**	**139,692**	**26,728**	**166,420**
Realised exchange gain						**3,398**
Unrealised exchange loss						**(6,721)**
Fair value change of investment properties						**(1,735)**
Loss on fair value change of derivative financial instruments						**(7,926)**
Unallocated expenses						**(276,249)**
Unallocated income						**1,567**
Loss before taxation						**(121,246)**

7. Segment Information (continued)

(a) Segment revenue and results (continued)

Year ended 31 March 2018

	Watch distribution and dining business				Property investment	
	Hong Kong HK$'000	Mainland China and Macau HK$'000	Other Asian locations HK$'000 (Note)	Sub-total HK$'000	Mainland China HK$'000	Consolidated HK$'000
Revenue						
External sales	213,987	139,614	16,488	370,089	16,937	387,026
RESULT						
Segment result	52,130	66,456	5,394	123,980	16,937	140,917
Realised exchange loss						(4,870)
Unrealised exchange gain						6,320
Fair value change of investment properties						614
Gain on fair value change of derivative financial instruments						2,442
Unallocated expenses						(224,957)
Unallocated income						21,182
Loss before taxation						(58,352)

7. 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 2019

	Watch distribution HK$'000	Dining business HK$'000	Total HK$'000
Primary geographical markets			
Hong Kong	181,857	3,762	185,619
Mainland China and Macau	172,164	–	172,164
Other Asian locations	30,086	–	30,086
	384,107	3,762	387,869
Major products and services			
Wholesales of watch	186,651	–	186,651
Retail sales of watch	190,339	–	190,339
Repair of watch	7,117	–	7,117
Food and beverage	–	3,762	3,762
	384,107	3,762	387,869
Timing of revenue recognition			
At a point in time	384,107	3,762	387,869
Transferred over time	–	–	–
	384,107	3,762	387,869

7. **Segment Information** (continued)

(b) Disaggregation of revenue (continued)

For the year ended 31 March 2018

	Watch distribution HK$'000	Dining business HK$'000	Total HK$'000
Primary geographical markets			
Hong Kong	209,649	4,338	213,987
Mainland China and Macau	139,614	–	139,614
Other Asian locations	16,488	–	16,488
	365,751	4,338	370,089
Major products and services			
Wholesales of watch	192,835	–	192,835
Retail sales of watch	164,483	–	164,483
Repair of watch	8,433	–	8,433
Food and beverage	–	4,338	4,338
	365,751	4,338	370,089
Timing of revenue recognition			
At a point in time	365,751	4,338	370,089
Transferred over time	–	–	–
	365,751	4,338	370,089

No information on segmental assets and liabilities is provided to the Executive Directors on a regular basis.

Note: Other Asian locations include Singapore, Taiwan and Korea.

7. Segment Information (continued)

Information about major customers

Revenues from customers contributing over 10% of the total sales of the Group are as follows:

Revenue from the distribution of branded luxury watches

	2019 HK$'000	2018 HK$'000
Customer A	**57,948**	60,506

Note: Customer A generates revenue to the Group in Hong Kong.

Revenue from major operations

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

	2019 HK$'000	2018 HK$'000
Watch distribution	**384,107**	365,751
Property investment	**26,728**	16,937
Dining business	**3,762**	4,338
	414,597	387,026

Other segment information

The information of the Group's non-current assets by geographical location is detailed below:

	2019 HK$'000	2018 HK$'000
Hong Kong	**15**	34
Mainland China and Macau	**733,719**	380,815
Other Asian locations	**1,191**	129
	734,925	380,978

8. Realised Exchange Gain/(Loss)

The amount represents realised exchange gain on monetary items of HK$3,398,000 (2018: loss of HK$4,870,000).

9. Income Tax Expense

	2019 HK$'000	2018 HK$'000
The charge comprises:		
Current tax		
Hong Kong	–	–
Other jurisdictions	2,259	1,333
	2,259	1,333
(Over)/under provision in prior years:		
Hong Kong	–	–
Other jurisdictions	(117)	10
	(117)	10
Deferred tax charge (note 29)		
Current year	(557)	277
	1,585	1,620

During the year ended 31 March 2019, no deferred tax asset has been recognised in respect of certain unused tax losses due to the unpredictability of future profit streams.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. All the Group's subsidiaries in Hong Kong did not have any assessable profits for both years ended 31 March 2019 and 2018.

