Sincere Watch (Hong Kong) Limited

Annual Report 年報

2014

(Incorporated in the Cayman Islands with limited liability)

Stock Code 股份代號: 00444

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Corporate Information

Directors

Executive Directors

Mrs. CHU Yuet Wah *(Chairman)*
Mr. CHU, Kingston Chun Ho
(Vice Chairman and Managing Director)

Independent Non-executive Directors

Mr. LAU Man Tak
Ms. LO Miu Sheung, Betty
Dr. WONG Yun Kuen

Audit Committee

Mr. LAU Man Tak *(Chairman)*
Ms. LO Miu Sheung, Betty
Dr. WONG Yun Kuen

Remuneration Committee

Dr. WONG Yun Kuen *(Chairman)*
Mr. LAU Man Tak
Ms. LO Miu Sheung, Betty

Nomination Committee

Ms. LO Miu Sheung, Betty *(Chairman)*
Mr. LAU Man Tak
Dr. WONG Yun Kuen

Company Secretary

Mr. CHAN Kwong Leung, Eric

Authorised Representatives

Mr. CHU, Kingston Chun Ho
Mr. CHAN Kwong Leung, Eric

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Room 602, 6/F
Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Causeway Bay
Hong Kong

Auditor

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

Principal Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

Stock Code

00444

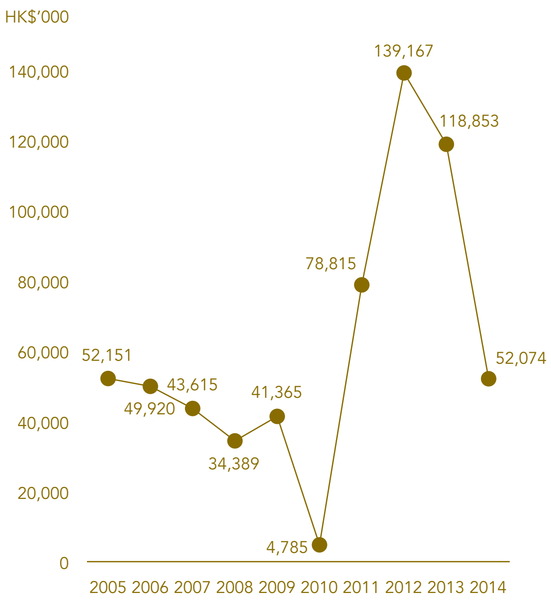
Website

http://www.sincerewatch.com.hk

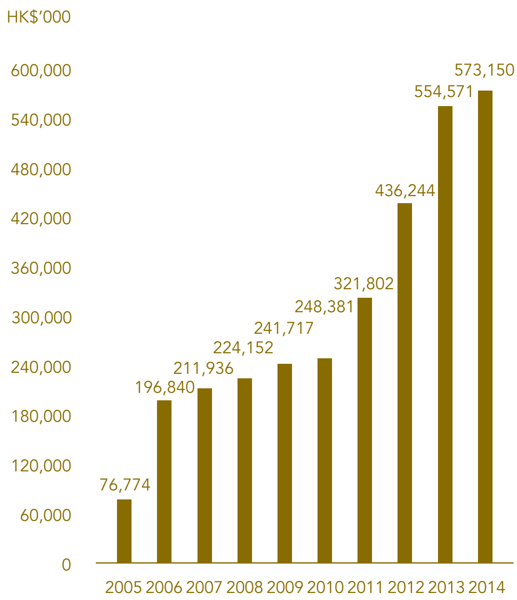
Financial Highlights

- Turnover for the financial year ended 31 March 2014 ("FY2014") decreased by 13.5% from HK$749,183,000 to HK$648,013,000 when compared with last financial year ("FY2013").
- Gross margin decreased from 39.7% to 38.8%. Gross profit for this financial year decreased from HK$297,583,000 to HK$251,255,000.
- Impairment loss recognised on goodwill arising from acquisition of Sincere Watch Company Limited in Taiwan in 2006 amounted to HK$8,092,000 (FY2013: nil).
- The realised foreign exchange loss for the year was HK$11,387,000 as compared with HK$4,060,000 last year. The unrealised foreign exchange loss of this financial year was HK$2,660,000 as compared with HK$3,347,000 gain of last financial year.
- Net profit for FY2014 was HK$52,074,000 (FY2013: HK$118,853,000).
- Earnings per share was 12.8 HK cents for this financial year and 29.1 HK cents for last financial year.
- The Board has recommended the payment of a final dividend for the year ended 31 March 2014 of 4 HK cents (FY2013: 8 HK Cents) per share amounting to HK$24,480,000 (FY2013: HK$32,640,000).

PROFIT FOR THE YEAR



NET ASSETS VALUE



Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Sincere Watch (Hong Kong) Limited, we are pleased to review with you the performance and development of the Group for the year ended 31 March 2014.

Despite the slowdown in the luxury retail markets for fine watches during the year under review, we would like to announce another set of profitable results for the year ended 31 March 2014 ("FY2014").

The Group's competitiveness in the challenging environment in the retail market was proved by our profitable results. The Group's competitiveness is, in turn, backed up by our effective strategic asset management, stringent cost controls and various brand enhancement activities.

We will continue to focus on strengthening our core competencies as well as reinforcing our leadership position to take advantage of new opportunities that may arise in order to continually deliver positive returns to our shareholders.

Key Financial Highlights

The Group remained profitable despite the weakening of sales for the year under review.

The total turnover was HK$648.0 million, down 13.5% from HK$749.2 million for the year ended 31 March 2013 ("FY2013"). The decline was mainly due to the slowdown in the luxury retail markets for fine watches in FY2014.

Gross profit dropped from HK$297.6 million in FY2013 to HK$251.3 million in FY2014 and gross margin decreased from 39.7% to 38.8%.

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

In FY2014, the Group incurred a realised foreign exchange loss of HK$11.4 million, HK$7.3 million higher than the realised foreign exchange loss of HK$4.1 million in FY2013 due to the strengthening of Swiss Franc during FY2014.

Selling & distribution expenses increased by 4.5% to HK$43.7 million mainly attributable to higher advertising and promotion expenses, while General and administrative expenses increased by 5.4% to HK$126.6 million mainly due to higher rental expenses.

The Group recorded a profit before tax of HK$62.5 million and a net profit of HK$52.1 million in FY2014. When compared with FY2013, the decreases in the profit before tax and net profit were mainly attributable to the slowdown in the luxury retail markets for fine watches, the increase in the realised exchange loss and the incurrence of the unrealised exchange loss in FY2014 and the impairment loss on goodwill.

Earnings per share were 12.8 HK cents in FY2014 against 29.1 HK cents in FY2013. Net Asset Value per share rose by 3.4% to 140.5 HK cents as at 31 March 2014, up from 135.9 HK cents as at 31 March 2013.

The Group's financial position remained healthy with cash and bank deposits to totalling HK$316.1 million, without any bank borrowings, as at 31 March 2014.

Dividends

The Board has recommended the payment of a final dividend for the year ended 31 March 2014 of 4 HK cents per share amounting to HK$24.5 million.

Going Forward

There are some signs of moderation in the demand for luxury watches in Hong Kong and China. This trend of stabilising of demand will continue in our major watch retail markets.

In view of the market challenges ahead, we will pursue to strengthen the Group's leadership position in the luxury watch industry across Asia by embarking on innovative and signature initiatives as well as adopting proactive yet prudent strategies on brand enhancement activities.

With our strong brand positioning plus our established reputation, we are confident that the Group will remain competitive and innovative. Also, we will continue to leverage new opportunities in order to increase our market share in the ever-changing Asian economic landscape.

