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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 2018

FINANCIAL HIGHLIGHTS

- Revenue for the financial year ended 31 March 2018 ("FY2018") increased by 8.5% from HK$356,553,000 to HK$387,026,000 when compared with last financial year ("FY2017").
- Gross margin increased from 33.2% to 36.4%. Gross profit for this financial year increased from HK$118,370,000 to HK$140,917,000.
- Loss for FY2018 decreased to HK$59,972,000 (FY2017: HK$158,935,000), mainly due to the decrease in impairment charged on the Group's available-for-sale investments to reflect the decrease in fair value of the equity instruments.
- Loss per share was 1.20 HK cents for this financial year and was 3.43 HK cents for last financial year.
- The Board does not recommend the payment of a final dividend for the year ended 31 March 2018 (FY2017: 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 2018 ("2018"), together with the audited comparative figures for the corresponding year ended 31 March 2017 ("2017").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	NOTES	**2018** ***HK$'000***	2017 *HK$'000*
Revenue	*3*	**387,026**	356,553
Cost of sales		**(246,109)**	(238,183)
Gross profit		**140,917**	118,370
Other income		**4,681**	4,963
Gain on disposal of available-for-sale investments		**16,501**	4,890
Impairment on available-for-sale investments		**(21,506)**	(92,584)
Provision of impairment loss on property, plant and equipment		**(1,049)**	(4,740)
Selling and distribution costs		**(99,386)**	(102,274)
General and administrative expenses		**(103,016)**	(85,883)
Loss before taxation, exchange gain/(loss), increase in fair value of investment properties and gain/(loss) on fair value change of derivative financial instruments		**(62,858)**	(157,258)
Realised exchange (loss)/gain		**(4,870)**	2,050
Unrealised exchange gain/(loss)		**6,320**	(2,357)
Fair value change of investment properties		**614**	6,769
Gain/(loss) on fair value change of derivative financial instruments		**2,442**	(4,290)
Loss before taxation		**(58,352)**	(155,086)
Income tax expense	*4*	**(1,620)**	(3,849)
Loss for the year	*5*	**(59,972)**	(158,935)
Other comprehensive income/(expense), net of tax			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		**32,391**	(14,509)
Fair value gain on available-for-sale investments		**2,824**	2,307
Release of investments revaluation reserve to profit or loss upon disposal of available-for-sale investments		**(16,501)**	(4,890)
Release of investment revaluation reserve to profit or loss for impairment loss on available-for-sale investments		**8,080**	16,304
Other comprehensive income/(expense) for the year		**26,794**	(788)
Total comprehensive expense for the year		**(33,178)**	(159,723)
Loss per share — basic and diluted	*7*	**(1.20 HK cents)**	(3.43 HK cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	NOTES	**2018** **HK$'000**	2017 *HK$'000*
Non-current assets			
Property, plant and equipment		**5,121**	12,282
Investment properties	*8*	**375,857**	338,489
Available-for-sale investments	*10*	**63,000**	69,300
Other long term investment		**46,950**	–
Deposit paid for acquisition of subsidiary		**35,000**	–
		525,928	420,071
Current assets			
Inventories		**379,949**	353,409
Trade and other receivables	*9*	**74,073**	61,962
Amounts due from related parties		**204**	1,362
Derivative financial instruments		**1,360**	–
Available-for-sale investments	*10*	**136,788**	198,535
Bank balances and cash		**194,027**	238,807
Taxation receivable		**–**	68
		786,401	854,143
Current liabilities			
Trade and other payables	*11*	**235,669**	169,359
Amounts due to related parties		**3,359**	–
Derivative financial instruments		**1,556**	1,472
Taxation payable		**1,066**	–
		241,650	170,831
Net current assets		**544,751**	683,312
Total assets less current liabilities		**1,070,679**	1,103,383
Deferred tax liabilities		**2,166**	1,692
Net assets		**1,068,513**	1,101,691
Capital and reserves			
Share capital	*12*	**99,640**	99,640
Reserves		**968,873**	1,002,051
Total equity		**1,068,513**	1,101,691

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 2018 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 2018

1. GENERAL

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

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

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

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective 1 April 2017

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").

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

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.

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

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

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 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 continues to be permitted.

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 fair value through other comprehensive income ("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 fair value through profit or loss ("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.

The directors of the Company have reviewed the Group's financial assets and liabilities as at 31 March 2018. The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9. The Group also expects to continue measuring available-for-sale investments and other long term investment at fair value and there would be no change to the accounting for these assets.