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

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

9. Income Tax Expense (continued)

The tax charge 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:

	2019 HK$'000	2018 HK$'000
Loss before taxation	**(121,246)**	(58,352)
Tax at the domestic income tax rate of 16.5% (2018: 16.5%)	**(20,006)**	(9,628)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(394)**	(692)
Tax effect of income not taxable in determining taxable profit	**(399)**	(7,877)
Tax effect of expenses not deductible in determining taxable profit	**3,465**	6,785
Tax effect of tax losses not recognised	**20,320**	12,745
Tax effect of temporary differences not recognised	**(1,284)**	277
(Over)/under provision in prior years	**(117)**	10
Tax charge for the year	**1,585**	1,620

10. Loss for the Year

	2019 HK$'000	2018 HK$'000
Loss for the year has been arrived at after charging:		
Directors' remuneration	**16,322**	19,294
Other staff costs	**51,077**	47,193
Other staff's retirement benefits scheme contributions	**1,068**	995
Total staff costs	**68,467**	67,482
Auditor's remuneration	**1,278**	1,138
Depreciation of property, plant and equipment	**5,732**	6,662
Minimum lease payments in respect of rented premises (Note)	**71,239**	71,299
Cost of inventories recognised as an expense (including write-down of inventories HK$13,784,000 (2018: HK$23,408,000))	**248,177**	246,109
Direct operating expenses arising from investment property that generated rental income during the year	**380**	227
Impairment of property, plant and equipment	**9,070**	1,049
Loss on disposal of property, plant and equipment	**–**	522
Written off of property, plant and equipment	**10**	–
Expected credit losses on financial assets	**5,065**	–
and after crediting:		
Interest income	**901**	2,499

Note: The minimum lease payments in respect of rented premises excluding contingent rent of HK$2,246,000 for the year ended 31 March 2019 (2018: HK$2,860,000). Contingent rent was charged by the lessors if certain percentage of turnover of the related boutiques reached the minimum levels as stated in the tenancy agreements.

11. Directors', Chief Executive's and Employees' Remuneration

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 2019 is as follows:

Name of directors	Fees HK$'000	Salary, allowance and benefits HK$'000	Performance bonus HK$'000 (Note)	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Executive directors					
Mr. An Muzong	–	1,372	–	41	1,413
Mrs. Chu Yuet Wah	–	3,600	–	18	3,618
Mr. Chu, Kingston Chun Ho	–	2,419	–	18	2,437
Mr. Wu Ting Yuk, Anthony (Retired on 31 August 2018)	–	2,100	–	7	2,107
Mr. Yang Guangqiang	–	600	–	–	600
Mr. Zhang Xiaoliang	–	5,175	–	12	5,187
Independent non-executive directors					
Mr. Chiu Sin Nang, Kenny	240	–	–	–	240
Ms. Lo Miu Sheung, Betty	240	–	–	–	240
Mr. Yu Zhenxin	240	–	–	–	240
Mr. Zong Hao	240	–	–	–	240
	960	15,266	–	96	16,322

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

11. Directors', Chief Executive's and Employees' Remuneration (continued)

Directors' remuneration (continued)

The remuneration of each director for the year ended 31 March 2018 is set out below:

Name of directors	Fees HK$'000	Salary, allowance and benefits HK$'000	Performance bonus HK$'000 (Note)	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Executive directors					
Mr. An Muzong					
(Appointed on 27 August 2016)	–	1,354	–	61	1,415
Mrs. Chu Yuet Wah	–	3,600	–	18	3,618
Mr. Chu, Kingston Chun Ho	–	2,425	–	18	2,443
Mr. Wu Ting Yuk, Anthony	–	5,040	–	18	5,058
Mr. Yang Guangqiang					
(Appointed on 22 April 2016)	–	600	–	–	600
Mr. Zhang Xiaoliang					
(Appointed on 22 April 2016)	–	5,040	–	–	5,040
Independent non-executive directors					
Mr. Chiu Sin Nang, Kenny					
(Appointed on 10 December 2016)	240	–	–	–	240
Ms. Lo Miu Sheung, Betty	240	–	–	–	240
Dr. Wong Yun Kuen					
(Resigned on 1 December 2017)	160	–	–	–	160
Mr. Yu Zhenxin					
(Appointed on 27 August 2016)	240	–	–	–	240
Mr. Zong Hao					
(Appointed on 10 December 2016)	240	–	–	–	240
	1,120	18,059	–	115	19,294

Note: The performance bonus are determined with reference to the individual performance for both years.

11. Directors', Chief Executive's and Employees' Remuneration (continued)

Employees' emoluments

For the year ended 31 March 2019, the five highest paid individuals included four (2018: four) directors, details of whose remuneration are included above. The remuneration of the one (2018: one) highest paid individual in 2019 were as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and other benefits	1,233	1,346
Performance related incentive payments	204	60
Contributions to retirement benefits schemes	18	9
	1,455	1,415

The emoluments of the employees were within the following bands:

	Number of employees 2019	2018
HK$1,000,001 to HK$1,500,000	1	1
HK$Nil to HK$1,000,000	–	–

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. None of the directors have waived any remuneration in both years.

