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SINCERE WATCH (HONG KONG) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 444)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

FINANCIAL HIGHLIGHTS

- Turnover for the financial year ended 31 March 2017 ("FY2017") increased by 17.5% from HK$303,400,000 to HK$356,553,000 when compared with last financial year ("FY2016").

- Gross margin increased from 23.4% to 33.2%. Gross profit for this financial year increased from HK$71,135,000 to HK$118,370,000.

- The realised foreign exchange gain for the year was HK$2,050,000 and was HK$316,000 last year. The unrealised foreign exchange loss of this financial year was HK$2,357,000 and was HK$435,000 last financial year.

- Loss for FY2017 was HK$158,935,000 (FY2016: HK$143,491,000), mainly due to the impairment on the Group's available-for-sale investments to reflect the decrease in fair value of the equity instruments.

- Loss per share was 3.43 HK cents for this financial year and was 3.48 HK cents for last financial year.

- The Board does not recommend the payment of a final dividend for the year ended 31 March 2017 (FY2016: Nil).

FINANCIAL RESULTS

The board (the "Board") of directors (the "Directors") of Sincere Watch (Hong Kong) Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2017 ("2017"), together with the audited comparative figures for the corresponding year ended 31 March 2016 ("2016").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	NOTES	**2017** ***HK$'000***	2016 *HK$'000*
Turnover	*3*	**356,553**	303,400
Cost of sales		**(238,183)**	(232,265)
Gross profit		**118,370**	71,135
Other income		**4,963**	8,600
Gain on disposal of available-for-sale investments		**4,890**	2,723
Impairment on available-for-sale investments		**(92,584)**	(8,982)
Provision of impairment loss on property, plant and equipment		**(4,740)**	(11,093)
Selling and distribution costs		**(102,274)**	(96,579)
General and administrative expenses		**(85,883)**	(89,037)
Loss before taxation, exchange gain/(loss), increase/(decrease) in fair value of investment properties and loss on fair value change of derivative financial instruments		**(157,258)**	(123,233)
Realised exchange gain		**2,050**	316
Unrealised exchange loss		**(2,357)**	(435)
Fair value change of investment properties		**6,769**	(1,354)
Loss on fair value change of derivative financial instruments		**(4,290)**	(1,157)
Loss before taxation		**(155,086)**	(125,863)
Income tax expense	*4*	**(3,849)**	(17,628)
Loss for the year	*5*	**(158,935)**	(143,491)
Other comprehensive expense, net of tax			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(14,509)**	(2,747)
Fair value gain on available-for-sale investments		**2,307**	31,191
Release of investment revaluation reserve to profit or loss upon disposal of available-for-sale investments		**(4,890)**	(2,723)
Release of investment revaluation reserve to profit or loss for impairment loss on available-for-sale investments		**16,304**	–
Other comprehensive (expense)/income for the year		**(788)**	25,721
Total comprehensive expense for the year		**(159,723)**	(117,770)
Loss per share	*7*		
— basic and diluted		**(3.43 HK cents)**	(3.48 HK cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	NOTES	**2017** ***HK$'000***	2016 *HK$'000*
Non-current assets			
Property, plant and equipment		**12,282**	6,678
Investment properties	*8*	**338,489**	352,262
Available-for-sale investments	*10*	**69,300**	–
Deposit paid for acquisition of property, plant and equipment		**–**	4,023
		420,071	362,963
Current assets			
Inventories		**353,409**	412,685
Trade and other receivables	*9*	**61,962**	61,622
Amounts due from related parties		**1,362**	67
Derivative financial instruments		**–**	324
Available-for-sale investments	*10*	**198,535**	318,087
Bank balances and cash		**238,807**	522,443
Taxation receivable		**68**	–
		854,143	1,315,228
Current liabilities			
Trade and other payables	*11*	**169,359**	575,629
Amounts due to related parties		**–**	2,331
Derivative financial instruments		**1,472**	–
Taxation payable		**–**	1,480
		170,831	579,440
Net current assets		**683,312**	735,788
Total assets less current liabilities		**1,103,383**	1,098,751
Deferred tax liabilities		**1,692**	–
Net assets		**1,101,691**	1,098,751
Capital and reserves			
Share capital	*12*	**99,640**	83,040
Reserves		**1,002,051**	1,015,711
Total equity		**1,101,691**	1,098,751

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2017 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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 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")

Adoption of new/revised HKFRSs — effective 1 April 2016

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").