Chairman's Statement (continued)

A Note of Appreciation

On behalf of the Board of Directors, we would like to express our gratitude to our shareholders, business partners, suppliers, brand principals, customers and employees who maintained faith and confidence in the board and management. Thank you for all your unwavering support throughout the years.

Chu Yuet Wah
Chairman

Directors and Senior Management

Directors

Mrs. CHU Yuet Wah

Chairman and Executive Director

Mrs. CHU Yuet Wah, aged 55, is an Executive Director and the Chairman of the Company since 29 May 2012 and 13 July 2012, respectively. Mrs. Chu has been a director of Sincere Watch Limited, the immediate holding company of the Company since 21 May 2012 and is also a director of a number of the Company's subsidiaries. Mrs. Chu is a business woman and possesses over 20 years of experience in financial services industry. Mrs. Chu is the chief executive officer, an executive director and the ultimate controlling shareholder of Kingston Financial Group Limited, which is a company listed on the Main Board of the Stock Exchange.

Mrs. Chu is the Member of National Committee of Chinese People's Political Consultative Conference, Vice Chairman of Hong Kong Committee of the Chinese People's Political Consultative Conference (Provincial) Member Association Foundation, Vice Chairman of The Chamber of Hong Kong Listed Companies, Chairman of The Institute of Securities Dealers, Vice Chairman of Hong Kong Securities Professionals Association, Vice Chairman of Po Leung Kuk, Chairman of Federation of Hong Kong Guangdong Community Organisations, Chairman of Aplichau Promotion of Tourism Association, School Manager of Aplichau KaiFong Primary School, Chairman of The Aplichau KaiFong Welfare Association, Honorary President of Hong Kong Federation of Women, Honorary Vice President of the Hong Kong Girl Guides Association and President of The Tung Koon District General Association. She received an Honorary Doctorate of Philosophy in Business Management degree from York University, the U.S.A. and holds a Bachelor of Science in Management degree from Golden Gate University, the U.S.A. Mrs. Chu is the mother of Mr. Chu, Kingston Chun Ho, the Vice Chairman, the Managing Director and an Executive Director of the Company.

Mr. CHU, Kingston Chun Ho

Vice Chairman, Managing Director and Executive Director

Mr. CHU, Kingston Chun Ho, aged 29, is an Executive Director of the Company since 29 May 2012, and the Vice Chairman and Managing Director of the Company since 13 July 2012. Mr. Chu has been a director of Sincere Watch Limited, the immediate holding company of the Company since 21 May 2012 and is also a director of a number of the Company's subsidiaries. Mr. Chu is a Member of Guangxi Committee of The Chinese People's Political Consultative Conference, Vice President of Hong Kong CPPCC Youth Association, Vice President of Federation of HK Guangxi Community Organisations, Honorary Chairman of Hong Kong Guangxi Youth Organisations, Director of Hong Kong Securities Association and The Federation of Hong Kong Watch Trades & Industries. Mr. Chu holds a Bachelor Degree of Business from the University of Southern California in the U.S.A. Mr. Chu is the son of Mrs. Chu Yuet Wah, the Chairman and an Executive Director of the Company.

Mr. LAU Man Tak

Independent Non-executive Director

Mr. LAU Man Tak, aged 44, is an Independent Non-executive Director of the Company since 19 June 2012. Mr. Lau holds a Bachelor Degree in Accountancy from the Hong Kong Polytechnic University. He has more than 15 years of experience in corporate finance, accounting and auditing. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants, a member of the Hong Kong Securities and Investment Institute and a fellow member of Hong Kong Institute of Directors. He is currently an executive director, the chairman, compliance officer and substantial shareholder of Aurum Pacific (China) Group Limited, which is a company listed on the Growth Enterprise Market of the Stock Exchange, an independent non-executive director of Kingston Financial Group Limited, Climax International Company Limited and AMCO United Holdings Limited, which are companies listed on the Main Board of the Stock Exchange. He was also an independent non-executive director of Kong Sun Holdings Limited from September 2008 to April 2014 and an executive director of China Grand Forestry Green Resources Group Limited (presently known as China Sandi Holdings Limited) from April 2010 to September 2012, which are companies listed on the Main Board of the Stock Exchange.

Ms. LO Miu Sheung, Betty

Independent Non-executive Director

Ms. LO Miu Sheung, Betty, aged 52, is an Independent Non-executive Director of the Company since 19 June 2012. Ms. Lo is a qualified solicitor in Hong Kong and has over 25 years of experience in general legal practice, with specialisation in conveyancing, commercial and probate laws. Ms. Lo has been in active practice since qualification and is currently a consultant of Messrs. K.C. Ho & Fong, Solicitors & Notaries. She graduated from The University of Hong Kong with a Bachelor Degree in Laws (LL.B.) in 1985. She also holds a Postgraduate Certificate in Laws (PCLL). She is currently an independent non-executive director of Eagle Legend Asia Limited and AEON Stores (Hong Kong) Co., Limited, which are companies listed on the Main Board of the Stock Exchange.

Dr. WONG Yun Kuen

Independent Non-executive Director

Dr. WONG Yun Kuen, aged 56, is an Independent Non-executive Director of the Company since 18 September 2012. Dr. Wong received a Ph.D. Degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. He has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is a member of Hong Kong Securities and Investment Institute. Dr. Wong is an Adjunct Professor of Syracuse University, USA, an executive director of UBA Investments Limited, and an independent non-executive director of Bauhaus International (Holdings) Limited, Kingston Financial Group Limited, China Sandi Holdings Limited, Climax International Company Limited, Harmony Asset Limited, Guocang Group Limited, Kaisun Energy Group Limited, Kong Sun Holdings Limited, China Yunnan Tin Minerals Group Company Limited and New Island Development Holdings Limited (formerly known as New Island Printing Holdings Limited). Dr. Wong was also an independent non-executive director of ZMAY Holdings Limited (presently known as Hong Kong Life Sciences and Technologies Group Limited) from November 2009 to September 2012. All the companies mentioned above are listed on the Stock Exchange.

Directors and Senior Management (continued)

Senior Management

Mr. SAN Kin Pong, Bond, aged 47, is the Financial Controller of the Group. Mr. San is responsible for the financial reporting and accounting, internal control, corporate finance and treasury functions of the Group. Prior to joining the Group in May 2008, Mr. San worked as the Finance Manager-Group Financial Reporting of IDT International Limited whose shares are listed on the Main Board of the Stock Exchange. He has over 24 years of experience in auditing, accounting and financial management. Mr. San graduated from the Chinese University of Hong Kong with a Bachelor's degree in business administration, and obtained a Master's degree in business administration from the Royal Melbourne Institute of Technology University, Australia. Mr. San is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Ms. LEE Yuk Mei, Jacqueline, aged 43, is the Marketing and Communications Director of the Group. Ms. Lee is responsible for development and implementation of marketing communication strategy, marketing budget planning and control of the Group. Prior to joining the Group in July 2012, she worked as the Marketing and Communications Director of Jaeger LeCoultre under the portfolio of the Richemont Group of luxury brands, and Brand Director of Dior Watches under LVMH Group, Watch and Jewelry Division. She has over 17 years of experience in marketing communication with over 14 years of experience in the luxury industry. Ms. Lee graduated from The Fashion Institute of Design and Merchandising in Los Angeles, California with an associate of arts degree in fashion design in 1995 and a professional diploma in marketing from University of California, Berkeley Extension in 2003.

Mr. PAK Kwai Sing, Isaac, aged 52, is the Sales Director of the Group. Mr. Pak has over 26 years of experience in the watch industry. Prior to joining the Group in April 1997, Mr. Pak worked in various sales positions including over 5 years for Phillipe Chariol, a Swiss brand of watches, and 8 years with watch dealers in Hong Kong.