Under HKFRS 9, there is no change on financial liabilities measured at amortised cost and FVTPL. As at 31 March 2018, the Group has financial liabilities designated at FVTPL and expects that the change in financial liability's credit risk to be recognised in other comprehensive income would not have material impact on financial performance and financial position of the Group.

The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, this new requirement will not have any material impact on the Group upon the adoption of HKFRS 9.

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.

The directors of the Company anticipated that the application of HKFRS 15 in the future will not have a material impact on the amount reported to the consolidated financial statements of the Group in the future, based on a preliminary assessment of the new requirements on the existing business model of the Group as at 31 March 2018.

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.

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

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

HKFRS 16 — Leases

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

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

At 31 March 2018, the Group, as lessee, has non-controllable operating lease commitment of HK$149,361,000. A preliminary assessment indicated that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value assets or short-term leases upon the adoption of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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

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

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

The Group expects to adopt the amendments on 1 January 2018 and does not expect these adoptions will have significant impact on the Group's financial position and performance.

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. The Group has two business operations, being the watch distribution and dining business and property investment, which are for the analysis based on the geographical locations of the sales.

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 2018

	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	**213,987**	**139,614**	**16,488**	**16,937**	**387,026**
RESULT					
Segment result	**52,130**	**66,456**	**5,394**	**16,937**	**140,917**
Realised exchange loss					**(4,870)**
Unrealised exchange gain					**6,320**
Fair value change of investment properties					**614**
Gain on fair value change of derivative financial instruments					**2,442**
Unallocated expenses					**(224,957)**
Unallocated income					**21,182**
Loss before taxation					**(58,352)**

Year ended 31 March 2017

	Watch distribution and dining business			Property investment	
	Hong Kong	Mainland China and Macau	Other Asian locations	Mainland China	Consolidated
	HK$'000	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*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)

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

Note: Other Asian locations include Singapore, Taiwan and Korea (2017: 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:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**31,911**	56,305
Customer B	**60,506**	51,081

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:

	2018	2017
	HK$'000	*HK$'000*
Watch distribution	**365,751**	334,753
Property investment	**16,937**	15,921
Dining business	**4,338**	5,879
	387,026	356,553

Other segment information

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

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**34**	2,444
Mainland China and Macau	**380,815**	348,327
Other Asian locations	**129**	–
	380,978	350,771

4. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
Hong Kong	**–**	–
Other jurisdictions	**1,333**	1,893
	1,333	1,893
Under/(over) provision in prior years:		
Hong Kong	**–**	391
Other jurisdictions	**10**	(165)
	10	226
Deferred tax charge		
Current year	**277**	1,730
	1,620	3,849

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profit for the year. During the year ended 31 March 2018, no deferred tax asset has been recognised in respect of certain unused tax losses due to the unpredictability of future profit streams.

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

5. LOSS FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Directors' remuneration	**19,294**	16,747
Other staff costs	**47,193**	37,425
Other staff's retirement benefits scheme contributions	**995**	916
Total staff costs	**67,482**	55,088
Auditor's remuneration	**1,138**	1,090
Depreciation of property, plant and equipment	**6,662**	8,192
Minimum lease payments in respect of rented premises *(Note)*	**71,299**	73,175
Cost of inventories recognised as an expense (including write-down of inventories HK$23,408,000 (2017: HK$28,590,000))	**246,109**	238,183
Direct operating expenses arising from investment property that generated rental income during the year	**227**	222
Loss on disposal of property, plant and equipment	**522**	–
and after crediting:		
Interest income	**2,499**	467

Note: The minimum lease payments in respect of rented premises exclude contingent rent of HK$2,860,000 for the year ended 31 March 2018 (2017: HK$1,823,000). Contingent rent was charged by the lessors if certain percentage of turnover of the related boutiques reached the minimum levels as stated in the tenancy agreements.

6. DIVIDEND

During the year ended 31 March 2018, no final dividend for the year ended 31 March 2017 was declared and paid (2017: no final dividend declared and paid in respect of the year ended 31 March 2016).

The Board does not propose the payment of a final dividend for the year ended 31 March 2018. In respect of the year ended 31 March 2017, 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:

	2018	2017
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted earnings per share	**(59,972)**	(158,935)

	2018	2017
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**4,982,000**	4,631,808

Diluted loss per share for the year ended 31 March 2018 and 2017 are the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during both years.

