ESTD 1954

SINCERE WATCH (HONG KONG) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0444)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2013

FINANCIAL HIGHLIGHTS

- Turnover for the financial year ended 31 March 2013 ("FY2013") decreased from HK$1,115,070,000 to HK$749,183,000 when compared with last financial year ("FY2012").
- Gross margin increased from 35.6% to 39.7%. Gross profit for this financial year decreased from HK$397,457,000 to HK$297,583,000.
- The realised foreign exchange loss for the year was HK$4,060,000 as compared with HK$32,985,000 last year. The unrealised foreign exchange gain of this financial year was HK$3,347,000 as compared with HK$12,797,000 of last financial year.
- Net profit for FY2013 was HK$118,853,000 (FY2012: HK$139,167,000).
- Earnings per share was 29.1 HK cents for this financial year and 34.1 HK cents for last financial year.
- The Board has recommended the payment of a final dividend for the year ended 31 March 2013 of 8 HK cents per share amounting to HK$32,640,000.

FINANCIAL RESULTS

The board of directors (the "Board") of Sincere Watch (Hong Kong) Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2013 ("2013"), together with the audited comparative figures for the corresponding year ended 31 March 2012 ("2012").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2013

	NOTES	**2013** *HK$'000*	**2012** *HK$'000*
Turnover	*3*	749,183	1,115,070
Cost of sales		(451,600)	(717,613)
Gross profit		297,583	397,457
Other income		1,435	84
Selling and distribution costs		(41,793)	(61,690)
General and administrative expenses		(120,180)	(142,004)
Profit before taxation, exchange gains (losses) and gain (loss) on fair value change of derivative financial instruments		137,045	193,847
Realised exchange loss		(4,060)	(32,985)
Unrealised exchange gain		3,347	12,797
Gain (loss) on fair value change of derivative financial instruments		4,664	(4,859)
Profit before taxation		140,996	168,800
Income tax expense	*4*	(22,143)	(29,633)
Profit for the year attributable to owners of the Company	*5*	118,853	139,167
Other comprehensive income			
Exchange differences on translation of foreign operations		(526)	(245)
Total comprehensive income for the year, attributable to owners of the Company		118,327	138,922
Earnings per share	*7*		
— basic		29.1 HK cents	34.1 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		31,539	20,600
Intangible assets		8,092	8,092
Deferred tax assets		12,657	12,180
		52,288	40,872
Current assets			
Inventories		423,747	386,245
Trade and other receivables	8	123,984	105,283
Amount due from a fellow subsidiary		5,754	–
Taxation recoverable		699	–
Bank balances and cash		333,281	414,279
		887,465	905,807
Current liabilities			
Trade and other payables	9	378,303	491,509
Amount due to immediate holding company		55	28
Amounts due to fellow subsidiaries		–	27
Derivative financial instruments		195	4,859
Taxation payable		6,629	14,012
		385,182	510,435
Net current assets		502,283	395,372
Total assets less current liabilities		554,571	436,244
Net assets		554,571	436,244
Capital and reserves			
Share capital		40,800	40,800
Reserves		513,771	395,444
Equity attributable to owners of the Company		554,571	436,244

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

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 Company's ultimate holding company is Be Bright Limited, a company incorporated in the British Virgin Islands and wholly owned by Mrs. Chu Yuet Wah. The Company's immediate holding company is Sincere Watch Limited, a company incorporated in the Republic of Singapore.

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 and the People's Republic of China (the "PRC").

The consolidated financial statements are presented in Hong Kong dollars which is the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS"s)

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred tax: Recovery of underlying assets
Amendments to HKFRS 7	Financial instruments: Disclosures — Transfers of financial Assets.

The application of the new and revised HKFRSs in the current year has no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS"s) – continued

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle[1]
Amendments to HKFRS 1	Government loans[1]
Amendments to HKFRS 7	Disclosures — Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKFRS 27	Investment entities[2]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS 1	Presentation of items of other comprehensive income[4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[2]
HK(IFRIC)-INT 20	Stripping costs in the production phase of a surface mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risks are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS"s) — continued

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 have no significant impact on the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 March 2013.