Mr. LAW Yuen Mau, Jeffy, aged 50, is the Operations Director of the Group. He has over 30 years of sales experience in the watch industry. He worked for various watch dealers in Hong Kong prior to joining the Group. After having worked for the Group from 1995 to 1996, Mr. Law rejoined the Group in August 1999.

Mr. JENG Pei Hwang, Frederick, aged 53, is the General Manager of Sincere Watch Co., Ltd since July 2003. Mr. Jeng is responsible for the general management and the administration of the company's operations. Prior to joining the Group, he had over 15 years of working experience in luxury and watch business in Taiwan handling S.T. Dupont, Alfred Dunhill and watch brands including Chopard, Bvlgari, Hermes and Rado. Mr. Jeng graduated with a master degree in business administration from the University of Wisconsin in 1989 and a bachelor degree in business administration from the National Taipei University in 1984.

Management Discussion and Analysis

Financial Review

The Group's revenue for the year ended 31 March 2014 ("FY2014") decreased 13.5% from HK$749.2 million to HK$648.0 million when compared with last financial year ("FY2013").

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

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

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

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

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

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

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

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

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

Liquidity, Financial Resources and Gearing Ratio

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

The Group finances its operations and investing activities with internally generated cash flows. The Group's net current asset rose 3.2% from HK$502.3 million as at 31 March 2013 to HK$518.3 million as at 31 March 2014. The Directors believe the Group's existing financial resources are sufficient to fulfil its commitments and current working capital requirements.

Capital Structure and Foreign Exchange Exposure

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

The Group recorded a realised exchange loss of HK$11.4 million in FY2014 against a realised loss of HK$4.1 million in FY2013. In addition, the Group registered an unrealised exchange loss of about HK$2.7 million in FY2014 against HK$3.3 million gain in FY2013. Besides, in FY2014, the Group recorded HK$0.9 million gain on fair value change of derivative financial instruments, while HK$4.7 million gain was booked last year.

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

Charge on assets

The Group did not have any charge on its assets as at 31 March 2014 (31 March 2013: Nil).

Significant Acquisition of Subsidiary

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

Future Plans for Material Investments and Capital Assets

There was no definite future plan for material investments and acquisition of material capital assets as at 31 March 2014.

Contingent Liabilities

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

Staff and Employment

As at 31 March 2014, the Group's work force stood at 116 including Directors (31 March 2013: 95). The increase was mainly due to the need for more staff to better support the business operations. Employees were paid at market rates with discretionary bonus and medical benefits, covered under the mandatory provident fund scheme.

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

Business Review

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

The Group continued to enhance its position in North Asia by developing its distribution network with a prime focus on China. In addition to the subsidiary in Shanghai, another subsidiary in Beijing has been set up and commenced its business in January 2014. The Group has also consistently embarked on niche marketing initiatives to grow brand awareness and desirability of its global watch brands. This included several unique events in our major markets with a view to increasing brand exposure and extending brand networking.

Distribution network and market penetration

The Group has established its extensive distribution network with 63 retail points of sales and 13 boutiques, making a total of 76 points (same as 76 as at the end of March 2013).

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

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

In Mainland China, the Group has established closer ties with Chow Tai Fook Jewellery Co. Ltd. which aims at the opening of more prime retail locations throughout the territory.

Brand enhancement activities

The Group aims not only to create but also sustain brand value among our discerning customers. As such, we have conducted several brand enhancement activities to reinforce our brand leadership with product imagery and focused product placements in relevant media.

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

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

Management Discussion and Analysis (continued)

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

Performance by geographical markets

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

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

Hong Kong

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

Hong Kong recorded segmental profit of HK$152.7 million which dropped 15.8% when compared with last year. This market accounted for 63.4% of the Group's segmental profit.

Mainland China and Macau

The percentage contribution of Mainland China and Macau to the Group's total revenue rose from 22.7% in FY2013 to 25.4% in FY2014. However, sales in this region showed the decrease of 3.1% to HK$164.9 million from HK$170.3 million in the last year.

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

Other Asian locations

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

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

Prospects

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

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

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

Corporate Governance Report

Corporate Governance Practices

The board (the "Board") of directors (the "Directors") of the Company is committed to maintaining high standards of corporate governance. The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of the Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code of corporate governance practices.

In the opinion of the Directors, the Company has complied with the CG Code throughout the year ended 31 March 2014, except for certain deviations disclosed herein.

Directors' Securities Transactions

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

Board of Directors

The Board is responsible for the leadership and control of the Group (comprising the Company and its subsidiaries) and oversees the Group's businesses, strategic decisions and performance. The Board has delegated the day-to-day responsibility to the Executive Directors and senior management who perform their duties under the leadership of the Managing Director. The Independent Non-executive Directors ensure that the Board accounts for the interests of all shareholders of the Company (the "Shareholders") and that all issues are considered in an objective manner.

The Board is also responsible for performing the corporate governance duties as set out below:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

At 31 March 2014, the Board consisted of five members, including two Executive Directors, namely Mrs. Chu Yuet Wah *(Chairman)* and Mr. Chu, Kingston Chun Ho *(Vice Chairman and Managing Director)* and three Independent Non-executive Directors, namely Mr. Lau Mak Tak, Ms. Lo Miu Sheung, Betty and Dr. Wong Yun Kuen.

During the year ended 31 March 2014, the Board at all time met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. The number of Independent Non-executive Directors also represented at least one-third of the members of the Board.

The Company has received annual confirmation of independence from each of Mr. Lau Man Tak, Ms. Lo Miu Sheung, Betty and Dr. Wong Yun Kuen and considers them to be independent in accordance with the independence guidelines set out in the Listing Rules.

Corporate Governance Report (continued)

The Board members have no financial, business, family or other material/relevant relationship with each other except as disclosed in "Directors and Senior Management" of this annual report. Given the nature and business objective of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The list of Directors and their respective biographies are set out on pages 6 to 7 of this annual report. The Company has put in place appropriate and adequate Directors and Officers Liability Insurance to protect the Directors and officers of the Group against their potential legal liabilities.

During the year, the Board held five regular Board meetings. Under the 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 future. In addition to the regular Board meetings, the Chairman of the Board met with Independent Non-executive Directors without the presence of another Executive Director.

The members of the Board during the year and the attendance of each member at Board meetings and the annual general meeting held on 13 September 2013 ("AGM") are as follows:

	Attended/Eligible to attend	
Name of Directors	**Board Meetings**	**AGM**
Executive Directors		
Mrs. Chu Yuet Wah *(Chairman)*	5/5	1/1
Mr. Chu, Kingston Chun Ho *(Vice Chairman and Managing Director)*	5/5	1/1
Independent Non-executive Directors		
Mr. Lau Man Tak	5/5	1/1
Ms. Lo Miu Sheung, Betty	5/5	1/1
Dr. Wong Yun Kuen	5/5	1/1

The Company Secretary assists the Chairman in establishing the meeting agenda, and each Director may request inclusion of items in the agenda. Adequate and appropriate information are circulated normally three days in advance of Board meetings to the Directors. Board and committee minutes are recorded in appropriate detail and draft minutes are circulated to all Directors and committee members for comments before being approved by the Board and relevant committees at their next immediate meeting. All minutes are kept by the Company Secretary and are open for inspection by the Directors.

Pursuant to Article 108 of the Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. A retiring Director shall be eligible for re-election. All the Independent Non-executive Directors have letters of appointment with the Company for a specified period of one year in each term, subject to retirement and rotation at the annual general meeting of the Company in accordance with the Company's Articles of Association.

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

Chairman and Managing Director

The positions of the Chairman and the Managing Director of the Company are held by separate individuals to ensure a balance of power and authority. The Company regards the role of its Managing Director to be same as that of chief executive under the CG Code.

