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 2014

FINANCIAL HIGHLIGHTS

- Turnover for the financial year ended 31 March 2014 ("FY2014") decreased by 13.5% from HK$749,183,000 to HK$648,013,000 when compared with last financial year ("FY2013").

- Gross margin decreased from 39.7% to 38.8%. Gross profit for this financial year decreased from HK$297,583,000 to HK$251,255,000.

- Impairment loss recognised on goodwill arising from acquisition of Sincere Watch Company Limited in Taiwan in 2006 amounted to HK$8,092,000 (FY2013: nil).

- The realised foreign exchange loss for the year was HK$11,387,000 as compared with HK$4,060,000 last year. The unrealised foreign exchange loss of this financial year was HK$2,660,000 as compared with HK$3,347,000 gain of last financial year.

- Net profit for FY2014 was HK$52,074,000 (FY2013: HK$118,853,000).

- Earnings per share was 12.8 HK cents for this financial year and 29.1 HK cents for last financial year.

- The Board has recommended the payment of a final dividend for the year ended 31 March 2014 of 4 HK cents (FY2013: 8 HK cents) per share amounting to HK$24,480,000 (FY2013: 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 2014 ("2014"), together with the audited comparative figures for the corresponding year ended 31 March 2013 ("2013").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014

	NOTES	**2014** *HK$'000*	2013 *HK$'000*
Turnover	*3*	**648,013**	749,183
Cost of sales		**(396,758)**	(451,600)
Gross profit		**251,255**	297,583
Other income		**2,765**	1,435
Selling and distribution costs		**(43,694)**	(41,793)
General and administrative expenses		**(126,628)**	(120,180)
Impairment loss recognised on goodwill		**(8,092)**	–
Profit before taxation, exchange (loss) gain and gain on fair value change of derivative financial instruments		**75,606**	137,045
Realised exchange loss		**(11,387)**	(4,060)
Unrealised exchange (loss) gain		**(2,660)**	3,347
Gain on fair value change of derivative financial instruments		**917**	4,664
Profit before taxation		**62,476**	140,996
Income tax expense	*4*	**(10,402)**	(22,143)
Profit for the year	*5*	**52,074**	118,853
Other comprehensive expense			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(855)**	(526)
Total comprehensive income for the year, attributable to owners of the Company		**51,219**	118,327
Earnings per share	*7*		
— basic		**12.8 HK cents**	29.1 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2014

	NOTES	**2014** **HK$'000**	2013 *HK$'000*
Non-current assets			
Property, plant and equipment		**40,637**	31,539
Intangible assets		**–**	8,092
Deferred tax assets		**14,225**	12,657
		54,862	52,288
Current assets			
Inventories		**436,339**	423,747
Trade and other receivables	*8*	**92,376**	123,984
Amount due from immediate holding company		**572**	–
Amount due from a fellow subsidiary		**–**	5,754
Derivative financial instruments		**722**	–
Taxation recoverable		**10,129**	699
Bank balances and cash		**316,115**	333,281
		856,253	887,465
Current liabilities			
Trade and other payables	*9*	**330,474**	378,303
Amount due to immediate holding company		**–**	55
Amount due to a fellow subsidiary		**1,334**	–
Derivative financial instruments		**–**	195
Taxation payable		**6,157**	6,629
		337,965	385,182
Net current assets		**518,288**	502,283
Total assets less current liabilities		**573,150**	554,571
Net assets		**573,150**	554,571
Capital and reserves			
Share capital		**40,800**	40,800
Reserves		**532,350**	513,771
Equity attributable to owners of the Company		**573,150**	554,571

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

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 ("HK$") which is also the functional currency of the Company.

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

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, 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.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have same similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an assets as the price that would be received to sell an asset (or paid to transfer a liability in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. The application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are 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 have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRS issued but not yet effective

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 2010–2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[6]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[6]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HKFRS 14	Regulatory Deferral Accounts[5]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
6 Effective for annual periods beginning on or after 1 January 2016.

Amendments to HKAS 36 Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

The directors of the Company anticipate that the application of other HKFRSs will have no material impact on the results and the financial positions of the Group.