8. INVESTMENT PROPERTIES

	2018	2017
	HK$'000	*HK$'000*
At 1 April	**338,489**	352,262
Fair value change	**614**	6,769
Exchange realignment	**36,754**	(20,542)
At 31 March	**375,857**	338,489

The fair value of the Group's investment properties as at 31 March 2018 have been arrived on the basis of valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL") on 20 June 2018. 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 2018 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 2018.

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:

	2018	2017
	HK$'000	*HK$'000*
At 1 April (level 3 recurring fair value)	**338,489**	352,262
Increase in fair value recognised in profit or loss	**614**	6,769
Exchange realignment	**36,754**	(20,542)
At 31 March (level 3 recurring fair value)	**375,857**	338,489

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$16,937,000 from investment properties was recognised during the year ended 31 March 2018 (2017: HK$15,921,000).

As at 31 March 2018, none of the investment properties were pledged. (2017: none)

9. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**33,285**	27,372
Other receivables, deposits and prepayments	**40,788**	34,590
	74,073	61,962

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:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**22,831**	14,572
31–90 days	**10,096**	8,227
91–120 days	**358**	4,573
	33,285	27,372

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:

	2018	2017
	HK$'000	*HK$'000*
91–120 days	**358**	4,573

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

	2018	2017
	HK$'000	*HK$'000*
Listed equity securities in Hong Kong	**199,788**	267,835
Classified as		
Non-current asset	**63,000**	69,300
Current asset	**136,788**	198,535
	199,788	267,835

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

	HK$'000
As at 1 April 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 of available-for-sale investments	16,304
As at 31 March 2017	267,835
Disposal during the year	(40,944)
Impairment on available-for-sale investments	(21,506)
Net change in fair value recognised in other comprehensive income	2,824
Release of investment revaluation reserve to profit or loss upon disposal of available-for-sale investments	(16,501)
Release of investment revaluation reserve to profit or loss for impairment loss of available-for-sale investments	8,080
As at 31 March 2018	199,788

All available-for-sale investments were measured at fair value based on quoted bid prices, except for the Suspended Shares where fair values were determined with reference to the valuations performed by the independent professional valuer. When impairment of 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 2018, HK$21,506,000 of impairment on available-for-sale investments was charged to profit or loss directly as the decline in fair value was significant or prolonged (2017: HK$92,584,000).

11. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**139,820**	79,344
Other payables and accrued charges	**95,849**	90,015
	235,669	169,359

The following is an aged analysis of trade payables:

	2018	2017
	HK$'000	*HK$'000*
Within 90 days	**76,222**	23,380
91 days–365 days	**63,595**	55,559
Over 365 days	**3**	405
	139,820	79,344

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

	2018	2017
	HK$'000	*HK$'000*
Denominated in CHF	**139,108**	78,518
Denominated in EUR	**618**	710

12. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$'000
Authorised:		
At 31 March 2017 and 2018		
— Ordinary shares of HK$0.02 each	20,000,000,000	400,000
Issued and fully paid:		
At April 1, 2016		
— Ordinary shares of HK$0.02 each	4,152,000,000	83,040
Placing of shares *(Note)*	830,000,000	16,600
At 31 March 2017		
— Ordinary shares of HK$0.02 each	4,982,000,000	99,640
At 31 March 2018	4,982,000,000	99,640

Note: On 9 August 2016, the Company entered into the placing agreement, pursuant to which 830,000,000 new shares of the Company were 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 revenue for the year ended 31 March 2018 increased by 8.5% from HK$356.6 million to HK$387.0 million when compared with last financial year.

Gross profit increased by 19.0% from HK$118.4 million in FY2017 to HK$140.9 million in FY2018. The gross margin increased from 33.2% to 36.4%.

Selling and distribution costs decreased by 2.8% from HK$102.3 million last year to HK$99.4 million mainly due to the lower rental expenses for boutiques. General and administrative expenses increased by 19.9% from HK$85.9 million last year to HK$103.0 million mainly due to the increase in staff costs and premises expenses.

Realised foreign exchange loss of the Group was HK$4.9 million in FY2018 as compared with HK$2.1 million gain in FY2017. Unrealised exchange gain was HK$6.3 million in FY2018 as compared with HK$2.4 million loss in FY2017. Gain on fair value change of investment properties was HK$0.6 million in FY2018. There was HK$2.4 million gain on fair value change of derivative financial instruments in FY2018 as compared with HK$4.3 million loss in FY2017.

Gain on disposal of available-for-sale investments in FY2018 amounted to HK$16.5 million compared to HK$4.9 million in last year, and there was HK$21.5 million impairment loss on available-for-sale investments in FY2018.