12. Dividend

During the year ended 31 March 2019, no final dividend for the year ended 31 March 2018 was declared and paid (2018: no final dividend declared and paid in respect of the year ended 31 March 2017).

The board does not propose the payment of a final dividend for the year ended 31 March 2019. In respect of the year ended 31 March 2018, the Board did not propose the payment of a final dividend.

13. 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:

	2019 HK$'000	2018 HK$'000
Loss for the purpose of basic and diluted earnings per share	(122,831)	(59,972)

	2019 '000	2018 '000
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	5,959,576	4,982,000

Diluted loss per share for the years ended 31 March 2019 and 2018 are the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during both years.

14. Property, Plant and Equipment

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computers HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 April 2017						
Cost	105,187	16,969	6,413	2,577	771	131,917
Accumulated depreciation and impairment loss	(94,116)	(16,611)	(5,985)	(2,152)	(771)	(119,635)
Net book amount	11,071	358	428	425	–	12,282
Net book amount						
At 1 April 2017	11,071	358	428	425	–	12,282
Additions	1,628	77	184	177	–	2,066
Disposals	(1,176)	(188)	(246)	(130)	–	(1,740)
Depreciation	(6,141)	(145)	(192)	(184)	–	(6,662)
Impairment loss	(820)	(70)	(120)	(39)	–	(1,049)
Exchange realignment	205	2	1	16	–	224
At 31 March 2018	4,767	34	55	265	–	5,121
At 31 March 2018						
Cost	98,797	16,804	6,414	2,665	771	125,451
Accumulated depreciation and impairment loss	(94,030)	(16,770)	(6,359)	(2,400)	(771)	(120,330)
Net book amount	4,767	34	55	265	–	5,121
Net book amount						
At 1 April 2018	4,767	34	55	265	–	5,121
Additions	15,350	295	184	362	–	16,191
Written off	(10)	–	–	–	–	(10)
Depreciation	(5,456)	(79)	(40)	(157)	–	(5,732)
Impairment loss	(8,591)	(104)	(141)	(234)	–	(9,070)
Exchange realignment	(105)	(2)	(1)	(11)	–	(119)
At 31 March 2019	5,955	144	57	225	–	6,381
At 31 March 2019						
Cost	96,289	13,330	5,573	2,780	771	118,743
Accumulated depreciation and impairment loss	(90,334)	(13,186)	(5,516)	(2,555)	(771)	(112,362)
Net book amount	5,955	144	57	225	–	6,381

The Group performed an impairment assessment on property, plant and equipment of the Group's geographical segments, in accordance with the accounting policy on impairment of non-financial assets. Based on the assessment, an impairment loss of approximately HK$9,070,000 (2018: HK$1,049,000) was recognised and charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019. The recoverable amounts of these property, plant and equipment using value in use calculation were determined by the discounted cash flows generated from each segment based on a management budget plan and a pre-tax discount rate of 10%.

15. Investment Properties

	2019 HK$'000	2018 HK$'000
At 1 April	**375,857**	338,489
Addition	**401,441**	–
Fair value change	**(1,735)**	614
Exchange realignment	**(47,019)**	36,754
At 31 March	**728,544**	375,857

During the year ended 31 March 2019, the Group acquired a target group with investment properties situated in the PRC at a consideration of HK$350 million. As at completion of acquisition on 30 April 2018, the fair value of such investment properties was RMB323,873,000 (equivalent to HK$401,441,000).

The fair value of the Group's investment properties as at 31 March 2019 have been arrived on the basis of valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL") on 3 June 2019. JLL is an independent qualified professional valuer to the Group. It has appropriate qualifications and recent experiences in the valuation of properties in the PRC.

The valuation of the investment properties as at 31 March 2019 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 capitalized to determine the fair value at an appropriate capitalization 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 2019.

There were no transfers into or out of level 3 during the year. A reconciliation of the opening and closing level 3 fair value balance is provided below:

	2019 HK$'000	2018 HK$'000
At 1 April (Level 3 recurring fair value)	**375,857**	338,489
Addition	**401,441**	–
Change in fair value recognised in profit or loss	**(1,735)**	614
Exchange realignment	**(47,019)**	36,754
At 31 March (Level 3 recurring fair value)	**728,544**	375,857

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.