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 2014

	Hong Kong	**Mainland China and Macau**	**Other Asian locations**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000*** *(Note)*	***HK$'000***
REVENUE				
External sales	**447,658**	**164,949**	**35,406**	**648,013**
RESULT				
Segment result	**152,745**	**77,557**	**10,665**	**240,967**
Impairment loss recognised on goodwill				**(8,092)**
Realised exchange loss				**(11,387)**
Unrealised exchange loss				**(2,660)**
Gain on fair value change of derivative financial instruments				**917**
Unallocated expenses				**(160,034)**
Unallocated income				**2,765**
Profit before taxation				**62,476**

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

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:

	2014	2013
	HK$'000	*HK$'000*
Customer A	**102,099**	110,832
Customer B	**88,499**	77,957

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:

	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**24,138**	14,658
Mainland China and Macau	**15,059**	13,911
Taiwan	**1,440**	11,062
	40,637	39,631

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

	2014	2013
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
Hong Kong	**(6,622)**	(16,529)
Other jurisdictions	**(5,382)**	(5,993)
	(12,004)	(22,522)
Overprovision (Underprovision) in prior years:		
Hong Kong	**–**	(118)
Other jurisdictions	**16**	(1)
	16	(119)
Deferred tax credit		
Current year	**1,586**	498
	(10,402)	(22,143)

Hong Kong Profits Tax is calculated at 16.5% (2013: 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

	2014	2013
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' remuneration	**7,880**	13,464
Other staff costs	**28,663**	27,893
Other staff's retirement benefits scheme contributions	**669**	632
Total staff costs	**37,212**	41,989
Auditor's remuneration	**871**	799
Depreciation of property, plant and equipment	**18,863**	14,891
Minimum lease payments in respect of rented premises	**51,540**	41,891
Cost of inventories recognised as an expense (including write-down of inventories HK$7,906,000 (2013: HK$5,694,000))	**396,758**	451,600
Loss on write-off of property, plant and equipment	**306**	1,096
Impairment loss recognised on goodwill	**8,092**	–
and after crediting:		
Interest income	**2,625**	1,435
Gain on disposal of property, plant and equipment	**140**	–

6. DIVIDEND

During the year ended 31 March 2014, HK$32,640,000 final dividend for the year ended 31 March 2013 was declared and paid (2013: nil).

The Board has proposed the payment of a final dividend for the year ended 31 March 2014 of HK$0.04 per share (2013: HK$0.08 per share) amounting to HK$24,480,000 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$52,074,000 (2013: HK$118,853,000) and on the number of shares of 408,000,000 (2013: 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

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**52,462**	98,863
Other receivables, deposits and prepayments	**39,914**	25,121
	92,376	123,984

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 presented based on the invoice dates at the end of the reporting period, which approximated to the respective revenue recognition dates:

	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**29,058**	60,571
31–90 days	**23,404**	34,763
91–120 days	**–**	194
Over 120 days	**–**	3,335
	52,462	98,863

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 nil (2013: HK$3,529,000) 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.

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

	2014	2013
	HK$'000	*HK$'000*
91–120 days	**–**	194
Over 120 days	**–**	3,335
	–	3,529

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

	2014	2013
	HK$'000	*HK$'000*
Balance at beginning of the year	**–**	484
Written off during the year	**–**	(484)
Balance at end of the year	**–**	–

9. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**229,578**	291,647
Other payables and accrued charges	**100,896**	86,656
	330,474	378,303

The following is an aged analysis of trade payables:

	2014	2013
	HK$'000	*HK$'000*
Within 90 days	**63,803**	146,254
91 days–365 days	**165,775**	145,393
	229,578	291,647

The amount of trade payables above includes amounts of approximately HK$228,334,000 (2013: HK$291,238,000) and HK$1,244,000 (2013: HK$409,000) 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 2014 ("FY2014") decreased 13.5% from HK$749.2 million to HK$648.0 million when compared with last financial year ("FY2013").

Gross profit dropped by 15.6% from HK$297.6 million in FY2013 to HK$251.3 million in FY2014. The gross profit margin dropped from 39.7% to 38.8%.

Impairment loss recognised on goodwill arising from acquisition of Sincere Watch Company Limited in Taiwan in 2006 amounted to HK$8,092,000 (FY2013: nil).