Unrealised exchange difference arose from receivables and 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 gain on fair value change of derivative financial instruments, the Group's loss before tax was HK$62.9 million in FY2018 against HK$157.3 million in FY2017.

Net loss was HK$60.0 million in FY2018 as compared to HK$158.9 million in FY2017.

Loss per share was 1.20 HK cents in FY2018 against 3.43 HK cents in FY2017. Net asset value per share was 21.4 HK cents as at 31 March 2018 against 22.1 HK cents as at 31 March 2017.

Trade receivables increased from HK$27.4 million at 31 March 2017 to HK$33.3 million at 31 March 2018.

KEY PERFORMANCE INDICATORS: INVENTORY TURNOVER AND CURRENT RATIO

Inventories as at 31 March 2018 increased by 7.5% to HK$379.9 million when compared with 31 March 2017. Our Inventory Turnover Period, which is calculated by our Inventories balance divided by our Cost of Sales, increased slightly from 542 days to 563 days in FY2018.

Our Current Ratio, which is calculated by our Current Assets divided by our Current Liabilities, was 3.3 as at 31 March 2018 (31 March 2017: 5.0). The decrease in our Current Ratio is mainly due to the increase in trade and other payables.

ANALYSIS OF MAJOR CUSTOMERS AND SUPPLIERS

The sales to the top 5 customers amounted to HK$129.2 million in FY2018, representing an increase of 5.6% from HK$122.3 million in FY2017.

Our top 5 customers in FY2018 represented approximately 33.4% of our total revenue as compared to approximately 34.3% in FY2017. Our largest customer accounted for approximately 15.6% of our total revenue in FY2018 as compared to 15.8% in FY2017. 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 5 years.

During FY2018, the purchases from the top 5 major suppliers amounted to HK$264.5 million, representing an increase of approximately 61.9% from HK$163.4 million in FY2017.

Our top 5 suppliers in FY2018 represented approximately 99.3% of our total purchases as compared to approximately 99.5% in FY2017. Our largest supplier accounted for approximately 90.8% of our total purchases in FY2018 as compared to approximately 86.9% in FY2017. 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 49 retail points of sales and 11 boutiques, making a total of 60 points (31 March 2017: 66).

Other than the 10 boutiques run by the Group, the remaining 50 watch retail outlets in the regions are run by 20 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. A new boutique was added in Korea and new points of sales were added in Hong Kong through DFS Group, Elegant Watch & Jewellery, King Fook Jewellery Group, and Prince Jewellery & Watch.

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 October 2017, with the promotion of Haute Horlogerie at heart, Elegant Watch & Jewellery gathered 13 international watch brands and held a four-day exhibition at Ocean Terminal Main Concourse, Harbour City to showcase the latest luxury fine watch creations. FRANCK MULLER exhibited the latest innovations including the Vanguard Gravity Skeleton, the Vanguard 7 Days Power Reserve Skeleton and the Lady Moonphase. Following after the opening cocktail on the 1st day of the exhibition, a private VIP dinner was co-hosted at the Pacific Club to offer watch aficionados a chance to "touch and feel" the exclusive FRANCK MULLER timepieces.

Also in October 2017, together with 8 renowned luxury watch brands, FRANCK MULLER participated a joint annual event with Oriental Watch Company at Sha Tin Racecourse. A catwalk show was staged at the Jockey Club Box, carried out by celebrity guests and models showcasing the Vanguard Automatic and Vanguard Chronograph with fully paved diamonds. To enrich the partnership, FRANCK MULLER sponsored a classic Liberty timepiece as a prize of the Best Dressed Award to renowned Hong Kong singer, Mr. Ken Hung.

In December 2017, FRANCK MULLER co-hosted a private dinner with the world foremost champagne expert, Mr. Richard Juhlin. Guests were first gathered at Maison FRANCK MULLER for a cocktail to admire the latest Vanguard collections. An exclusive menu was served with prestigious champagne pairing carefully selected by Richard, guests enjoyed the dining experience while revelled in a "touch and feel" session of luxury timepieces.

During January and February 2018, an exclusive 2 months of FRANCK MULLER exhibition was held at the Advocacy Zone, City of Dreams in Macau to showcase the latest 2017/18 Vanguard collections. More than 30 luxury timepieces were displayed to provide a journey for clients to unveil the novelties by highlighting the Gravity Skeleton, the Vanguard 7 Days Power Reserve Skeleton and the Vanguard Lady Moonphase. Guests were once again introduced to the story of the brand with its heritage trademarks in the history of fine watchmaking.