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

3. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the Executive Directors of the Company, who are the chief operating decision maker, that are used to allocate resources and assess performance, which are analysed based on the geographical locations of the sales. The Group has only one business operation, which is the distribution of branded luxury watches, timepieces and accessories.

Segment results represent the profit before taxation earned by each segment and excluding unallocated other income and unallocated expenses such as central administration costs, selling and distribution costs and directors' salaries. This is the measure reported to the Executive Directors for the purpose of resource allocation and assessment of segment performance.

An analysis of the Group's turnover and results by operating segment:

Year ended 31 March 2013

	Hong Kong	**Mainland China and Macau**	**Other Asian locations**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*
REVENUE				
External sales	528,382	170,308	50,493	749,183
RESULT				
Segment result	181,318	90,827	14,790	286,935
Realised exchange loss				(4,060)
Unrealised exchange gain				3,347
Gain on fair value change of derivative financial instruments				4,664
Unallocated expenses				(151,325)
Unallocated income				1,435
Profit before taxation				140,996

3. SEGMENT INFORMATION — CONTINUED

Year ended 31 March 2012

	Hong Kong	Mainland China and Macau	Other Asian locations	Consolidated
	HK$'000	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*
REVENUE				
External sales	830,391	236,628	48,051	1,115,070
RESULT				
Segment result	283,228	81,947	18,782	383,957
Realised exchange loss				(32,985)
Unrealised exchange gain				12,797
Loss on fair value change of derivative financial instruments				(4,859)
Unallocated expenses				(190,194)
Unallocated income				84
Profit before taxation				168,800

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

Note: Other Asian locations includes Singapore and Taiwan.

Information about major customers

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

	2013	2012
	HK$'000	*HK$'000*
Customer A	110,832	214,401
Customer B	77,957	138,245

Note: Both Customer A and Customer B generate revenues to the Group in Hong Kong.

Other segment information

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

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	14,658	6,405
Mainland China and Macau	13,911	10,255
Taiwan	11,062	12,032
	39,631	28,692

Note: Non-current assets above exclude deferred tax assets. Goodwill is allocated to the cash generating unit ("CGU") arising from a subsidiary in Taiwan.

4. INCOME TAX EXPENSE

	2013	2012
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
Hong Kong	(16,529)	(17,109)
Other jurisdictions	(5,993)	(5,642)
	(22,522)	(22,751)
Underprovision in prior years:		
Hong Kong	(118)	–
Other jurisdictions	(1)	(16)
	(119)	(16)
Deferred tax charge		
Current year	498	(6,866)
	(22,143)	(29,633)

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profit for the year.

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

5. PROFIT FOR THE YEAR

	2013	2012
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' remuneration	13,464	31,917
Other staff costs	27,893	30,582
Other staff's retirement benefits scheme contributions	632	472
Total staff costs	41,989	62,971
Auditor's remuneration	799	793
Depreciation of property, plant and equipment	14,891	8,914
Minimum lease payments in respect of rented premises	41,891	47,931
Loss on write-off of property, plant and equipment	1,096	-
and after crediting:		
Interest income	1,435	84

6. DIVIDEND

During the year ended 31 March 2013, no final dividend for the year ended 31 March 2012 was declared and paid (2012: HK$0.06 per share amounting to HK$24,480,000 in respect of year ended 31 March 2011).

The Board has recommended the payment of a final dividend for the year ended 31 March 2013 of HK$0.08 per share (2012: Nil) amounting to HK$32,640,000 subject to shareholders' approval at the forthcoming annual general meeting.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately HK$118,853,000 (2012: HK$139,167,000) and on the number of shares of 408,000,000 (2012: 408,000,000) that were in issue throughout the year.

There were no potential ordinary shares outstanding during both years.

8. TRADE AND OTHER RECEIVABLES

	2013	**2012**
	HK$'000	*HK$'000*
Trade receivables	98,863	68,842
Less: Allowance for doubtful debts	–	(484)
	98,863	68,358
Other receivables, deposits and prepayments	25,121	36,925
	123,984	105,283

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

The following is an aged analysis of trade receivables:

	2013	**2012**
	HK$'000	*HK$'000*
Within 30 days	60,571	34,950
31 – 90 days	34,763	33,056
91 – 120 days	194	352
Over 120 days	3,335	–
	98,863	68,358

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.