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

The application of the above new Interpretation and amendments to HKFRSs in the current year has had 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.

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

The following new/revised HKFRSs, potentially relevant to the Group's 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.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Income Taxes[1]
Amendments to HKFRS 2	Classification and measurement of Share-Based Payment Transactions[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

Amendments to HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 — Income Taxes

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

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.

HKFRS 9 — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at FVTOCI if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

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.

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps 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

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.

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.

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 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 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.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

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 financial statements.

3. SEGMENT INFORMATION

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

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, depreciation, rental expenses, freight charges, credit card charges, commissions paid to staff, 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 2017

	Watch distribution and dining business			Property investment	
	Hong Kong *HK$'000*	**Mainland China and Macau** *HK$'000*	**Other Asian locations** *HK$'000* *(Note)*	**Mainland China** *HK$'000*	**Consolidated** *HK$'000*
REVENUE					
External sales	**201,665**	**121,490**	**17,477**	**15,921**	**356,553**
RESULT					
Segment result	**37,293**	**57,845**	**3,234**	**15,921**	**114,293**
Realised exchange gain					**2,050**
Unrealised exchange loss					**(2,357)**
Fair value change of investment properties					**6,769**
Loss on fair value change of derivative financial instruments					**(4,290)**
Unallocated expenses					**(281,404)**
Unallocated income					**9,853**
Loss before taxation					**(155,086)**

Year ended 31 March 2016

	Watch distribution and dining business			
	Hong Kong *HK$'000*	Mainland China and Macau *HK$'000*	Other Asian locations *HK$'000* *(Note)*	Consolidated *HK$'000*
REVENUE				
External sales	207,038	72,465	23,897	303,400
RESULT				
Segment result	20,835	38,922	7,991	67,748
Realised exchange gain				316
Unrealised exchange loss				(435)
Fair value change of investment properties				(1,354)
Loss on fair value change of derivative financial instruments				(1,157)
Unallocated expenses				(199,581)
Unallocated income				8,600
Loss before taxation				(125,863)

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

Note: Other Asian locations include Singapore and Taiwan.

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:

	2017 ***HK$'000***	2016 *HK$'000*
Customer A	**56,305**	36,621
Customer B	**51,081**	35,377

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

Revenue from major operations

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

	2017 ***HK$'000***	2016 *HK$'000*
Distribution of branded luxury watches, timepieces and accessories	**334,753**	296,712
Property investment	**15,921**	–
Dining business	**5,879**	6,688
	356,553	303,400

Other segment information

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

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**71,744**	–
Mainland China and Macau	**348,327**	362,963
	420,071	362,963

4. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
Hong Kong	**–**	283
Other jurisdictions	**1,893**	1,105
	1,893	1,388
Under/(over) provision in prior years		
Hong Kong	**391**	(20)
Other jurisdictions	**(165)**	(55)
	226	(75)
Deferred tax charge/(credit)		
Current year	**1,730**	(2,502)
Reversal	**–**	18,817
	3,849	17,628

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profit for the year. During the year ended 31 March 2017, no deferred tax asset has been recognised in respect of certain unused tax losses due to the unpredictability of future profit streams. During the year ended 31 March 2016, the Group reversed the carrying amount of deferred tax assets by HK$18,817,000 as it is uncertain when will sufficient taxable profit be available to allow the benefit of the deferred tax asset to be utilized.