In March 2018, to celebrate the 15th Anniversary of FRANCK MULLER Crazy Hours collection, over 500 guests comprising Mr. Franck Muller himself, top management, VVIP, regional media friends attended the extravagant party held at Infinite Studios, Singapore. 5

chief editors from China were exclusively invited and flew to attend the event. Over 20 Crazy Hours models that were launched over the years alongside with the highlighted 15th Anniversary Asia Exclusive edition were showcased for guests to pore over as they get pampered with fine champagne and exquisite hor d'oeuvers. The evening progressed with the unveiling of a series of party spaces, overloaded of fun and irreplaceable memories.

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$353.6 million which accounted for 91.4% of the Group's total revenue in FY2018.

Hong Kong

Hong Kong continues to be the Group's major market, accounting for 55.3% of the Group's revenue in FY2018. Performance in this market recorded an increase in revenue of HK$12.3 million, or 6.1% from HK$201.7 million in the previous year to HK$214.0 million this year.

Hong Kong recorded segmental profit of HK$52.1 million, increased by 39.7% when compared with last year. This market accounted for 37.0% 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 34.1% in FY2017 to 36.1% in FY2018. Sales in this region showed an increase of 14.9% to HK$139.6 million from HK$121.5 million last year.

The market in Mainland China and Macau recorded an increase in segmental profit by HK$8.7 million, or 15.1% to HK$66.5 million in FY2018.

Other Asian locations

The Group's other Asian territories' (i.e. Taiwan, Singapore and Korea) segment result remained profitable. This segment recorded a revenue of HK$16.5 million, 5.7% lower than HK$17.5 million in FY2017.

A new boutique was added in Korea in December 2017, which contributed revenue of HK$0.8 million to the segment in FY2018. It is expected that the boutique will be able to contribute full-year revenue in the coming financial year.

Segmental profit increased 68.8% to HK$5.4 million from HK$3.2 million in FY2017.

Property investment

Revenue from property investment in Mainland China for the year amounted to HK$16.9 million in FY2018, 6.4% higher than HK$15.9 million in FY2017.

PROSPECTS

In March 2016, the Group bought certain investment properties in Beijing, PRC. The Group also completed another acquisition of investment properties of HK$350.0 million in Beijing in April 2018. The Group has decided to deploy more resources to focus on one of its new core business being property investment in China and will continue to look for appropriate investment opportunities with capital growth potential which at the same time provides stable rental income.

In addition to properties investment, the Group has made an investment in May 2017 of HK$45.0 million into a film project of which is expected to start to provide income in 2020.

The watch distribution business is facing many challenges and we continue to look for ways to enhance our business.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 March 2018, the Group had fixed bank deposits and cash and bank balances totalling HK$194.0 million when compared with HK$238.8 million as at 31 March 2017. In May 2017, the Group entered in to a cooperation agreement to invest HK$45.0 million in a film project and the consideration was settled during the year. The Group has no outstanding bank loan.

At 31 March 2018, details of the Group's available-for-sale investments were as below:

		At 31 March 2018		For the year ended 31 March 2018	At 31 March 2018		
Stock Code	Stock Name	No. of shares held	Fair Value	Impairment charged to profit or loss	Investment revaluation reserve	Approximate percentage of available-for-sale investments	Approximate percentage of total assets
			HK$'000	*HK$'000*	*HK$'000*	%	%
3823	Tech Pro Technology Development Ltd.	36,760,000	1,912	(3,309)	–	1.0	0.1
938	Man Sang International Ltd.	20,000,000	9,100	(1,300)	–	4.5	0.7
3886	Town Health International Medical Group Ltd.	6,600,000	3,630	(4,554)	–	1.8	0.3
376	Yunfeng Financial Group Ltd.	1,196,000	5,023	(813)	–	2.5	0.4
2066	Shengjing Bank Co., Ltd. — H Shares	500,000	2,930	(3,070)	–	1.5	0.2
8172	Lajin Entertainment Network Group Ltd.	18,800,000	6,580	(8,460)	–	3.3	0.5
Part I			29,175	(21,506)	–	14.6	2.2
36	Far East Holdings International Ltd.	30,666,000	23,613	–	(307)	11.8	1.8
627	Fullsun International Holdings Group Co., Limited	16,600,000	24,734	–	17,845	12.4	1.9
663	King Stone Energy Group Ltd.	350,000,000	63,000	–	14,350	31.5	4.8
1003	Huanxi Media Group Ltd.	13,760,000	26,144	–	(1,376)	13.1	2.0
1076	Imperial Pacific International Holdings Ltd.	337,980,000	33,122	–	380	16.6	2.5
Part II			170,613	–	30,892	85.4	13.0
Total			199,788	(21,506)	30,892	100.0	15.2

All available-for-sale investments were listed securities which were measured at fair value. As at 31 March 2018, available-for-sale investments of the Group amounted to HK$199.8 million.