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK$3,529,000 (2012: HK$352,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

8. TRADE AND OTHER RECEIVABLES – continued

The following is an aged analysis of trade receivables which are past due but not impaired:

	2013 *HK$'000*	2012 *HK$'000*
91 – 120 days	194	352
Over 120 days	3,335	–
	3,529	352

Allowance for doubtful debts is usually provided for receivables over 120 days because historical experience is that such receivables are generally not recoverable. The trade receivables that are over 120 days and the Group has not provided for impairment loss are subsequently recovered.

Movement in the allowance for doubtful debts

	2013 *HK$'000*	2012 *HK$'000*
Balance at beginning of the year	484	484
Written off during the year	(484)	-
Balance at end of the year	–	484

9. TRADE AND OTHER PAYABLES

	2013 *HK$'000*	2012 *HK$'000*
Trade payables	291,647	394,504
Other payables and accrued charges	86,656	97,005
	378,303	491,509

The following is an aged analysis of trade payables:

	2013 *HK$'000*	2012 *HK$'000*
Within 90 days	146,254	155,847
91 days – 365 days	145,393	237,770
Over 365 days	–	887
	291,647	394,504

The amount of trade payables above includes amounts of approximately HK$291,238,000 (2012: HK$394,378,000) and HK$409,000 (2012: HK$171,000) which are denominated in Swiss Franc and Euro respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue for the year ended 31 March 2013 ("FY2013") decreased 32.8% from HK$1,115.1 million to HK$749.2 million when compared with last financial year ("FY2012").

Gross profit dropped by 25.1% from HK$397.5 million in FY2012 to HK$297.6 million in FY2013. The gross profit margin improved from 35.6% to 39.7%.

The Group reported a realised foreign exchange loss of HK$4.1 million in FY2013 against a realised foreign exchange loss of HK$33.0 million in FY2012. The unrealised foreign exchange gain was HK$3.3 million in FY2013 and HK$12.8 million in FY2012. There was HK$4.7 million gain on fair value change of derivative financial instruments in FY2013 against HK$4.9 million loss in FY2012.

Unrealised exchange difference arose from trade payables denominated in foreign currencies, translated at the exchange rates prevailing at the balance sheet dates. And any differences in valuation were then recognised in the income statement as unrealised gains or losses.

Excluding the realised and unrealised exchange differences and gain/loss on fair value change of derivative financial instruments, the Group's profit before tax was HK$137.0 million, 29.3% down from HK$193.8 million for FY2012.

Selling and distribution costs dropped 32.3% from HK$61.7 million last year to HK$41.8 million. General and administrative expenses decreased 15.4% from HK$142.0 million last year to HK$120.2 million mainly due to reduced staff costs and directors' remuneration.

Net profit dropped 14.6% from HK$139.2 million in FY2012 to HK$118.9 million in FY2013.

Earnings per share dropped 14.6% to 29.1 HK cents in FY2013 from 34.1 HK cents in FY2012. Net asset value per share rose 27.1% from 106.9 HK cents as at 31 March 2012 to 135.9 HK cents as at 31 March 2013.

Intangible assets comprise goodwill and fully amortised distribution rights. The distribution rights were acquired through the acquisition of Sincere Watch Co., Ltd. in October 2006. As at 31 March 2013, the carrying value of them was HK$8.1 million.

Trade receivables as at 31 March 2013 increased by 44.6% to HK$98.9 million when compared with last year end mainly because more distribution sales occurred near the end of March 2013.

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 exclusive luxury brands — de Grisogono, CVSTOS, Pierre Kunz, European Company Watch and Backes & Strauss.

The Group enhanced its position in North Asia with a strong focus on China by establishing a new subsidiary in Shanghai during the review year. The Group has also consistently embarked on niche marketing initiatives to build its image, brand awareness and desirability of its global watch brands. This included several unique events in our key markets with the aims of increasing brand exposure and extending brand networking.