15. Investment Properties (continued)

Properties	Location	Fair value hierarchy	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
2019						
Units A and A1 of Level 1 and the entire floor of Level 2 of HP Tower ("Property A")	No. 112 Jianguo Road Chaoyang District, Beijing, the PRC	Level 3	Income Approach	Current Daily Rent	RMB8.29 per square metre ("psm")	The higher the current daily rent, the higher the fair value
				Daily Market Rent	RMB10.5 psm to RMB20.06 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
Dong Shan Shu, Building 1 ("Property B")	No. 7 East 4th Ring North Road, Chaoyang District, Beijing, the PRC	Level 3	Income Approach	Current Daily Rent	RMB9.48 psm	The higher the current daily rent, the higher the fair value
				Daily Market Rent	RMB13.68 psm to RMB21 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
2018						
Units A and A1 of Level 1 and the entire floor of Level 2 of HP Tower	No. 112 Jianguo Road Chaoyang District, Beijing, the PRC	Level 3	Income Approach	Current Daily Rent	RMB8.07 per square metre ("psm") to RMB19.57 psm	The higher the current daily rent, the higher the fair value
				Daily Market Rent	RMB9.9 psm to RMB20.51 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

The fair value measurement is based on the highest and best use of the investment properties, which does not differ from their actual use. Property A and Property B are used for office and commercial purposes respectively.

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

Rental income of HK$26,728,000 from investment properties was recognised during the year ended 31 March 2019 (2018: 16,937,000).

As at 31 March 2019, none of the investment properties were pledged (2018: none).

16. Available-For-Sale Investments

	2019 HK$'000	2018 HK$'000
Listed equity securities in Hong Kong	–	199,788
Classified as		
Non-current asset	–	63,000
Current asset	–	136,788
	–	199,788

The movements in available-for-sale investments are summarised as follows:

	HK$'000
As at 1 April 2017	267,835
Disposal during the year	(40,944)
Impairment on available-for-sale investments	(21,506)
Net change in fair value recognised in other comprehensive income	2,824
Release of investment revaluation reserve to profit or loss upon disposal of available-for-sale investments	(16,501)
Release of investment revaluation reserve to profit or loss for impairment loss of available-for-sale investments	8,080
As at 31 March 2018	199,788
Reclassified as financial assets measured at FVTPL upon initial application of HKFRS 9 (note 17)	(136,788)
Reclassified as financial assets measured at FVOCI upon initial application of HKFRS 9 (note 18)	(63,000)
As at 31 March 2019	–

All available-for-sale investments were measured at fair value based on quoted market prices, except for the Suspended Shares where fair values were determined with reference to the valuations performed by the independent professional valuer. When impairment of available-for-sale investments measured at fair value occurs, any impairment loss recognised is recorded in the carrying amount directly. During the year ended 31 March 2018, HK$21,506,000 of impairment on available-for-sale investments was charged to profit or loss directly as the decline in fair value was significant or prolonged.

Under HKFRS 9, the investments are reclassified as financial assets at FVTPL and financial assets at FVOCI as stated in notes 17 and 18 respectively.

17. Financial Assets at Fair Value Through Profit or Loss

	Note	2019 HK$'000	2018 HK$'000
Other long term investment	(a)	**49,213**	46,950
Listed equity securities in Hong Kong	(b)	**40,410**	–
		89,623	46,950
Classified as			
Non-current asset		**49,213**	46,950
Current asset		**40,410**	–
		89,623	46,950

Notes:

(a) On 23 May 2017, the Group entered into a cooperation agreement ("Cooperation Agreement") with Aquamen Entertainment LLC ("Aquamen") to invest HK$45 million in a film project being developed by Aquamen. The investment is classified as financial assets at FVTPL.

Based on the terms of the Cooperation Agreement and the Supplemental Agreement (as defined in note 35), Aquamen will return the full amount of the investment amount of HK$45,000,000 to the Group on or before 31 March 2021. Furthermore, the Group shall receive an investment return from Aquamen on or before 30 September 2021 at the higher of proportionate sharing of net profit or 20% of the investment amount.

(b) The fair values of listed equity securities are based on quoted market prices, except for certain listed equity securities whose trading on the Stock Exchange has been suspended by the Securities and Futures Commission (the "Suspended Shares"). The fair values of Suspended Shares were determined with reference to the valuations performed by an independent professional valuer.