Impairment on the listed securities of HK$21.5 million was already charged to profit or loss directly in FY2018 to reflect the unrealised decrease in fair value of the equity instruments. As of 31 March 2018, Part I represented only approximately 2.2% 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$30.9 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 13.0% of the total assets of the Group as at 31 March 2018 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 Hang Seng Index climbed over 5,000 points and the equity market sentiment improved. The performance of the available-for-sale investments had been in line with the market performance and the Group disposed of securities in the portfolio with a realised gain on disposal of available-for-sale investments amounting to HK$16.5 million to contribute towards our income statement. Impairment charged to the profit and loss accounts for the unrealised loss was reduced from HK$92.6 million in FY2017 to HK$21.5 million in FY2018 for the investment portfolio of the Group. It was noted that trading in the shares of Tech Pro Technology Development Limited and Town Health International Medical Group Limited has been suspended with effect from 9:00 a.m. on 9 November 2017 and 9:00 a.m. on 27 November 2017 respectively, details of which are referred to in the announcement made by Tech Pro Technology Development Limited on 9 November 2017 and the announcement made by Town Health International Medical Group Limited on 27 November 2017 respectively.

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$683.3 million as at 31 March 2017 to HK$544.8 million as at 31 March 2018. Total net assets stood at HK$1,068.5 million as at 31 March 2018 as compared to HK$1,101.7 million as of 31 March 2017. The Directors believe that the Group's existing financial resources are sufficient to fulfil its commitments and current working capital requirements.

CAPITAL STRUCTURE AND PRINCIPAL RISK: FOREIGN EXCHANGE EXPOSURE

As at 31 March 2018, the total number of issued shares of the Company was 4,982,000,000. There was no change in capital structure of the Company during the year ended 31 March 2018.

The Group recorded a realised exchange loss of HK$4.9 million in FY2018 compared to a gain of HK$2.1 million in FY2017. In addition, the Group booked an unrealised exchange gain of HK$6.3 million in FY2018 against a loss of HK$2.4 million in FY2017. There was HK$4.3 million loss on fair value change of derivative financial instruments recorded in the previous year while HK$2.4 million gain on fair value change of derivative financial instruments was booked in FY2018.

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 2018 (31 March 2017: no material charge).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 March 2018, the Group's work force stood at 173 including Directors (31 March 2017: 155). 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 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 Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 March 2018, 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 Directors. The Board will do its best endeavours to meet the requirement of code provision A.1.3 of the CG Code in the future.

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 Directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2018.

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 13 February 2018, the Group entered into a Sale Share Agreement ("Agreement") with a third party, Allied Crown Investment Limited to acquire the entire issued share capital of Allied Champion Development Limited ("Allied Champion" or "Target") with total consideration of HK$350.0 million. A deposit of HK$35.0 million was paid by the Group within five business days after the date of Agreement. The completion date was 30 April 2018 with consideration settled by (i) HK$120.0 million by the allotment and issue of the Consideration Shares; (ii) HK$150.0 million by the issue of the Promissory Note with zero coupon rate and maturing in two years; and (iii) HK$45.0 million by the payment in cash.

The Target is principally engaged in investment holding and the principal asset of the Target Group is the investment properties in the PRC to generate stable rental income and for long-term capital growth purposes. Upon completion, the Group directly holds 100% equity interests of Allied Champion.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company will be held on 31 August 2018.

The register of members of the Company will be closed from 28 August 2018 to 31 August 2018, 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 27 August 2018.

AUDIT COMMITTEE

The Audit Committee comprises four Independent Non-executive Directors, namely Mr. Chiu Sin Nang, Kenny (Chairman of the Audit Committee), Ms. Lo Miu Sheung, Betty, Mr. Yu Zhenxin and Mr. Zong Hao. The Group's audited consolidated financial statements for the year ended 31 March 2018 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 2018 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, 27 June 2018

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, Mr. Yu Zhenxin, Mr. Zong Hao and Mr. Chiu Sin Nang, Kenny.