Distribution network and market penetration

The Group has increased its extensive distribution network during the year under review to 62 retail points of sales and 14 boutiques, making a total of 76 points (up from 66 as at the end of March 2012). We increased presence in our distribution network in all markets — The PRC, Hong Kong, Macau, and Taiwan.

The 70 watch retail outlets in the region are run by 30 independent watch dealers throughout our markets in North Asia.

In the year under review, the Group actively explored every opportunity to open up new retail points of sales in Hong Kong, Macau, Taiwan and the PRC. These include the opening of the Franck Muller Boutique in Shenyang located at the new retail complex of Forum 66. New points of sales were also added in Hong Kong through Canopus Asia Limited, Dickson Watch & Jewellery Company Limited and DFS Group Limited, in Macau through Chow Tai Fook Jewellery Company Limited, in China through Hengdeli International Company Limited and Paragon Technology Development (Ningbo) Co., Ltd. and in Taiwan through Zong Chong Watch Co., Ltd.

In Mainland China, the Group has established closer ties with Hengdeli International Company Limited and Chow Tai Fook Jewellery Company Limited which aim at the opening of more prime retail locations throughout the territory.

Brand enhancement activities

The Group aims not only to create but also sustain brand value among our discerning customers. Brand enhancement activities were consistently organised to reinforce our brand leadership with the introduction of new point of sales displays, product imagery and focused product placements in relevant media.

In what has become one of the most highly acknowledged watch exhibitions in the industry, WPHH Monaco 2012 was a resounding success to our Franck Muller partners and media alike. Other than Franck Muller, our other brands CVSTOS, Backes & Strauss and Pierre Kunz all displayed and exhibited their latest novelties. Partners of our brands were invited into the world of Swiss watch making excellence.

In November 2012, Franck Muller watch appreciation event was held with Hengdeli group at the Shenzhen Volkswagen Phaeton showroom in the PRC. In Hong Kong, Franck Muller was the official sponsor of "Jaap Essentials: Brahms Requiem" concert held in November/ December 2012 at the Hong Kong Cultural Centre. During the pre-concert reception, every guest had an opportunity to admire exquisite Franck Muller timepieces. In December 2012, the Group also sponsored Macau Jaguar Land Rover Cup Golf Charity Tournament held at Macau Golf and Country Club in the name of the Franck Muller brand to enhance the contemporary image of the brand.

The opening of the Franck Muller boutique at the Shenyang Forum 66 reinforced our presence in the PRC market. VIP sessions were organised in January 2013 to promote the brand as well as attracting over 100 guests to attend the sessions.

Performance by geographical markets

All of the Group's markets remained profitable although sales in Hong Kong, Mainland China and Macau decreased.

Hong Kong, Mainland China and Macau remained the key revenue drivers, contributing together HK$698.7 million which accounted for 93.3% of the Group's total turnover in FY2013.

Hong Kong

Hong Kong continues to be the Group's major market, accounting for 70.5% of the Group's revenue in FY2013. Performance in this market recorded the largest decrease in revenue, down HK$302.0 million, or 36.4% from HK$830.4 million in the previous year to HK$528.4 million in this year.

Hong Kong recorded segmental profit of HK$181.3 million which dropped 36.0% when compared with last year. This market accounted for 63.2% of the Group's segmental profit.

Mainland China and Macau

The percentage contribution of Mainland China and Macau to the Group's total revenue rose from 21.2% in FY2012 to 22.7% in FY2013. However, sales in this region showed the decrease of 28.0% to HK$170.3 million from HK$236.6 million in the last year.

The market in Mainland China and Macau chalked up the strongest growth in segmental profit recording a segmental profit of HK$90.8 million, up 10.8% from HK$81.9 million in FY2012.

Other Asian locations

The Group's other Asian territories (i.e. Taiwan and Singapore) remained profitable. The segment recorded revenue of HK$50.5 million, 5.1% higher than HK$48.1 million in FY2012.

This region's contribution to the Group's total revenue also increased to 6.8% against 4.3% of Group total revenue in the previous year. However, segmental profit decreased 21.3% to HK$14.8 million from HK$18.8 million in FY2012.

PROSPECTS

Looking forward, though the economic outlook for the Greater China region is not expected to achieve a tremendous growth. Asia should continue to power ahead in the global luxury retail industry.