Mrs. Chu Yuet Wah, who is the Chairman of the Company, is responsible for the overall formulation of business strategies and market development of the Group. She is also responsible for the leadership and effective running of the Board and ensuring that all significant and key issues were discussed and where required, resolved by the Board timely and constructively.

Mr. Chu, Kingston Chun Ho, who is the Vice Chairman and Managing Director of the Company, is responsible for the overall development of the Group's business, as well as the strategic planning and positioning and management of the Group. He is also delegated with the authority and responsibility to run the Group's business and day-to-day operation, and implement the Group's strategy with respect to the achievement of its business objectives with the assistance of senior management.

Directors' Training and Continuous Professional Development

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has devised a training record in order to assist the Directors to record the training they have undertaken and they are asked to provide training record to the Company.

The Company has received from each of the Directors their record of training for the year ended 31 March 2014. According to the records maintained by the Company, the training that the Directors received for the year is summarized as follows:

Name of Directors	Attending expert briefings/seminars/ conferences relevant to the business, corporate governance or directors' duties
Executive Directors	
Mrs. Chu Yuet Wah	✓
Mr. Chu, Kingston Chun Ho	✓
Independent Non-executive Directors	
Mr. Lau Man Tak	✓
Ms. Lo Miu Sheung, Betty	✓
Dr. Wong Yun Kuen	✓

Board Committees

The Board has set up three committees, namely Audit Committee, Remuneration Committee and Nomination Committee, to oversee different aspects of the Company's affairs. The most up-to-date terms of reference of these committees are available on the websites of the Stock Exchange and the Company.

Audit Committee

The Audit Committee was established on 19 September 2005. The Audit Committee is responsible for reviewing and supervising the financial reporting process and internal control system of the Group and providing advice and comments to the Board. Meetings of the Audit Committee shall be held at least twice a year.

During the year, the Audit Committee held four meetings. The members of the Audit Committee and the attendance of each member are as follows:

Independent Non-executive Directors	Attended/ Eligible to attend
Mr. Lau Man Tak *(Chairman)*	4/4
Ms. Lo Miu Sheung, Betty	4/4
Dr. Wong Yun Kuen	4/4

During the year, the Audit Committee has performed the following duties:

(a) reviewed with the management the accounting principles and practices adopted by the Group as well as financial reporting matters including the review of the audited financial statements for the year ended 31 March 2013 and the unaudited financial statements for the six months ended 30 September 2013 with recommendations to the Board for approval;

(b) reviewed reports on internal control system covering corporate governance, financial, operational, procedural compliance and risk management functions;

(c) reviewed and recommended the Board to approve the proposed Inside Information Policy;

(d) met with the auditor to discuss matters relating to the audit fees and those issues arising from the yearly audit; and

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

All members of the Audit Committee possess in-depth experience in their own profession. The Chairman of the Audit Committee, Mr. Lau Man Tak, possesses appropriate professional qualifications in finance and accounting and meets the requirements of Rule 3.21 of the Listing Rules.

Remuneration Committee

The Remuneration Committee was established on 19 September 2005. The Remuneration Committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all Directors and senior management of the Company. No individual Director is involved in decisions relating to his/her own remuneration. The Remuneration Committee has adopted the model under code provision B.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management. Meetings of the Remuneration Committee shall be held at least once a year.

During the year, the Remuneration Committee held one meeting. The members of the Remuneration Committee and the attendance of each member are as follows:

Independent Non-executive Directors	Attended/ Eligible to attend
Dr. Wong Yun Kuen *(Chairman)*	1/1
Mr. Lau Man Tak	1/1
Ms. Lo Miu Sheung, Betty	1/1

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

(a) reviewed and recommended the Board to approve the remuneration packages of Executive Directors and senior management;

(b) reviewed and recommended the Board to approve the service agreements of the Executive Directors; and

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

Details of the remuneration paid to Directors and members of senior management by band for the year ended 31 March 2014 are disclosed in the note 11 to consolidated financial statements.

Nomination Committee

The Nomination Committee was established on 2 August 2011. The Nomination Committee is responsible for making recommendations to the Board on nominations, appointment of Directors and Board succession. During the selection process, the committee may consider referrals, internal promotions or engage external recruitment professionals when necessary. No Director is involved in fixing his/her own terms of appointment and no Independent Non-executive Director is involved in assessing his/her own independence. Meetings of the Nomination Committee shall be held at least once a year.

During the year, the Nomination Committee held one meeting. The members of the Nomination Committee and the attendance of each member are as follows:

Independent Non-executive Directors	Attended/ Eligible to attend
Ms. Lo Miu Sheung, Betty *(Chairman)*	1/1
Mr. Lau Man Tak	1/1
Dr. Wong Yun Kuen	1/1

During the year, the Nomination Committee has performed the following duties:

(a) reviewed the structure, size and composition of the Board;

(b) nominated the retiring directors for re-election at the AGM;

(c) assessed the independence of Independent Non-executive Directors with reference to the requirements under the Listing Rules; and

(d) reviewed and recommended the Board to approve the proposed Board Diversity Policy and minor amendments to the terms of reference of the Nomination Committee.

The Board adopted a Board Diversity Policy on 30 August 2013 which aims to set out the approach to achieving diversity on the Board. The Company recognises the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will be based on merit while taking into account of diversity. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will review, as appropriate, and monitor the implementation of the Board Diversity Policy to ensure its effectiveness.

Auditor's Remuneration

During the year, the Group was charged HK$871,000 for auditing services and HK$40,000 for non-auditing services by the Company's auditor, Deloitte Touche Tohmatsu.

Services rendered	Fees paid/ payable HK$
Audit services	871,000
Non-audit services:	
Review of continuing connected transactions	20,000
Review of results announcements	20,000

Directors' and Auditor's Responsibilities for Accounts

The Directors are responsible for the preparation of the accounts of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give true and fair view of the state of affairs, the results of operations and cash flows of the Group. Similar to last year, in preparing the accounts for the six months ended 30 September 2013 and for the year ended 31 March 2014, the Directors have adopted suitable accounting policies and applied them consistently. The accounts for the reporting year have been prepared on a going concern basis.

The responsibilities of the Auditor to the Shareholders are set out in the Independent Auditor's Report on pages 27 and 28 of this annual report.

Internal Controls

The Board has overall responsibility for maintaining sound and effective internal controls to safeguard the Group's assets and Shareholders' interests. The Board has, through the Audit Committee, conducted review of the effectiveness of the internal control system of the Group with the assistance of independent internal control consultancy firm. The review covered the corporate governance, financial, operational, procedural compliance and risk management functions during the year. The internal control system is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

Company Secretary

Mr. Chan Kwong Leung, Eric is engaged and appointed by the Company from an external secretarial services provider as its Company Secretary. The primary contact person with the Company Secretary is Mr. San Kin Pong, Bond, the Financial Controller of the Company. For the year ended 31 March 2014, Mr. Chan Kwong Leung, Eric has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

Communication with Shareholders

The Company follows a policy of disclosing relevant information to the Shareholders in a timely manner. The Company also recognises that people other than the Shareholders, such as the potential investors and the investment community generally may have an interest in information about the Company.

Annual and interim reports offer comprehensive operational and financial performance information to the Shareholders and the annual general meeting is a valuable avenue for the Board to enter into a dialogue directly with the Shareholders. The Company regards the annual general meeting as an important event and all Directors, senior management and external auditor make an effort to attend the annual general meeting of the Company to address Shareholders' queries. All the Shareholders are given a minimum of 20 clear business days' notice of the date and venue of the annual general meeting of the Company. The Company supports the CG Code's principle to encourage Shareholders' participation. The Company has also complied with the requirements concerning voting by poll under the Listing Rules. Details of the poll voting procedures and the rights of Shareholders to demand a poll are explained by the chairman of general meeting at the meeting. All resolutions proposed at general meeting are voted separately.