The Group reported a realised foreign exchange loss of HK$11.4 million in FY2014 against a realised foreign exchange loss of HK$4.1 million in FY2013. The unrealised foreign exchange loss was HK$2.7 million in FY2014 as compared with HK$3.3 million gain in FY2013. There was HK$0.9 million gain on fair value change of derivative financial instruments in FY2014 against HK$4.7 million gain in FY2013.

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 on fair value change of derivative financial instruments, the Group's profit before tax was HK$75.6 million, 44.8% down from HK$137.0 million for FY2013.

Selling and distribution costs increased 4.5% from HK$41.8 million last year to HK$43.7 million mainly due to higher advertising and promotion expenses. General and administrative expenses increased 5.4% from HK$120.2 million last year to HK$126.6 million mainly due to increased rental expenses.

Net profit dropped 56.2% from HK$118.9 million in FY2013 to HK$52.1 million in FY2014.

Earnings per share dropped to 12.8 HK cents in FY2014 from 29.1 HK cents in FY2013. Net asset value per share rose 3.4% from 135.9 HK cents as at 31 March 2013 to 140.5 HK cents as at 31 March 2014.

Trade receivables as at 31 March 2014 decreased by 46.9% from 98.9 million to 52.5 million when compared with last year.

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 continued to enhance its position in North Asia by developing its distribution network with a prime focus on China. In addition to the subsidiary in Shanghai, another subsidiary in Beijing has been set up and commenced its business in January 2014. The Group has also consistently embarked on niche marketing initiatives to grow brand awareness and desirability of its global watch brands. This included several unique events in our major 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 63 retail points of sales and 13 boutiques, making a total of 76 points (same as 76 as at the end of March 2013).

The 69 watch retail outlets in the region are run by 29 independent watch dealers throughout our markets in North Asia.

During the year under review, the Group actively explored every opportunity to open up new retail points of sales in Hong Kong, Taiwan and the PRC. New points of sales were added in Hong Kong through Chow Tai Fook Jewellery Company Limited and Prince Jewellery & Watch Company, in the PRC through Chow Tai Fook Jewellery Company Limited and Dalian Dashang Jinhua Watch Company Limited and in Taiwan through Yung Hsin Watch Company Limited.

In Mainland China, the Group has established closer ties with Chow Tai Fook Jewellery Co. Ltd. which aims 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. As such, we have conducted several brand enhancement activities to reinforce our brand leadership with product imagery and focused product placements in relevant media.

In October 2013, the Group participated in a joint event with one of our prestige retail partners, Oriental Watch, at Shatin race course. A dedicated exhibition area displayed the latest novelties alongside to highlight the Thunderbolt Tourbillon, the revolutionary masterpiece with the world's fastest Tourbillon. A fashion runway show was carried out with models showcasing the Infinity Ronde in red gold with full set diamonds, a fine jewellery creation.

In November 2013, in Beijing, the Group hosted a private VIP viewing event at Beijing World Trade Boutique. Guests enjoyed an exclusive champagne shopping experience while listening to a live violin performance inside the boutique for a relaxing afternoon. In the same month, the Group organised an educational seminar and cocktail reception at Tianjin Friendship Plaza Boutique together with two event partners: CitiBank and Shinyway Education. An educational seminar was hosted by Shinyway Education, followed by Franck Muller brand introduction, and a "touch and feel" session of the luxury timepieces. A lucky draw of Franck Muller souvenirs was offered to their VIPs as a token of appreciation.

In Hong Kong, the Group organised an in-store cocktail event at St. George's Building Boutique in January 2014. The guests had the chance to preview the latest novelties, highlighting the Thunderbolt Tourbillon as well as the Crazy Hours 10th anniversary edition. They were being served with quality canapés and a chance to taste one of the finest vintage Krug Champagne. A group of high net worth VIPs attended the event and they were invited by our event partner, International Finance Capital Group Limited.

Performance by geographical markets

All of the Group's markets remained profitable although total sales decreased.

Hong Kong, Mainland China and Macau remained the key revenue drivers, contributing together HK$612.6 million which accounted for 94.5% of the Group's total turnover in FY2014.

Hong Kong

Hong Kong continues to be the Group's major market, accounting for 69.1% of the Group's revenue in FY2014. Performance in this market recorded a decrease in revenue by HK$80.7 million, or 15.3% from HK$528.4 million in the previous year to HK$447.7 million in this year.