According to Bloomberg news dated May 28, 2013 "China agreed to cut import tariffs on Swiss watches by 60 percent in 10 years as the two nations seek to expand trade, a move that may boost sales by retailers...... The reductions will take effect after the countries sign a free-trade agreement, which may take place in July, Assistant Commerce Minister Yu Jianhua said in a briefing in Beijing yesterday. The duties will be cut by 18 percent in the first year and around 5 percent in each of the following nine years, according to a transcript posted on the ministry's website." As the two nations seek to expand trade relations, we believe that the market for Swiss watch brands is promising and will be beneficial for luxury watch retail in China.

The Group will continue to identify and leverage opportunities in Asia's economic landscape to increase its market share and extend its distribution network. The Group has been working on opening up more locations within the extensive networks of Chow Tai Fook Jewellery Company Limited and Hengdeli International Company Limited which will enable our brands to access to prime locations with high visibility in the Greater China region.

With its gearing-free status, the Group will pursue to exercise prudence in managing its expenditures in order to maximise its return on capital. In the meantime, it will continue to strengthen its brands and seize opportunities for business expansion in the Asian economic landscape so as to extend our leadership position in our core markets as well as delivering positive returns to our shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 March 2013, the Group had fixed bank deposits and cash and bank balances totalling HK$333.3 million against HK$414.3 million as at 31 March 2012. The Group remains debt free, with no outstanding bank loans.

The Group finances its operations and investing activities with internally generated cash flows. The Group's net current asset rose 27.0% from HK$395.4 million as at 31 March 2012 to HK$502.3 million as at 31 March 2013. It was also a 15.4% improvement when compared with HK$435.2 million recorded on 30 September 2012. The Directors believe the Group's existing financial resources are sufficient to fulfil its commitments and current working capital requirements.

CAPITAL STRUCTURE AND FOREIGN EXCHANGE EXPOSURE

The income of the Group is mainly denominated in Hong Kong Dollars and the Group has adequate recurring cash flow to meet its working capital needs.

The Group recorded a realised exchange loss of HK$4.1 million in FY2013 against a realised loss of HK$33.0 million in FY2012. In addition, the Group registered an unrealised exchange gain of about HK$3.3 million in FY2013 against HK$12.8 million in FY2012. Besides, in FY2013, the Group recorded HK$4.7 million gain on fair value change of derivative financial instruments, while HK$4.9 million loss on fair value change of derivative financial instruments was booked last year.

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

CHARGE ON ASSETS

The Group did not have any charge on its assets as at 31 March 2013 (31 March 2012: Nil).

SIGNIFICANT ACQUISITION OF SUBSIDIARY

No significant acquisition of subsidiary was made in the current year.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

There was no definite future plan for material investments and acquisition of material capital assets as at 31 March 2013.

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 31 March 2013 (31 March 2012: Nil).

STAFF AND EMPLOYMENT

As at 31 March 2013, the Group's work force stood at 95 including Directors (31 March 2012: 86). The increase was mainly due to the need for more staff to better support the business operations. Employees were paid at market rates with discretionary bonus and medical benefits, covered under the mandatory provident fund scheme.

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of the Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 March 2013, except for the following deviations.

Code Provision A.1.3 of the CG Code

Under this code provision, 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, certain regular Board meetings were 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 Board meetings were held with a shorter notice period than required with the consent of all the Directors for that time being. The Board will do its best endeavours to meet the requirement of code provision A.1.3 of the CG Code in future.

Code Provision A.6.5 of the CG Code

Under this code provision, all directors should, with effect from 1 April 2012, participate in continuous professional development to develop and refresh their knowledge and skills, and should provide a record of the training they received to the issuer.

Mr. Tay Liam Wee, Mr. Chau Kwok Fun, Kevin, Ms. Tay Liam Wuan, Mr. Batchelor, John Howard, Mr. Lew, Victor Robert, Dr. King Roger and Mr. Lam Man Bun, Alan resigned on 19 June 2012. Mr. Chang Hoi Nam, who was appointed on 19 June 2012, retired at the annual general meeting held on 18 September 2012. The Company has received from each existing director their record of training for the year ended 31 March 2013.