All the annual and interim reports, circulars, announcements and notices of general meetings, as well as the terms of reference of Board committees can be viewed from the Company's website.

The shareholder communication policy is reviewed regularly by the Company's management to reflect current regulatory, community and investor requirements. In particular, the policy will be updated in response to the changes in internal structure, legislative, regulatory and market developments.

Shareholders' Rights

Procedures for convening an extraordinary general meeting and putting forward proposals

Pursuant to Article 64 of the Company's Articles of Association, any one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company can deposit a written request to convene an extraordinary general meeting ("EGM") to the Board or the Company Secretary at Room 602, 6/F., Caroline Centre, Lee Gardens Two, 28 Yun Ping Road, Causeway Bay, Hong Kong.

The Company will verify the request with the Company's branch share registrar and transfer office in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to convene an EGM by serving sufficient notice to all the registered shareholders in accordance with the requirements set out in the Listing Rules and the Company's Articles of Association. In the event that the request has been verified as not in order, the Shareholders concerned will be advised of this outcome and accordingly, and EGM will not be convened as requested.

Such EGM shall be held within two months after the deposit of the requisition. If within 21 days of such deposit of the requisition, the Board fails to proceed to convene an EGM, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for sending enquiries to the Board

Shareholders may at any time send their enquiries to the Board in writing for the attention of the Board or the Company Secretary via the followings:

Address	:	Room 602, 6/F., Caroline Centre, Lee Gardens Two, 28 Yun Ping Road, Causeway Bay, Hong Kong
Fax	:	(852) 2506 1866

Constitutional Documents

There was no significant change in the Company's constitutional documents for the year ended 31 March 2014.

Report of the Directors

The Directors are pleased to present their annual report and the audited consolidated financial statements for the year ended 31 March 2014.

Principal Activities

The Company is an investment holding company. The principal activities of its subsidiaries are distribution of branded luxury watches, timepieces and accessories in Hong Kong, Macau, Taiwan and the People's Republic of China (the "PRC").

Subsidiaries

Details of the Company's principal subsidiaries as at 31 March 2014 are set out in note 27 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 March 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 29.

The Directors recommend the payment of a final dividend of HK$0.04 per share for the year ended 31 March 2014 amounting to HK$24,480,000.

Distributable Reserves of the Company

At 31 March 2014, under the Companies Law Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to Shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. At 31 March 2014, the Company's reserves available for distribution to Shareholders amounted in total to approximately HK$133,833,000 (2013: HK$128,796,000).

Major Customers and Suppliers

The Group's five largest customers contributed approximately 41.9% of the Group's total sales for the year. The largest customer of the Group accounted for approximately 15.8% of the Group's total sales. The Group's five largest suppliers contributed approximately 100% of the Group's total purchase for the year. The largest supplier of the Group accounted for approximately 98.2% of the Group's total purchases.

At no time during the year did a Director, an associate of a Director or a Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers and suppliers.

Property, Plant and Equipment

During the year, the Group spent approximately HK$28,484,000 as addition to property, plant and equipment to renovate its stores and expand its operations.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

Directors

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

Executive Directors:

Chu Yuet Wah *(Chairman)*
Chu, Kingston Chun Ho *(Vice Chairman and Managing Director)*

Independent Non-executive Directors:

Lau Man Tak
Lo Miu Sheung, Betty
Wong Yun Kuen

Pursuant to Article 108 of the Company's Articles of Association, Mr. Lau Man Tak and Ms. Lo Miu Sheung, Betty shall retire by rotation from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Directors' Service Contracts

Each of the Executive Directors, Mrs. Chu Yuet Wah and Mr. Chu, Kingston Chun Ho, has entered into service agreement with the Company for an initial term of three years commencing on 1 April 2013. The appointment pursuant to the service agreements will be renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of the appointment, unless terminated by either party giving to the other not less than three months' prior written notice.

Each of the three Independent Non-executive Directors, Mr. Lau Man Tak, Ms. Lo Miu Sheung, Betty and Dr. Wong Yun Kuen, has entered into a letter of appointment with the Company for an initial term of one year commencing on 19 June 2012, 19 June 2012 and 18 September 2012 respectively. The appointment pursuant to these letters of appointment is renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of appointment, unless terminated by either party giving to the other not less than three months' prior written notice.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with any members of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Shares

At 31 March 2014, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Name of director	Capacity	Number of shares held (long position)	Approximate percentage of the Company's issued share capital *(Note 1)*
Chu Yuet Wah	Interest of controlled corporation *(Note 2)*	663,000,000	108.33%

Notes:

1. *For the purpose of the calculation of the approximate percentage of the Company's issued share capital, the total number of issued shares is the sum of 408,000,000 shares in issue as at 31 March 2014 and 204,000,000 Rights Shares to be issued upon completion of the Rights Issue.*

2. *306,000,000 shares were held by Sincere Watch Limited, which was wholly-owned by Be Bright Limited and Be Bright Limited was wholly-owned by Mrs. Chu Yuet Wah. Accordingly, Mrs. Chu Yuet Wah was deemed to be interested in these 306,000,000 shares of the Company by virtue of the SFO.*

   153,000,000 shares were the Rights Shares to be issued to Sincere Watch Limited upon completion of the Rights Issue on the basis of one Rights Share for every two shares. Sincere Watch Limited was wholly-owned by Be Bright Limited and Be Bright Limited was wholly-owned by Mrs. Chu Yuet Wah. Accordingly, Mrs. Chu Yuet Wah was deemed to be interested in these 153,000,000 shares of the Company by virtue of the SFO.

   204,000,000 shares were the Underwritten Shares in respect of the Rights Issue to be underwritten by Kingston Securities Limited, which was wholly-owned by Galaxy Sky Investments Limited which in turn was wholly-owned by Kingston Capital Asia Limited. Kingston Capital Asia Limited was 100% owned by Kingston Financial Group Limited which was 42.53% owned by Active Dynamic Limited which in turn was wholly-owned by Mrs. Chu Yuet Wah. Accordingly, Mrs. Chu Yuet Wah was deemed to be interested in these 204,000,000 shares of the Company by virtue of the SFO.

Save as disclosed above, none of the Directors nor chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code and none of the Directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Directors' Interests in Contracts of Significance and Continuing Connected Transactions

1. The Company and Sincere Watch Limited ("SWL"), the controlling shareholder of the Company, entered into the Inventory Control Agreement on 13 August 2013 for a term from 1 April 2013 to 31 March 2016 to govern the continuing connected transactions with the annual cap of (a) HK$18,000,000 for sale of the products by the Group to members of SWL and its subsidiaries in Singapore, and (b) HK$18,000,000 for purchase of the products by the Group from SWL and its subsidiaries in Singapore for each of the three financial years ending 31 March 2014, 31 March 2015 and 31 March 2016.

   During the year, the Group had the following continuing connected transactions with Franck Muller Pte Limited, a subsidiary of SWL and with SWL.

   i. The Group sold watches to SWL and its subsidiary in Singapore for sale and distribution on an as needed basis when SWL and its subsidiary in Singapore are out of certain models of watches. Such sales amounted to a total of approximately of HK$3,215,000 and do not exceed the cap amount of HK$18,000,000 as mentioned in the announcement of the Company dated 13 August 2013.

   ii. The Group purchased watches from SWL and its subsidiary in Singapore on an as needed basis to meet customers' demand when certain models of watches are out of stock in Hong Kong, Macau, Taiwan or the PRC. Such purchases amounted to a total of approximately HK$3,481,000 and do not exceed the cap amount of HK$18,000,000 as mentioned in the announcement of the Company dated 13 August 2013.

2. On 13 August 2013, the Company and Kingston Financial Group Limited ("Kingston") entered into the Master Agreement which provides the framework within which the Group may engage Kingston and its subsidiaries 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.