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

5. LOSS FOR THE YEAR

	2017	2016
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Directors' remuneration	**16,747**	6,775
Other staff costs	**35,156**	34,967
Other staff's retirement benefits scheme contributions	**916**	805
Total staff costs	**52,819**	42,547
Auditor's remuneration	**1,090**	955
Depreciation of property, plant and equipment	**8,192**	18,732
Minimum lease payments in respect of rented premises *(Note)*	**73,175**	75,206
Cost of inventories recognised as an expense (including write-down of inventories HK$28,590,000 (2016: HK$40,778,000))	**238,183**	232,265
Direct operating expenses arising from investment property that generated rental income during the year	**222**	–
and after crediting:		
Interest income	**467**	7,889
Gain on disposal of property, plant and equipment	**–**	517

Note: The minimum lease payments in respect of rental premises excluded contingent rent of HK$1,823,000 for the year ended 31 March 2017 (2016: HK$210,000). Contingent rent was charged by the lessors if certain percentage of turnover of the related boutiques reached the minimum levels as agreed under the tenancy agreements.

6. DIVIDEND

During the year ended 31 March 2017, no final dividend for the year ended 31 March 2016 was declared and paid (2016: no final dividend declared and paid in respect of the year ended 31 March 2015).

The Board does not propose the payment of a final dividend for the year ended 31 March 2017. In respect of the year ended 31 March 2016, the Board did not propose the payment of a final dividend.

7. 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:

	2017	2016
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted earnings per share	**(158,935)**	(143,491)

	2017	2016
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**4,631,808**	4,123,562

Diluted loss per share for the year ended 31 March 2017 and 2016 are the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the period.

8. INVESTMENT PROPERTIES

	HK$'000
At 1 April 2015	–
Additions	353,616
Fair value change	(1,354)
At 31 March 2016	352,262
Fair value change	6,769
Exchange realignment	(20,542)
At 31 March 2017	338,489

The fair value of the Group's investment properties as at 31 March 2017 have been arrived at on the basis of valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL") on 20 June 2017. 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 2017 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 2017.

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:

	2017 ***HK$'000***	2016 *HK$'000*
At 1 April (level 3 recurring fair value)	**352,262**	–
Addition	**–**	353,616
Increase/(decrease) in fair value recognised in profit or loss	**6,769**	(1,354)
Exchange realignment	**(20,542)**	–
At 31 March (level 3 recurring fair value)	**338,489**	352,262

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

Rental income of HK$15,921,000 from investment properties was recognised during the year ended 31 March 2017 (2016: Nil).

As at 31 March 2017, none of the investment properties were pledged.

9. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**27,372**	27,252
Other receivables, deposits and prepayments	**34,590**	34,370
	61,962	61,622

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:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**14,572**	15,752
31–90 days	**8,227**	11,486
91–120 days	**4,573**	14
	27,372	27,252

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.

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

	2017	2016
	HK$'000	*HK$'000*
91–120 days	**4,573**	14

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.

10. AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
	HK$'000	*HK$'000*
Listed equity securities in Hong Kong	**267,835**	318,087
Classified as		
Non-current asset	**69,300**	–
Current asset	**198,535**	318,087
	267,835	318,087

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

	HK$'000
As at 1 April 2015	40,800
Acquired during the year	301,094
Disposal during the year	(43,293)
Impairment on available-for-sale investments	(8,982)
Net change in fair value recognised in other comprehensive income	31,191
Release of investment revaluation reserve to profit or loss upon disposal of available-for-sale investments	(2,723)
As at 31 March 2016	318,087
Acquired during the year	48,650
Disposal during the year	(20,039)
Impairment on available-for-sale investments	(92,584)
Net change in fair value recognised in other comprehensive income	2,307
Release of investment revaluation reserve to profit or loss upon disposal of available-for-sale investments	(4,890)
Release of investment revaluation reserve to profit or loss for impairment loss on available-for-sale investments	16,304
As at 31 March 2017	267,835

All available-for-sale investments were measured at fair value. When impairment of an 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 2017, HK$92,584,000 of impairment on available-for-sale investments was charged to profit or loss directly as the decline in fair value was significant or prolonged (2016: HK$8,982,000).

11. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**79,344**	146,492
Other payables and accrued charges	**90,015**	429,137
	169,359	575,629

The following is an aged analysis of trade payables:

	2017	2016
	HK$'000	*HK$'000*
Within 90 days	**23,380**	36,969
91 days–365 days	**55,559**	107,599
Over 365 days	**405**	1,924
	79,344	146,492

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

	2017	2016
	HK$'000	*HK$'000*
Denominated in CHF	**78,518**	146,128
Denominated in EUR	**710**	89
Denominated in RMB	**–**	174
Denominated in NTD	**–**	11

12. SHARE CAPITAL

	Number of Shares	**Share capital**
		HK$'000
Authorised:		
At 31 March 2016 and 2017		
Ordinary shares of HK$0.02 each	20,000,000,000	400,000
Issued and fully paid:		
At 1 April 2015		
Ordinary shares of HK$0.02 each	3,460,000,000	69,200
Placing of shares *(Note i)*	692,000,000	13,840
At 31 March 2016		
Ordinary Shares of HK$0.02 each	4,152,000,000	83,040
Placing of shares *(Note ii)*	830,000,000	16,600
At 31 March 2017	4,982,000,000	99,640

Notes:

(i) On 29 March 2015, the Company entered into the placing agreement, pursuant to which 692,000,000 new shares of the Company would be placed to independent investors at the placing price of HK$0.61 per share. The completion of the placing took place on 16 April 2015.

(ii) On 9 August 2016, the Company entered into the placing agreement, pursuant to which 830,000,000 new shares of the Company would be placed to independent investors at the placing price of HK$0.20 per share. The completion of the placing took place on 2 September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's turnover for the year ended 31 March 2017 increased by 17.5% from HK$303.4 million to HK$356.6 million when compared with last financial year.

Gross profit increased by 66.4% from HK$71.1 million in FY2016 to HK$118.4 million in FY2017. The gross margin increased from 23.4% to 33.2%.

Selling and distribution costs increased by 5.9% from HK$96.6 million last year to HK$102.3 million mainly due to the higher rental expenses for boutiques. General and administrative expenses decreased by 3.5% from HK$89.0 million last year to HK$85.9 million mainly due to the decrease in professional fee and depreciation expenses.

Realised foreign exchange gain of the Group increased to HK$2.1 million in FY2017 from HK$0.3 million in FY2016. The unrealised foreign exchange loss was HK$2.4 million in FY2017 as compared with HK$0.4 million in FY2016. Fair value change of investment properties was HK$6.8 million in FY2017. There was HK$4.3 million loss on fair value change of derivative financial instruments in FY2017 when compared with HK$1.2 million in FY2016.

Gain on disposal of available-for-sale investments in FY2017 amounted to HK$4.9 million compared to HK$2.7 million in last year, and there was HK$92.6 million impairment loss on available-for-sale investments in FY2017.

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, increase in fair value of investment properties and loss on fair value change of derivative financial instruments, the Group's loss before tax was HK$157.3 million in FY2017 against HK$123.2 million in FY2016.

Net loss was HK$158.9 million in FY2017 as compared to HK$143.5 million in FY2016.

Loss per share was 3.43 HK cents in FY2017 against 3.48 HK cents in FY2016. Net asset value per share was 22.1 HK cents as at 31 March 2017 against 26.5 HK cents as at 31 March 2016.

Trade receivables as at 31 March 2017 remained steady at HK$27.4 million as compared with HK$27.3 million last year.

KEY PERFORMANCE INDICATORS: INVENTORY TURNOVER AND CURRENT RATIO

Inventories as at 31 March 2017 decreased by 14.4% to HK$353.4 million when compared with 31 March 2016. Our Inventory Turnover Period, which is calculated by our Inventories balance divided by our Cost of Sales, improved and decreased from 649 days to 542 days in FY2017.