Code Provision A.6.7 of the CG Code

Under this code provision, independent non-executive directors and non-executive directors should attend general meetings.

Mr. Chang Hoi Nam, an Independent Non-executive Director, had not attended the annual general meeting of the Company for 2012 due to his other business engagement and retired from the Board at the conclusion of the said annual general meeting.

In addition to the above deviations, during the period from 19 June 2012 to 12 July 2012, the Company did not have a chairman and a chief executive. Due to the change in control of the Company after the Completion (as defined in the composite document of the Company dated 28 May 2012), the Board appointed three new members to the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee on 19 June 2012 to fill the vacancies left by then resigned Directors. Following their appointments, the new Nomination Committee members spent time to have the structure, size and composition of the Board reviewed. On 13 July 2012, the Board appointed Mrs. Chu Yuet Wah as the Chairman and Mr. Chu, Kingston Chun Ho as the Vice Chairman and Managing Director of the Company on the recommendations of the Nomination Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, the Company confirmed that the Directors have complied with the required standard set out in the Model Code during the year ended 31 March 2013.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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 during the year.

MANDATORY CASH OFFER, PLACING AND PUBLIC FLOAT

On 21 February 2012, Sincere Holdings Limited as vendor, Be Bright Limited as offeror and Mrs. Chu Yuet Wah as guarantor entered into a Share Purchase Agreement ("SPA"), pursuant to which Be Bright Limited agreed to purchase and Sincere Holdings Limited agreed to sell and/or procure the sale of 100% of the issued share capital of the Company's immediate holding company, Sincere Watch Limited, subject to conditions and completion as more particularly disclosed in the joint announcement of the Company and Be Bright Limited dated 29 March 2012. Should the SPA be completed, Be Bright Limited will be obliged to make a mandatory cash offer for all the issued shares in the Company (other than those shares already owned by or agreed to be acquired by Be Bright Limited and parties acting in concert with it). The SPA was completed on 21 May 2012. Subsequent to the completion of the SPA, the mandatory cash offer ("Offer") commenced on 28 May 2012 and closed on 18 June 2012. Upon the close of the Offer, 41,440,900 shares, representing approximately 10.16% of the entire issued share capital of the Company, remained in public hands. On 27 June 2012, Be Bright Limited completed a placing of 60,559,100 shares ("Placing"), representing approximately 14.84% of the entire issued share capital of the Company to not less than six independent investors. Immediately after completion of the Placing, a total of 102,000,000 shares, representing 25% of the entire issued share capital of the Company, were held by the public. As such, the public float of the Company was restored to 25% of the issued share capital of the Company in compliance with Rule 8.08(1)(a) of the Listing Rules with effect from the completion of the Placing. Further details in relation to the above transactions are referred to, respectively, in the relevant announcements and circular of the Company published on the websites of the Stock Exchange and the Company.

CLOSURE OF REGISTER OF MEMBERS AND PAYMENT OF DIVIDENDS

The register of members of the Company will be closed from 11 September 2013 to 13 September 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement to attend and vote at the forthcoming annual general meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 10 September 2013.

The register of members of the Company will also be closed from 25 September 2013 to 27 September 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 24 September 2013. The proposed final dividend (the payment of which is subject to the shareholders' approval at the annual general meeting of 13 September 2013) will be payable on or about 11 October 2013 to the shareholders whose names appear on the register of members of the Company on 27 September 2013. The shares of the Company will trade ex-dividend on 23 September 2013.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Lau Man Tak (Chairman of the Audit Committee), Ms. Lo Miu Sheung, Betty and Dr. Wong Yun Kuen. The Group's audited financial statements for the year ended 31 March 2013 have been reviewed by the Audit Committee.

By order of the Board
Sincere Watch (Hong Kong) Limited
Chu Yuet Wah
Chairman

21 June 2013

As at the date of the announcement, the Executive Directors are Mrs. Chu Yuet Wah (Chairman) and Mr. Chu, Kingston Chun Ho (Vice Chairman and Managing Director); and the Independent Non-executive Directors are Mr. Lau Man Tak, Ms. Lo Miu Sheung, Betty and Dr. Wong Yun Kuen.