The movement in listed equity securities are summarised as follows:

	HK$'000
As at 1 April 2018	–
Reclassified as financial assets measured at FVTPL upon initial application of HKFRS 9 (note 16)	136,788
Acquired during the year	30,000
Disposal during the year	(71,942)
Fair value change of financial assets measured at FVTPL	(54,436)
As at 31 March 2019	40,410

18. Financial Assets at Fair Value Through Other Comprehensive Income

	2019 HK$'000	2018 HK$'000
Listed equity securities in Hong Kong	**40,250**	–

At 1 April 2018, the Group made an irrevocable election to designate this investment at FVOCI. This option is only applicable to instruments that (i) are not held for trading; (ii) do not give rise on specific dates to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding; and (iii) are not derivatives.

18. Financial Assets at Fair Value Through Other Comprehensive Income (continued)

The movement in listed equity securities are summarised as follows:

	HK$'000
As at 1 April 2018	–
Reclassified as financial assets measured at FVOCI upon initial application of HKFRS 9 (note 16)	63,000
Fair value change of financial assets measured at FVOCI	(22,750)
As at 31 March 2019	40,250

19. Inventories

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

20. Trade and Other Receivables

	2019 HK$'000	2018 HK$'000
Trade receivables	**22,502**	33,285
Less: ECLs of trade receivables (Note (a))	**(5,128)**	–
Trade receivables (Note (a))	**17,374**	33,285
Other receivables, deposits and prepayments	**46,393**	40,788
Less: ECLs of other receivables (Note (b))	**(4)**	–
Other receivables, deposits and prepayments	**46,389**	40,788
Total trade and other receivables	**63,763**	74,073

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

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

	2019 HK$'000	2018 HK$'000
Within 30 days	**11,066**	22,831
31–90 days	**6,042**	10,096
Over 90 days	**266**	358
	17,374	33,285

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

20. Trade and Other Receivables (continued)

Note (a): (continued)

As at 31 March 2019 and 2018, the aged analysis of trade receivables which are past due but not impaired as required by HKAS 39 and not required by newly applied HKFRS 9 was as follows:

	2018 HK$'000
Over 90 days	358

The trade receivables were past due but the Group has not provided for impairment loss. These relate to a number of customers and based on historical information, default risk of these trade receivables is insignificant. Accordingly, no impairment provision is necessary in respect of these receivables.

As at 31 March 2019, loss allowances of HK$5,128,000 were made against the gross amount of trade receivables.

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

	HK$'000
Balance as at 31 March 2018 under HKAS 39	–
Impact on initial application of HKFRS 9 (note 2(a)(A)i)	41
Adjusted balance as at 1 April 2018	41
ECLs recognised during the year	5,065
Exchange realignment	22
Balance as at 31 March 2019	5,128

Note (b): As at 31 March 2019, loss allowances of HK$4,000 were made against the gross amount of other receivables.

21. Amounts Due From/to Related Parties

As at 31 March 2019, amounts due from/to related companies were unsecured, non-interest bearing and repayable within 1 year.

22. Bank Balances and Cash

Bank balances and cash comprise cash at bank and fixed time deposits. Cash at bank is held by the Group at prevailing market interest rates ranging from 0.001% to 4.30% (2018: 0.001% to 4.85%) per annum.

Fixed time deposits carry fixed interest rate ranging from 0.50% to 1.40% (2018: 0.50% to 1.20%) per annum and mature in 1 month (2018: 1 month). Therefore, the amounts are classified as current.

At 31 March 2019, the cash at bank of HK$154,000 (2018: HK$431,000) and fixed time deposits of HK$Nil (2018: HK$18,000,000) were deposited in the security accounts of a related party which is a company engaged in dealing and advising in securities services.

23. Trade and Other Payables

	2019 HK$'000	2018 HK$'000
Trade payables	**138,920**	139,820
Other payables and accrued charges	**89,151**	95,849
	228,071	235,669

The following is an aged analysis of trade payables:

	2019 HK$'000	2018 HK$'000
Within 90 days	**47,869**	76,222
91 days — 365 days	**89,865**	63,595
Over 365 days	**1,186**	3
	138,920	139,820

The Group's trade payables that are denominated in CHF and EUR, which are currencies other than functional currency of the relevant group entities, are set out below:

	2019 HK$'000	2018 HK$'000
Denominated in CHF	**138,564**	139,108
Denominated in EUR	**266**	618

24. Contract Liabilities

	31 March 2019 HK$'000	1 April 2018 HK$'000	31 March 2018 HK$'000
Contract liabilities arising from:			
Watch distribution (Note a)	**2,082**	1,039	–
Dining business (Note b)	**264**	312	–
	2,346	1,351	–

Typical payment terms which impact on the amount of contract liabilities are as follows:

Note a:

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

24. Contract Liabilities (continued)

Note a: (continued)

Movements in contract liabilities:

	HK$'000
Balance as at 1 April 2018	1,039
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	(1,039)
Increase in contract liabilities as a result of billing in advance of watch distribution activities	2,078
Exchange difference	4
Balance as at 31 March 2019	2,082

Note b

Dining business

The Group's dining business contracts mainly relate to the advance consideration received from customers.