Our Current Ratio, which is calculated by our Current Assets divided by our Current Liabilities, was 5.0 as at 31 March 2017 (31 March 2016: 2.3). The increase in our Current Ratio is mainly due to the decrease in trade and other payables.

ANALYSIS OF MAJOR CUSTOMERS AND SUPPLIERS

The sales to the top 5 customers amounted to HK$122.3 million in FY2017, representing an increase of 47.3% from HK$83.0 million in FY2016.

Our top 5 customers in FY2017 represented approximately 34.3% of our total revenue as compared to approximately 27.3% in FY2016. Our largest customer accounted for approximately 15.8% of our total revenue in FY2017 as compared to approximately 12.1% in FY2016. Four 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 at least 4 years.

During FY2017, the purchases from the top 5 major suppliers amounted to HK$163.4 million, representing a decrease of approximately 28.3% from HK$227.9 million in FY2016.

Our top 5 suppliers in FY2017 represented approximately 99.5% of our total purchases as compared to approximately 99.1% in FY2016. Our largest supplier accounted for approximately 86.9% of our total purchases in FY2017 as compared to approximately 89.3% in FY2016. 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 53 retail points of sales and 13 boutiques, making a total of 66 points (31 March 2016: 71).

Other than the 11 boutiques run by the Group, the remaining 55 watch retail outlets in the regions are run by 23 independent watch dealers throughout our markets in Hong Kong, Macau, Taiwan and Mainland China.

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 through Global Timepieces and Halewinner Group.

Brand enhancement activities

The Group targets to create and 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 September 2016, Prince Jewellery & Watch Company successfully hosted the 7th edition of World Brand Piazza at the Hong Kong Watch & Clock Fair to exclusively showcase the luxury timepieces from 13 notable watch brands. FRANCK MULLER was once again honored to be invited to be one of the brand partners this year, with a dedicated exhibition area where displayed the latest Vanguard collection to highlight the Vanguard Skeleton Tourbillon — a meticulous skeletonized design that allows watch connoisseur to admire the timepiece entirely. A model presentation was carried out to showcase the dazzling Vanguard Automatic with fully paved diamonds.

Together with 8 renowned luxury watch brands, FRANCK MULLER participated a joint event with Oriental Watch at Sha Tin Racecourse course in October 2016. A fashion runway was carried out by models showcasing the Vanguard Automatic and Vanguard Chronograph with fully paved diamonds. To enrich the partnership, FRANCK MULLER sponsored a Conquistador Chronograph as a prize of the Best Dressed Award.

In November 2016, FRANCK MULLER unveiled its third retail location in Macau at the Wynn Palace. An opening ceremony was held in front of the boutique led by the brand's Asia Pacific Ambassador Mr. Julian Cheung Chi-lam, the award winning actress Ms. Anita Yuen, together with the senior management to unveil the grand opening by a ribbon cutting ceremony. A magnificent gala dinner was followed and graced by over 500 guests, including renowned celebrities and socialites. Taking the theme of "Timeless Garden", a 30 foot "sea of roses" displayed more than 60 exclusive timepieces including the Vanguard Wynn Palace Exclusive, high complication models, the finest jewelry timepiece namely the invisible setting, and many more. Two master watchmakers flew in from Geneva to demonstrate the watchmaking know-how including the dial painting and movement assembling.

Also in November 2016, to celebrate the milestone of the 55th anniversary of Oriental Watch Holdings Limited, FRANCK MULLER presented the ICON, a special edition limited up to 55 pieces worldwide. A private VIP Dinner was co-hosted at the Eighteen Sharp, Maison FRANCK MULLER. Guests enjoyed an exclusive menu designed by the chef, while revelled in a "touch and feel" session of the luxury timepieces highlighting the ICON special edition, alongside with the latest FRANCK MULLER Vanguard novelties.