   During the year, the Group had the following continuing connected transactions with Kingston Securities Limited ("KSL") and Kingston Corporate Finance Limited ("KCF"), both of which are indirect wholly-owned subsidiaries of Kingston. Mrs. Chu Yuet Wah is the common controlling shareholder and executive director of the Company and Kingston.

   i. An underwriting agreement dated 4 March 2014 was entered into between the Company and KSL pursuant to which KSL will act as the underwriter in relation to the underwriting and certain other arrangements in respect of the Rights Issue of the Company, whereby the amount of HK$3,060,000 is payable by the Company to KSL as the underwriting fee. The underwriting fee is within the annual cap for the period up to 31 March 2014 as mentioned in the announcement of the Company dated 13 August 2013 and was paid by the Company in April 2014.

   ii. The Company had engaged KCF for providing financial advisory services in respect of the Rights Issue of the Company, whereby the Company paid HK$250,000 as financial advisory fee to KCF. The advisory fee is within the annual cap for the period up to 31 March 2014 as mentioned in the announcement of the Company dated 13 August 2013.

3. Sincere Brand Management Limited ("SBML"), the wholly-owned subsidiary of the Company, and Mrs. Chu Yuet Wah ("Mrs. Chu"), the executive director and chairman of the Company, entered into the Loan Agreement on 13 August 2013, pursuant to which Mrs. Chu will provide to SBML (when required by SBML) a revolving facility to the extent of HK$100,000,000 or equivalents. The transactions contemplated under the Loan Agreement will constitute continuing connected transactions for the Company. During the year, there was not any amount provided by Mrs. Chu to SBML under the Loan Agreement.

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A. 38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above, no contracts of significance to which the Company, any of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Confirmation of Independence of Independent Non-executive Directors

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

Substantial Shareholders

At 31 March 2014, the following persons (other than the Directors or the chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company were as follows:

Name of shareholder	Capacity	Number of shares held (long position)	Approximate percentage of the Company's issued share capital *(Note 1)*
Sincere Watch Limited	Beneficial owner *(Note 2)*	459,000,000	75.00%
Be Bright Limited	Interest of controlled corporation *(Note 3)*	459,000,000	75.00%
Kingston Securities Limited	Other *(Note 4)*	204,000,000	33.33%
Galaxy Sky Investments Limited	Interest of controlled corporation *(Note 4)*	204,000,000	33.33%
Kingston Capital Asia Limited	Interest of controlled corporation *(Note 4)*	204,000,000	33.33%
Kingston Financial Group Limited	Interest of controlled corporation *(Note 4)*	204,000,000	33.33%
Active Dynamic Limited	Interest of controlled corporation *(Note 4)*	204,000,000	33.33%

Notes:

1. *For the purpose of the calculation of the approximate percentage of the Company's issued share capital, the total number of issued shares is the sum of 408,000,000 shares in issue as at 31 March 2014 and 204,000,000 Rights Shares to be issued upon completion of the Rights Issue.*

2. *306,000,000 shares were registered in the name of and beneficially owned by Sincere Watch Limited and 153,000,000 shares were the Rights Shares to be issued to Sincere Watch Limited upon completion of the Rights Issue on the basis of one Rights Share for every two shares.*

3. *306,000,000 shares were held by Sincere Watch Limited, which was wholly-owned by Be Bright Limited. Accordingly, Be Bright Limited was deemed to be interested in these 306,000,000 shares of the Company by virtue of the SFO.*

   153,000,000 shares were the Rights Shares to be issued to Sincere Watch Limited upon completion of the Rights Issue on the basis of one Rights Share for every two shares. Sincere Watch Limited was wholly-owned by Be Bright Limited. Accordingly, Be Bright Limited was deemed to be interested in these 153,000,000 shares of the Company by virtue of the SFO.

4. *204,000,000 shares were the Underwritten Shares in respect of the Rights Issue to be underwritten by Kingston Securities Limited, which was wholly-owned by Galaxy Sky Investments Limited which in turn was wholly-owned by Kingston Capital Asia Limited. Kingston Capital Asia Limited was 100% owned by Kingston Financial Group Limited which was 42. 53% owned by Active Dynamic Limited.*

Save as disclosed above, as at 31 March 2014, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or otherwise notified to the Company.

Report of the Directors (continued)

Arrangements to Purchase Shares or Debentures

At no time during the year was the Company, any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Purchase, Sale or Redemption of Listed Securities

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

Compliance with Corporate Governance Code

The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the year, except for certain deviations as disclosed in the Corporate Governance Report on pages 12 to 19 of this annual report.

Emolument Policy

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are recommended by the Remuneration Committee and decided by the Board, having regard to the Company's operating results, individual performance and comparable market trends.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

Sufficiency of Public Float

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

Directors' Interests in Competing Business

At 31 March 2014, none of the Directors was interested in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Auditor

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Chu Yuet Wah
Chairman
Hong Kong
26 June 2014

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Sincere Watch (Hong Kong) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 65, which comprise the consolidated statement of financial position as at 31 March 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2014 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 June 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2014

	NOTES	2014 HK$'000	2013 HK$'000
Turnover		**648,013**	749,183
Cost of sales		**(396,758)**	(451,600)
Gross profit		**251,255**	297,583
Other income		**2,765**	1,435
Selling and distribution costs		**(43,694)**	(41,793)
General and administrative expenses		**(126,628)**	(120,180)
Impairment loss recognised on goodwill	15	**(8,092)**	–
Profit before taxation, exchange (loss) gain and gain on fair value change of derivative financial instruments		**75,606**	137,045
Realised exchange loss	8	**(11,387)**	(4,060)
Unrealised exchange (loss) gain		**(2,660)**	3,347
Gain on fair value change of derivative financial instruments		**917**	4,664
Profit before taxation		**62,476**	140,996
Income tax expense	9	**(10,402)**	(22,143)
Profit for the year	10	**52,074**	118,853
Other comprehensive expense			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(855)**	(526)
Total comprehensive income for the year, attributable to owners of the Company		**51,219**	118,327
Earnings per share	13		
— basic		**12.8 HK cents**	29.1 HK cents

Consolidated Statement of Financial Position

As at 31 March 2014

	NOTES	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	14	**40,637**	31,539
Intangible assets	15	**–**	8,092
Deferred tax assets	23	**14,225**	12,657
		54,862	52,288
Current assets			
Inventories	16	**436,339**	423,747
Trade and other receivables	17	**92,376**	123,984
Amount due from immediate holding company	18	**572**	–
Amount due from a fellow subsidiary	18	**–**	5,754
Derivative financial instruments	21	**722**	–
Taxation recoverable		**10,129**	699
Bank balances and cash	19	**316,115**	333,281
		856,253	887,465
Current liabilities			
Trade and other payables	20	**330,474**	378,303
Amount due to immediate holding company	18	**–**	55
Amount due to fellow subsidiary	18	**1,334**	–
Derivative financial instruments	21	**–**	195
Taxation payable		**6,157**	6,629
		337,965	385,182
Net current assets		**518,288**	502,283
Total assets less current liabilities		**573,150**	554,571
Net assets		**573,150**	554,571
Capital and reserves			
Share capital	22	**40,800**	40,800
Reserves		**532,350**	513,771
Equity attributable to owners of the Company		**573,150**	554,571

The consolidated financial statements on pages 29 to 65 were approved and authorised for issue by the Board of Directors on 26 June 2014 and are signed on its behalf by:

Chu Yuet Wah
Executive Director

Chu, Kingston Chun Ho
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

	Attributable to owners of the Company					
	Share capital HK$'000	**Share premium** HK$'000	**Special reserve** HK$'000 (Note)	**Translation reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 April 2012	40,800	59,546	801	3,348	331,749	436,244
Exchange difference arising from translation of foreign operations	–	–	–	(526)	–	(526)
Profit for the year	–	–	–	–	118,853	118,853
Total comprehensive income for the year	–	–	–	(526)	118,853	118,327
At 31 March 2013 and 1 April 2013	40,800	59,546	801	2,822	450,602	554,571
Exchange difference arising from translation of foreign operations	–	–	–	(855)	–	(855)
Profit for the year	–	–	–	–	52,074	52,074
Total comprehensive income for the year	–	–	–	(855)	52,074	51,219
Dividend paid for 2013	–	–	–	–	(32,640)	(32,640)
At 31 March 2014	**40,800**	**59,546**	**801**	**1,967**	**470,036**	**573,150**

Note: The special reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the reorganisation during its listing in The Stock Exchange of Hong Kong Limited.