Movements in contract liabilities:

	HK$'000
Balance as at 1 April 2018	312
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	(188)
Increase in contract liabilities as a result of billing in advance of dining business activities	140
Balance as at 31 March 2019	264

25. Derivative Financial Instruments

	2019	2018
	HK$'000	HK$'000
Financial asset		
Foreign currency forward contracts	**–**	1,360
Financial liability		
Foreign currency forward contracts	**(2,345)**	(1,556)
	(2,345)	(196)

During the year ended 31 March 2019, fair value loss of approximately HK$7,926,000 (2018: gain of approximately HK$2,442,000) was recognised directly in profit or loss.

The Group has used foreign currency forward contracts to hedge future transactions and cash flows. The foreign currency forward contracts were measured at fair value at the end of the reporting period.

The disclosures set out in the table below include financial asset and financial liability that are subject to an enforceable master netting arrangement irrespective of whether they are offset in the Group's consolidated statement of financial position.

The amounts recognised for the derivative financial asset and derivative financial liability do not meet the criteria for offsetting in the Group's consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable upon an event of default.

25. Derivative Financial Instruments (continued)

Financial asset subject to an enforceable master netting agreement:

	Gross amount of recognised financial asset HK$'000	Gross amount of recognised financial liability set off in the statement of financial position HK$'000	Net amount of financial asset presented in the statement of financial position HK$'000	Related amount not set off in the statement of financial position: Financial instruments HK$'000	Related amount not set off in the statement of financial position: Cash collateral pledged HK$'000	Net amount HK$'000
As at 31 March 2019						
Foreign exchange forward contracts	**–**	**–**	**–**	**–**	**–**	**–**
As at 31 March 2018						
Foreign exchange forward contracts	1,360	–	1,360	–	–	1,360

Financial liability subject to an enforceable master netting agreement:

	Gross amount of recognised financial liability HK$'000	Gross amount of recognised financial asset set off in the statement of financial position HK$'000	Net amount of financial liability presented in the statement of financial position HK$'000	Related amount not set off in the statement of financial position: Financial instruments HK$'000	Related amount not set off in the statement of financial position: Cash collateral pledged HK$'000	Net amount HK$'000
As at 31 March 2019						
Foreign exchange forward contracts	**2,345**	**–**	**2,345**	**–**	**–**	**2,345**
As at 31 March 2018						
Foreign exchange forward contracts	1,556	–	1,556	–	–	1,556

26. Long Term Liabilities

On 13 February 2018, the Company entered into a sale and purchase agreement ("Agreement") with Allied Crown Investment Limited (the "Vendor") to acquire a target group with investment properties. The total consideration was HK$350 million. A promissory note with the principal amount of HK$150 million was issued to the Vendor on the completion date of 30 April 2018 as partial settlement of the consideration for the acquisition.

	31 March 2019 HK$'000	31 March 2018 HK$'000
Note payable	**144,394**	–

Based on the terms of the promissory note, the Company may redeem the promissory note on or before the maturity date of 30 April 2020 provided that certain criteria are met. The promissory note is unsecured and non-interest bearing. It is measured at amortised cost using the effective interest method.

27. Share Capital

	Number of shares	**Share capital** HK$'000
Authorised:		
At 31 March 2018 and 2019		
— Ordinary shares of HK$0.02 each	**20,000,000,000**	400,000
Issued and fully paid:		
At 1 April, 2017		
— Ordinary shares of HK$0.02 each	**4,982,000,000**	99,640
At 31 March 2018		
— Ordinary shares of HK$0.02 each	**4,982,000,000**	99,640
Issue of shares (Note)	**1,061,950,000**	21,239
At 31 March 2019	**6,043,950,000**	120,879

Note:

On 13 February 2018, the Company entered into the Agreement to acquire the entire issued share capital of Allied Champion Development Limited. Upon completion of the acquisition on 30 April 2018, 1,061,950,000 new shares were allotted and issued by the Company at the Issue Price of HK$0.113 per share to the Vendor as partial settlement of the consideration for the acquisition.

28. 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 of Hong Kong Limited 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 of Hong Kong Limited 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 2019.