In January 2017, FRANCK MULLER co-hosted a private dinner with Global Timepieces, one of the esteemed retailer partners, at FRANCESCO by FRANCK MULLER. Guests first gathered for a cocktail reception at the Maison FRANCK MULLER to admire the latest Vanguard novelties, then enjoyed an exclusive chef menu, while revelled in a "touch and feel" session of the luxury timepieces.

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$323.2 million which accounted for 90.6% of the Group's total turnover in FY2017.

Hong Kong

Hong Kong continues to be the Group's major market, accounting for 56.6% of the Group's revenue in FY2017. Performance in this market recorded a slight decrease in revenue by HK$5.3 million, or 2.6% from HK$207.0 million in the previous year to HK$201.7 million in this year.

Hong Kong recorded segmental profit of HK$37.3 million, increased by 79.0% when compared with last year. This market accounted for 32.6% 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 23.9% in FY2016 to 34.1% in FY2017 for watch distribution business. Sales in this region showed an increase of 67.6% to HK$121.5 million from HK$72.5 million in last year.

The market in Mainland China and Macau recorded an increase in segmental profit by HK$18.9 million, or 48.6% to HK$57.8 million in FY2017.

Other Asian locations

The Group's other Asian territories' (i.e. Taiwan and Singapore) segment result remained profitable. This segment recorded a revenue of HK$17.5 million, 26.8% lower than HK$23.9 million in FY2016.

Segmental profit decreased 60% to HK$3.2 million from HK$8.0 million in FY2016.

Property investment

Revenue from property investment in Mainland China for the year amounted to HK$15.9 million after the Group acquired the investment properties on 31 March 2016.

PROSPECTS

Although the economic outlook for the Greater China region is not anticipated to achieve a tremendous growth, Asia is expected to continue to play the leading role in the global luxury retail industry.

The Group will continue to pursue and strengthen marketing and brand enhancement activities in the territory. Two new boutiques located at The Peninsula Shanghai in the Mainland China and Wynn Palace in Macau were opened in June 2016 and August 2016 respectively.

The Group will continue to exercise prudence in managing its expenditures so as to maximise its return on capital. With its continued brand strength and established reputation, the Group will strive to extend our leading position in our core markets in order to deliver better returns to our shareholders.

In March 2016, the Group entered into the sale and purchase agreement to acquire investment properties in Beijing, PRC and in May 2017, the Group entered into a cooperation agreement to invest in a film project. The Group will continue to explore other business and investment opportunities with the objective of broadening the Group's income sources and shareholders' return.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 March 2017, the Group had fixed bank deposits and cash and bank balances totalling HK$238.8 million when compared with HK$522.4 million as at 31 March 2016, as the consideration of HK$351.4 million for the acquisition of the investment properties on 31 March 2016 was settled during the year. The Group has no outstanding bank loan.

At 31 March 2017, details of the Group's available-for-sale investments were as below:

Stock Code	Stock Name	At 31 March 2017 No. of shares held	At 31 March 2017 Fair value HK$'000	For the year ended 31 March 2017 Impairment charged to profit or loss HK$'000	At 31 March 2017 Investment revaluation reserve HK$'000	At 31 March 2017 Approximate percentage of available-for-sale investments %	At 31 March 2017 Approximate percentage of total assets %
3823	Tech Pro Technology Development Ltd.	36,760,000	5,220	(68,300)	–	1.9	0.4
938	Man Sang International Ltd.	20,000,000	10,400	(19,600)	–	3.9	0.8
3886	Town Health International Medical Group Ltd.	6,600,000	8,184	(3,356)	–	3.1	0.6
376	Yunfeng Financial Group Ltd.	1,196,000	5,836	(1,328)	–	2.2	0.5
Part I			29,640	(92,584)	–	11.1	2.3
36	Far East Holdings International Ltd.	30,666,000	23,306	–	(613)	8.7	1.8
627	U-RIGHT International Holdings Ltd.	27,360,000	15,322	–	3,967	5.7	1.2
663	King Stone Energy Group Ltd.	350,000,000	69,300	–	20,650	25.9	5.4
1003	Huanxi Media Group Ltd.	32,000,000	71,680	–	7,680	26.8	5.6
1076	Imperial Pacific International Holdings Ltd.	337,980,000	45,627	–	12,885	17.0	3.6
2066	Shengjing Bank Co., Ltd. — H Shares	500,000	3,560	–	(2,440)	1.3	0.3
8172	Lajin Entertainment Network Group Ltd.	18,800,000	9,400	–	(5,640)	3.5	0.7
Part II			238,195	–	36,489	88.9	18.7
Total			267,835	(92,584)	36,489	100.0	21.0