Consolidated Statement of Cash Flows

For the year ended 31 March 2014

	2014 HK$'000	2013 HK$'000
Operating activities		
Profit before taxation	**62,476**	140,996
Adjustments for:		
Interest income	**(2,625)**	(1,435)
Gain on disposal of property, plant and equipment	**(140)**	–
Loss on write-off of property, plant and equipment	**306**	1,096
Depreciation of property, plant and equipment	**18,863**	14,891
Impairment loss recognised on goodwill	**8,092**	–
Unrealised exchange loss (gain)	**2,660**	(3,347)
Unrealised (gain) loss on fair value change of derivative financial instruments	**(722)**	195
Operating cash flows before movements in working capital	**88,910**	152,396
Increase in inventories	**(12,812)**	(37,800)
Decrease (increase) in trade and other receivables	**31,405**	(18,583)
Decrease (increase) in amount due from a fellow subsidiary	**5,754**	(5,754)
Decrease in trade and other payables	**(50,416)**	(109,882)
Decrease in derivative financial instruments	**(195)**	(4,859)
(Decrease) increase in amount due to immediate holding company	**(627)**	27
Increase (decrease) in amounts due to a fellow subsidiary	**1,334**	(27)
Cash generated from (used in) operations	**63,353**	(24,482)
Hong Kong Profits Tax paid	**(15,820)**	(25,621)
Tax in other jurisdictions paid	**(6,039)**	(5,097)
Net cash from (used in) operating activities	**41,494**	(55,200)
Investing activities		
Proceeds from disposal of property, plant and equipment	**140**	–
Interest received	**2,625**	1,435
Purchase of property, plant and equipment	**(28,484)**	(26,964)
Net cash used in investing activities	**(25,719)**	(25,529)
Financing activity		
Dividends paid	**(32,640)**	–
Cash used in financing activity	**(32,640)**	–
Net decrease in cash and cash equivalents	**(16,865)**	(80,729)
Cash and cash equivalents at beginning of the year	**333,281**	414,279
Effect of foreign exchange rate changes	**(301)**	(269)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**316,115**	333,281

1. General

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

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

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

The Company acts as an investment holding company. The principal activities of the Group are distribution of branded luxury watches, timepieces and accessories in Hong Kong, Macau, Taiwan and the People's Republic of China (the "PRC"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

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

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

Except as described below, the application of the new and revised 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.

HKFRS 13 Fair Value Measurement

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

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

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see note 6c for the 2013 disclosure). The application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and revised HKFRS issued but not yet effective

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

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

1 *Effective for annual periods beginning on or after1 January 2014.*
2 *Effective for annual periods beginning on or after 1 July 2014.*
3 *Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.*
4 *Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.*
5 *Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.*
6 *Effective for annual periods beginning on or after1 January 2016.*

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

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

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

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

3. Significant Accounting Policies

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

The consolidated financial statements have been prepared under the historical cost basis except for the derivative financial instruments which are measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position as an intangible asset.

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts.

3. Significant Accounting Policies (continued)

Revenue recognition (continued)

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

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible asset acquired in a business combination

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

Subsequent to initial recognition, an intangible asset with a finite useful life is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for an intangible asset with a finite useful life is provided on a straight-line basis over its estimated useful life.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

3. Significant Accounting Policies (continued)

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

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

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

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets consist of loans and receivables.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from immediate holding company/a fellow subsidiary, fixed bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

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

Impairment of loans and receivables

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

Objective evidence of impairment could include:

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

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

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of loans and receivables (continued)

Loans and receivables assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30 days to 90 days and observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Other financial liabilities

Other financial liabilities including trade and other payables and amounts due to immediate holding company/fellow subsidiaries are subsequently measured at amortised cost, using the effective interest method.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Derecognition

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

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

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of a deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Significant Accounting Policies (continued)

Taxation (continued)

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Goodwill and fair value adjustment on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

Leasing

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

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

4. Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2014, the carrying amount of goodwill is nil (2013: HK$8,092,000).

Allowance for inventories

Management reviews the inventory ageing listing on a periodic basis. This review involves comparison of the carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether an allowance is required to be made in the consolidated financial statements for slow-moving items. Management is satisfied that adequate allowance for inventories has been made in the consolidated financial statements. As at 31 March 2014, the carrying amount of inventories is approximately HK$436,339,000 (2013: HK$423,747,000), net of allowance for inventories of approximately HK$68,493,000 (2013: HK$60,778,000).

Income taxes

At 31 March 2014, a deferred tax asset of approximately HK$14,225,000 (2013: HK$12,657,000) mainly relating to the allowance for inventories has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be charged to the consolidated statement of profit or loss and other comprehensive income for the period in which such a reversal takes place.

5. Capital Risk Management

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

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

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

6. Financial Instruments

6a. Categories of financial instruments

	2014 HK$'000	2013 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**375,649**	440,653
Derivative financial instruments classified as held for trading	**722**	–
Financial liabilities		
Amortised cost	**234,015**	298,381
Derivative financial instruments classified as held for trading	**–**	195

6b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from (to) fellow subsidiaries, fixed bank deposits, bank balances and cash, trade and other payables, amount due from (to) immediate holding company and derivative financial instruments. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The interest rate risk exposure is minimal. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

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

Currency risk

Several subsidiaries of the Company have foreign currency denominated monetary assets and liabilities, which arose from foreign currency purchases and sales, thus exposing the Group to foreign currency risk. All of the Group's purchases are denominated in currencies other than the functional currency of the Group entity making the purchases.

6. Financial Instruments (continued)

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

Market risk (continued)

Currency risk (continued)

The carrying amounts of the Group entities' foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Currency	Assets 2014 HK$'000	Assets 2013 HK$'000	Liabilities 2014 HK$'000	Liabilities 2013 HK$'000
Euro	EUR	**110**	104	**1,244**	409
Renminbi	RMB	**15,292**	2,188	**–**	687
Singapore dollars	SGD	**–**	–	**559**	540
Swiss Franc	CHF	**8,559**	64,217	**228,334**	291,238
New Taiwan Dollar	NTD	**10,019**	12,135	**–**	–

The Group currently does not have a formally written foreign exchange hedging policy to eliminate the currency exposures. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise. The Group has entered into foreign currency forward contracts to minimise the effect of exchange rate fluctuations between HKD and CHF.

Sensitivity analysis

The Group is mainly exposed to the fluctuation in exchange rate of Swiss Franc.

The following table details the Group's sensitivity to a 10% (2013: 10%) increase and decrease in Hong Kong dollars against Swiss Franc. 10% (2013: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% (2013: 10%) change in foreign currency rate. The analysis illustrates the impact for a 10% (2013: 10%) weakening of Hong Kong dollars against Swiss Franc and a positive number below indicates a decrease in post-tax profit for the year. For a 10% (2013: 10%) strengthening of Hong Kong dollars against Swiss Franc, there would be an equal and opposite impact on the post-tax profit for the year. The decrease in profit for the year is mainly attributable to the exposure on outstanding trade payables net of bank balances denominated in Swiss Franc at the year end.