29. Deferred Taxation

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

	Acceleration accounting depreciation HK$'000	Revaluation of investment properties HK$'000	Total HK$'000
At 1 April 2017	–	(1,692)	(1,692)
Exchange realignment	(4)	(193)	(197)
Charged to profit or loss for the year (note 9)	(124)	(153)	(277)
At 31 March 2018	(128)	(2,038)	(2,166)
Exchange realignment	5	134	139
Charged to profit or loss for the year (note 9)	123	434	557
At 31 March 2019	–	(1,470)	(1,470)

The Group has unused tax losses of HK$404,829,000 (2018: HK$284,625,000) available for offset against future profits. Of the unrecognised tax losses, HK$25,765,000 will expire from 2020 to 2024. Other tax losses may be carried forward indefinitely. 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% is imposed on dividends declared in respect of profits earned by a subsidiary incorporated and operated 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 HK$14,579,000 (2018: HK$19,569,000) 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.

30. Commitments

Operating leases

The Group as lessee

At 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**62,793**	67,639
In the second to fifth years inclusive	**62,603**	81,722
	125,396	149,361

Operating lease payments represent rentals payable by the Group for certain of its rented premises. Leases are negotiated for an average term of three years and rentals are fixed over the lease period.

Certain rented premises included payment obligations with rentals varied with turnover. The contingent rent was charged by the lessors if certain percentage of turnover of the related shops reached the minimum levels as agreed under the tenancy agreements.

30. **Commitments** (continued)

Operating leases (continued)

The Group as lessor

At the end of the reporting period, the Group had commitments for future minimum rental receivable under non-cancellable operating leases in respect of commercial properties leased out which fall due as follows:

	2019	2018
	HK$'000	HK$'000
Within one year	**11,859**	15,039
Later than one year but within five years	**24,129**	30,559
	35,988	45,598

Capital commitments

	2019	2018
	HK$'000	HK$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**615**	–
Capital expenditure in respect of acquisition of subsidiary contracted for but not provided in the consolidated financial statements	**–**	315,000

31. 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.

32. Related Party Transactions

(a) Related party and continuing connected party transactions

In addition to the balances with related parties as disclosed in note 21, 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:

	2019 HK$'000	2018 HK$'000
Sales to a related company	641	331
Purchase from a related company	10,021	9,642
Administrative service fee paid to a related company	240	240
Financial advisory fee paid to a related company	177	175
Printing fees paid to a related company	–	241
Brokerage fee paid to a related company	230	144
Regional branding support income from a related company	139	138

A director of the Company is also a director and shareholder of the related company.

(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 11.

33. Subsidiaries

Details of the Company's significant subsidiaries at 31 March 2019 and 31 March 2018 are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company: Directly 2019	Directly 2018	Indirectly 2019	Indirectly 2018	Principal activity
Sincere Brand Holdings Limited	British Virgin Islands ("BVI")	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
Pendulum (Macau) Limited	Macau	MOP25,000	–	–	100%	100%	Watch distribution
Pendulum Limited	Hong Kong	HK$2	–	–	100%	100%	Investment holding
Sincere Watch Trading Co. Ltd.	Hong Kong	HK$1	–	–	100%	100%	Investment holding
Sincere Health Care Limited	Hong Kong	HK$1	100%	100%	–	–	Investment holding
心施(上海)投資諮詢有限公司	PRC	US$500,000	–	–	100%	100%	Inactive
Sincere Distribution Limited	BVI	USD100	100%	100%	–	–	Investment holding

33. Subsidiaries (continued)

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company Directly 2019	Directly 2018	Indirectly 2019	Indirectly 2018	Principal activity
Shanghai Franck Muller Fine Watch Co. Ltd.	PRC	HK$40,000,000	–	–	100%	100%	Watch distribution
法穆蘭鐘錶(北京)有限責任公司	PRC	RMB4,000,000	–	–	100%	100%	Watch distribution
Franck Muller Fine Dining Limited	Hong Kong	HK$5,000	–	–	100%	100%	Dining
True Classic Holdings Ltd	BVI	US$1	100%	100%	–	–	Investment holding
Giant Bright Holdings Limited	Hong Kong	HK$1	–	–	100%	100%	Inactive
Empire Jade Limited	BVI	US$100	100%	100%	–	–	Investment holding
Hong Kong Jade Bird South Sea Investment Limited	Hong Kong	HK$100	–	–	100%	100%	Investment holding
三亞青鳥旅遊產業投資有限公司	PRC	HK$5,000,000	–	–	100%	100%	Investment holding
北京沈發物業管理有限公司	PRC	RMB500,000	–	–	100%	100%	Property investment
上海圖升國際貿易有限公司	PRC	RMB10,000,000	–	–	100%	100%	Inactive
Allied Champion Development Limited	BVI	US$1	100%	–	–	–	Investment holding
Allied Honest Group Limited	Hong Kong	HK$10,000	–	–	100%	–	Investment holding
上海墨承商務諮詢有限公司	PRC	US$200,000	–	–	100%	–	Investment holding
北建新業(北京)商貿有限公司	PRC	RMB1,000,000	–	–	100%	–	Property investment
Orient Tycoon Limited	BVI	US$1	100%	100%	–	–	Investment holding
Harmony Cultural Holdings Limited	Hong Kong	HK$1	–	–	100%	100%	Investment holding
Sincere Watch Korea Ltd.	Korea	KRW100,000,000	–	–	100%	100%	Watch distribution