All available-for-sale investments were listed securities which were measured at fair value. As at 31 March 2017, available-for-sale investments of the Group amounted to HK$267.8 million.

Impairment on the listed securities of HK$92.6 million was already charged to profit or loss directly in FY2017 to reflect the unrealised decrease in fair value of the equity instruments. As of 31 March 2017, Part I represented only approximately 2.3% of the total assets of the Group.

For Part II, unrealised gain in securities value was credited to the investment revaluation reserve instead of charged to the profit or loss account directly in accordance with the accounting standards with the amount of HK$36.5 million which reflected the increase in fair value of the portfolio. Therefore, Part II above with the unrealised gain towards the investment revaluation reserve represented approximately 18.7% of the total assets of the Group as at 31 March 2017 which was a more significant portion of the portfolio and also in terms of total assets of the Group.

During the year under review, the Hong Kong equity market experienced fluctuations and the performance of the available-for-sale investments had been in line with the market performance and the Group disposed of few securities in the portfolio with realised gain on disposal of available-for-sale investments in the total amount of HK$4.9 million to contribute towards our income statements. Nevertheless, the Directors observed that on 26 October 2016, Tech Pro Technology Development Limited ("Tech Pro") published an announcement to refute the allegations against it as raised in the report issued by Glaucus Research Group California, LLC on 28 July 2016. The Directors considered that were the available-for-sale investment in Tech Pro taken out, the impairment charged to the profit and loss accounts for the unrealised loss was HK$24.3 million only against the unrealised gain of HK$36.5 million when the investment portfolio of the Group was assessed on a pro forma basis. 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$735.8 million as at 31 March 2016 to HK$683.3 million as at 31 March 2017. Total net assets remained stable of HK$1,101.7 million as at 31 March 2017 and HK$1,098.8 million as of 31 March 2016. 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

On 9 August 2016, the Company entered into the Placing Agreement with Kingston Securities Limited as the Placing Agent, pursuant to which the Company conditionally agreed to place through the Placing Agent up to 830,000,000 Placing Shares to not fewer than six independent Placees at the Placing Price of HK$0.20 per Placing Share. The Placing Price represented a discount of approximately 15.25% to the closing price of HK$0.236 per share as quoted on the Stock Exchange on the date of the Placing Agreement. The Directors believed that the Placing provided an opportunity to raise capital for the Company and the net proceeds from the Placing were intended to be used as general working capital for existing line of business and/or other potential business development opportunities as considered appropriate. The Directors considered that the terms of the Placing Agreement (including the Placing Price and the placing commission) are fair and reasonable based on the then market conditions and in the interests of the Company and the shareholders as a whole.

The Placing was completed on 2 September 2016 and an aggregate of 830,000,000 Placing Shares with an aggregate nominal value of HK$16.6 million were issued under the general mandate. The Company received the net proceeds of approximately HK$162.7 million from the Placing, representing a net issue price of HK$0.196 per Placing Share, and HK$54.7 million of the net proceeds were used for operating activities while HK$108.0 million was deposited into bank account for interest bearing. The effects of the Placing on the capital structure of the Company are more particularly depicted in note 12 to the Consolidated Financial Statements of this announcement. The full details of the aforesaid transaction can also be referred to in the announcements of the Company dated 9 August 2016 and 2 September 2016.