Hong Kong recorded segmental profit of HK$152.7 million which dropped 15.8% when compared with last year. This market accounted for 63.4% 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 22.7% in FY2013 to 25.4% in FY2014. However, sales in this region showed the decrease of 3.1% to HK$164.9 million from HK$170.3 million in the last year.

The market in Mainland China and Macau recorded a decrease in segmental profit by HK$13.3 million, or 14.6% to HK$77.6 million in FY2014.

Other Asian locations

The Group's other Asian territories (i.e. Taiwan and Singapore) remained profitable. The segment recorded revenue of HK$35.4 million, 29.9% lower than HK$50.5 million in FY2013.

This region's contribution to the Group's total revenue decreased to 5.5% against 6.8% of the Group's total revenue in the previous year. Segmental profit decreased 27.9% to HK$10.7 million from HK$14.8 million in FY2013.

PROSPECTS

Asia is expected to continue to take the lead in the global luxury retail industry, although the economic outlook for the greater China region is not expected to achieve a tremendous growth.

The Group will continue to pursue marketing and brand enhancement activities in the region. To increase its market share and extend its distribution network, the Group has been working on opening up more locations within the extensive network of Chow Tai Fook Jewellery Company Limited which will enable our brands to access to prime locations with high visibility and strong retail networking. In Hong Kong, the Group has opened its flagship boutique in Causeway Bay which commenced its business in April 2014.

The Group will pursue to exercise prudence in managing its expenditures in order to maximise its return on capital. With its continued brand strength and established reputation, the Group will continue to seize opportunities for business expansion in our major markets so as to extend our leadership position and deliver positive returns to our shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 March 2014, the Group had fixed bank deposits and cash and bank balances totalling HK$316.1 million against HK$333.3 million as at 31 March 2013. The Group has no outstanding bank loan. The proceeds raised from the rights issue in April 2014 amounted to approximately HK$122.4 million.

The Group finances its operations and investing activities with internally generated cash flows. The Group's net current asset rose 3.2% from HK$502.3 million as at 31 March 2013 to HK$518.3 million as at 31 March 2014. 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$11.4 million in FY2014 against a realised loss of HK$4.1 million in FY2013. In addition, the Group registered an unrealised exchange loss of about HK$2.7 million in FY2014 against HK$3.3 million gain in FY2013. Besides, in FY2014, the Group recorded HK$0.9 million gain on fair value change of derivative financial instruments, while HK$4.7 million gain 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 2014 (31 March 2013: 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 2014.

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 31 March 2014 (31 March 2013: Nil).

STAFF AND EMPLOYMENT

As at 31 March 2014, the Group's work force stood at 116 including Directors (31 March 2013: 95). 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 throughout the year ended 31 March 2014, except for the following deviation.

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 aforesaid regular Board meetings were 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 future.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 March 2014.

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.

EVENT AFTER THE REPORTING PERIOD

On 4 March 2014, the Company proposed to raise approximately HK$122.4 million (before expenses) by way of the rights issue of 204,000,000 rights shares at a subscription price of HK$0.60 per rights share on the basis of one rights share for every two shares held on the record date, which is 18 March 2014. The share certificates for the rights shares in respect of the valid acceptances of the rights shares and successful applications for excess rights shares were despatched to the allottees on 14 April 2014. Details of the rights issue and the results of rights issue are set out in the announcements of the Company dated 4 March 2014 and 11 April 2014 and the prospectus of the Company dated 20 March 2014 respectively.

CLOSURE OF REGISTER OF MEMBERS AND PAYMENT OF DIVIDENDS

The register of members of the Company will be closed from 20 August 2014 to 22 August 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 19 August 2014.

The register of members of the Company will also be closed from 3 September 2014 to 5 September 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30

p.m. on 2 September 2014. The proposed final dividend (the payment of which is subject to the shareholders' approval at the annual general meeting of 22 August 2014) will be payable on or about 19 September 2014 to the shareholders whose names appear on the register of members of the Company on 5 September 2014. The shares of the Company will trade ex-dividend on 1 September 2014.

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 2014 have been reviewed by the Audit Committee.

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

Hong Kong, 26 June 2014

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.