None of the subsidiaries had issued any debt securities at the end of the year, or at any time during the year.

34. Information about the Financial Position of the Company

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

	2019 HK$'000	2018 HK$'000
Non-current assets		
Property, plant and equipment	**15**	34
Deposit paid for acquisition of subsidiary	**–**	35,000
Unlisted investments in subsidiaries	**480,632**	76,982
Loans to subsidiaries	**90,000**	90,000
	570,647	202,016
Current assets		
Amounts due from subsidiaries	**705,769**	759,981
Other current assets	**5,527**	2,418
	711,296	762,399
Current liabilities	**(1,938)**	(1,739)
Net current assets	**709,358**	760,660
Long term liabilities	**(144,394)**	–
	1,135,611	962,676
Capital and reserves		
Share capital (note 27)	**120,879**	99,640
Reserves (Note)	**1,014,732**	863,036
	1,135,611	962,676

34. Information about the Financial Position of the Company (continued)

Note:

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 2017	800,932	76,780	(3,927)	873,785
Loss and total comprehensive income for the year	–	–	(10,749)	(10,749)
At 31 March 2018 and 1 April 2018	800,932	76,780	(14,676)	863,036
Loss and total comprehensive income for the year	–	–	(10,925)	(10,925)
Issue of shares	162,621	–	–	162,621
At 31 March 2019	**963,553**	**76,780**	**(25,601)**	**1,014,732**

35. Events after the Reporting Period

(a) Memorandum of understanding for the possible acquisition

On 12 April 2019, a wholly-owned subsidiary of the Company as the purchaser (the "Purchaser") and the potential vendors (the "Vendors") entered into the memorandum of understanding (the "MOU") indicating the intention of the Purchaser and the Vendors to enter into the formal agreement during the exclusivity period in respect of the possible acquisition ("Possible Acquisition") of 51% equity interest in the Australian entity (the "Target") upon the successful reorganization of the Target and its subsidiaries (the "Target Group"). The Target Group is principally engaged in international film sales, distribution and production since 2002, with its major operations in Los Angeles, and offices in New York, Beijing and Sydney. The consideration for the Possible Acquisition will be subject to further negotiation between the parties to the MOU and will be determined in the formal agreement. Further details of the MOU were disclosed in the voluntary announcement of the Company dated 12 April 2019.

(b) Supplemental agreement for investment in film project

On 30 May 2019, a wholly-owned subsidiary of the Company ("Party A"), Aquamen Entertainment LLC ("Party B"), and Mr. Zhang Xiaoliang (the "Guarantor") entered into a supplemental agreement (the "Supplemental Agreement") to reflect the amendments to some of the terms of the Cooperation Agreement (Details of the Cooperation Agreement were disclosed in the announcement of the Company dated 23 May 2017). The parties agreed that, by entering into the Supplemental Agreement, inter alia, 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. Further details of the Supplemental Agreement were disclosed in the voluntary announcement of the Company dated 30 May 2019.

36. Approval of Financial Statements

The consolidated financial statements were approved and authorised for issue by the Board on 27 June 2019.

FINANCIAL SUMMARY

Results

	For the year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**414,597**	387,026	356,553	303,400	589,716
(Loss)/Profit before taxation	**(121,246)**	(58,352)	(155,086)	(125,863)	49,244
Income tax expense	**(1,585)**	(1,620)	(3,849)	(17,628)	(9,012)
(Loss)/Profit for the year	**(122,831)**	(59,972)	(158,935)	(143,491)	40,232
(Loss)/Earnings per share					
Basic (HK cents)	**(2.06)**	(1.20)	(3.43)	(3.48)	1.22

Assets and Liabilities

	At 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,446,778**	1,312,329	1,274,214	1,678,191	1,093,418
Total liabilities	**(385,061)**	(243,816)	(172,523)	(579,440)	(290,514)
Total equity	**1,061,717**	1,068,513	1,101,691	1,098,751	802,904