The principal risk for the Group is that the income of the Group is mainly denominated in Hong Kong Dollars and the Group's purchases are denominated in currencies other than Hong Kong Dollars. The Group monitors foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

The Group recorded a realised exchange gain of HK$2.1 million in FY2017 against a realised gain of HK$0.3 million in FY2016. In addition, the Group registered an unrealised exchange loss of about HK$0.4 million in FY2016 against HK$2.4 million in FY2017. Besides, in FY2016, the Group recorded HK$1.2 million loss on fair value change of derivative financial instruments, while HK$4.3 million loss was booked this 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 2017 (31 March 2016: the investment properties were pledged to secure banking facilities granted to third parties).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 March 2017, the Group's work force stood at 155 including Directors (31 March 2016: 138). Employees were paid at market rates with discretionary bonus and medical benefits, covered under the mandatory provident fund scheme. To provide incentive or rewards to staff, the Group has adopted a share option scheme (the "Share Option Scheme"), particulars of which are set out in the section headed "Share Option Scheme" below of this announcement.

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

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 26 August 2016. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution or potential contribution to the Group. Details of the Share Option Scheme are set out in the Company's circular dated 27 July 2016.

During the period from 26 August 2016 to 31 March 2017, no share option was granted under the Share Option Scheme.

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 Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 March 2017, except for the following deviation.

In respect of 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, 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 the 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, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2017.

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.

EVENTS AFTER THE REPORTING PERIOD

On 23 May 2017, the Group entered into a cooperation agreement ("Agreement") with Aquamen Entertainment LLC ("Aquamen") to invest HK$45.0 million into the film project ("Film") to be produced by Aquamen.

Mr. Zhang Xiaoliang (an Executive Director, Deputy Chairman and Chief Executive Officer of the Group) as one of the producers of the Film, will act as a guarantor under the Agreement and undertakes the performance and obligations by Aquamen of all its commitments and undertakings under the Agreement (including to indemnify the Group against all losses from any breach by Aquamen). This Agreement also constituted a connected transaction for the Company and details of which were announced on 23 May 2017.

EXPIRATION OF MASTER AGREEMENT

Reference is made to the announcement of the Company dated 13 August 2013 which disclosed that the Company and Kingston Financial Group Limited ("Kingston") entered into the Master Agreement to provide the framework within which the Group may engage Kingston and its subsidiaries ("Kingston Group") to provide Services (including placement, underwriting or sub-underwriting of securities, brokerage, financial advisory services, asset management, general consultancy and other ancillary services) to the Group from time to time for a fixed term commencing on the date of the Master Agreement up to 31 March 2016. The Master Agreement, which constituted continuing connected transaction for the Company under the Listing Rules, expired on 31 March 2016 and was not renewed by the parties during the year.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company will be held on 21 August 2017.

The register of members of the Company will be closed from 16 August 2017 to 21 August 2017, 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 15 August 2017.

AUDIT COMMITTEE

The Audit Committee comprises five Independent Non-executive Directors, namely Mr. Chiu Sin Nang, Kenny (Chairman of the Audit Committee), Ms. Lo Miu Sheung, Betty, Dr. Wong Yun Kuen, Mr. Yu Zhenxin and Mr. Zong Hao. The Group's audited financial statements for the year ended 31 March 2017 have been reviewed by the Audit Committee.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sincerewatch.com.hk). The annual report of the Company for the year ended 31 March 2017 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

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

Hong Kong, 28 June 2017

As at the date of this announcement, the Executive Directors of the Company are Mrs. Chu Yuet Wah (Chairman), Mr. Zhang Xiaoliang (Deputy Chairman and Chief Executive Officer), Mr. Wu Ting Yuk, Anthony (Deputy Chairman), Mr. Chu, Kingston Chun Ho, Mr. Yang Guangqiang and Mr. An Muzong; and the Independent Non-executive Directors of the Company are Ms. Lo Miu Sheung, Betty, Dr. Wong Yun Kuen, Mr. Yu Zhenxin, Mr. Zong Hao and Mr. Chiu Sin Nang, Kenny.