	Swiss Franc impact 2014 HK$'000	Swiss Franc impact 2013 HK$'000
Decrease in post-tax profit for the year	**18,350**	18,956

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

6. Financial Instruments (continued)

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

Market risk (continued)

Other price risk

The Group is also exposed to currency risk for the outstanding foreign exchange forward contracts. The details of the foreign exchange forward contracts are set out in note 21.

Credit risk

The Group's maximum exposure to credit risk in the event of that counterparties' failure to perform their obligations as at 31 March 2014 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In order to manage the credit risk in relation to trade receivables, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

The concentration of credit risk on liquid funds are mainly from bank balances which are deposited with several banks with high credit ratings.

The Group's concentration of credit risk on trade receivables as at 31 March 2014 is mainly from five major customers which accounted for 77% (2013: 69%) of trade receivables mainly from Hong Kong. They are assessed by the management as high credit rating customers as they are reputable watch retailers with major operations in Hong Kong and with good repayment record during the past years.

The Group's concentration of geographical risk on trade receivables mainly from Hong Kong which accounted for 84% (2013: 85%) of the total trade receivables. The Group has closely monitored the sales performance and would seek for the chance to diversify its customer bases.

6. Financial Instruments (continued)

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

Liquidity risk

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

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

	Weighted average effective interest rate %	Within 90 days HK$'000	Over 90 days and less than 1 year HK$'000	Total contractual undiscounted cash flows HK$'000	Total carrying Amount HK$'000
As at 31 March 2014					
Non-derivative financial liabilities					
Trade and other payables	–	**66,906**	**165,775**	**232,681**	**232,681**
Amount due to a fellow subsidiary	–	**1,334**	**–**	**1,334**	**1,334**
		68,240	**165,775**	**234,015**	**234,015**
Derivatives — gross settlement					
Foreign exchange forward contracts					
— inflow	–	**(116,862)**	**–**	**(116,862)**	**(116,862)**
— outflow	–	**116,140**	**–**	**116,140**	**116,140**
		(722)	**–**	**(722)**	**(722)**
As at 31 March 2013					
Non-derivative financial liabilities					
Trade and other payables	–	85,393	212,933	298,326	298,326
Amount due to immediate holding company	–	55	–	55	55
		85,448	212,933	298,381	298,381
Derivatives — gross settlement					
Foreign exchange forward contracts					
— inflow	–	(16,335)	–	(16,335)	(16,335)
— outflow	–	16,530	–	16,530	16,530
		195	–	195	195

6. Financial Instruments (continued)

6c. Fair value

The fair value of financial assets and financial liabilities carried at amortised cost is determined using generally accepted pricing models based on discounted cash flow analysis.

The fair value of derivative instruments is calculated using quoted foreign exchange rate where it is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives.

The directors consider that the carrying amounts of financial assets and financial liabilities in the consolidated financial statements approximate their fair values.

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

The classification of the measurement of the derivative financial instruments at 31 March 2013 and 2014 using the fair value hierarchy were Level 2.

The Group's derivative financial instruments represents foreign currency forward contracts. The key input to the valuation model includes forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates.

There were no transfers between Level 1 and 2 in the current and prior years.

7. Segment Information

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

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

7. Segment Information (continued)

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

Year ended 31 March 2014

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

Year ended 31 March 2013

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

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

Note: Other Asian locations includes Singapore and Taiwan.

7. Segment Information (continued)

Information about major customers

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

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

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

Other segment information

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

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

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

8. Realised Exchange (Loss)

The realised exchange loss comprise:

	2014	2013
	HK$'000	HK$'000
Realised exchange (loss) gain on monetary items	**(11,192)**	10,960
Realised loss from foreign currency forward contracts	**(195)**	(15,020)
Net realised exchange loss	**(11,387)**	(4,060)

9. Income Tax Expense

	2014 HK$'000	2013 HK$'000
The charge comprises:		
Current tax		
Hong Kong	(6,622)	(16,529)
Other jurisdictions	(5,382)	(5,993)
	(12,004)	(22,522)
Overprovision (Underprovision) in prior years:		
Hong Kong	–	(118)
Other jurisdictions	16	(1)
	16	(119)
Deferred tax credit (note 23)		
Current year	1,586	498
	(10,402)	(22,143)

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profit for the year.

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

The tax charge for the year can be reconciled to the profit before taxation in the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 HK$'000	2013 HK$'000
Profit before taxation	62,476	140,996
Tax at the domestic income tax rate of 16.5% (2013: 16.5%)	(10,309)	(23,264)
Tax effect of income not taxable in determining taxable profit	123	89
Tax effect of expenses not deductible in determining taxable profit	(1,961)	(673)
Tax effect of tax losses not recognised	(1,710)	(310)
Utilisation of tax losses previously not recognised	831	44
Overprovision (underprovision) in prior years	16	(119)
Effect of different tax rates of subsidiaries operating in other jurisdictions	2,608	2,090
Tax charge for the year	(10,402)	(22,143)

10. Profit for the Year

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

Note: The minimum lease payments in respect of rented premises excluded contingent rent of HK$3,885,000 (2013: HK$5,762,000). 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.

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

Directors' remuneration

The remuneration of each director for the year ended 31 March 2014 is set out below:

Name of directors	Fees HK$'000	Salary, allowance and benefits HK$'000	Performance bonus HK$'000 (Note)	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Executive directors					
Mrs. Chu Yuet Wah	–	3,600	900	15	4,515
Mr. Chu, Kingston Chun Ho	–	2,490	500	15	3,005
Independent non-executive directors					
Mr. Lau Man Tak	120	–	–	–	120
Ms. Lo Miu Sheung, Betty	120	–	–	–	120
Dr. Wong Yun Kuen	120	–	–	–	120
	360	6,090	1,400	30	7,880

Mr. Chu, Kingston Chun Ho is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

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

Directors' remuneration (continued)

The remuneration of each director for the year ended 31 March 2013 is set out below:

Name of directors	Fees HK$'000	Salary, allowance and benefits HK$'000	Performance bonus HK$'000 (Note)	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Executive directors					
Mrs. Chu Yuet Wah	–	3,029	2,000	13	5,042
Mr. Chu, Kingston Chun Ho	–	1,515	1,000	13	2,528
Mr. Tay Liam Wee	–	857	1,058	–	1,915
Mr. Chau Kwok Fun, Kevin	–	2,033	1,058	3	3,094
Ms. Tay Liam Wuan	–	495	–	3	498
Non-executive director					
Mr. Batchelor John Howard	–	–	–	–	–
Independent non-executive directors					
Mr. Lau Man Tak	94	–	–	–	94
Ms. Lo Miu Sheung, Betty	94	–	–	–	94
Dr. Wong Yun Kuen	64	–	–	–	64
Mr. Chang Hoi Nam	30	–	–	–	30
Mr. Lam Man Bun, Alan	35	–	–	–	35
Mr. Lew, Victor Robert	35	–	–	–	35
Dr. King, Roger	35	–	–	–	35
	387	7,929	5,116	32	13,464

Note: The performance bonus are determined with reference to the operating results and individual performance during both years.

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

Employees' emoluments

For the year ended 31 March 2014, the five highest paid individuals included two (2013: four) directors, details of whose remuneration are included above. The remuneration of the three highest paid individuals in 2014 (2013: one) were as follows:

	2014 **HK$'000**	2013 HK$'000
Salaries, allowances and other benefits	**3,601**	961
Performance related incentive payments	**835**	1,000
Contributions to retirement benefits schemes	**45**	7
	4,481	1,968

The emoluments of the employees were within the following bands:

	Number of employees	
	2014	2013
HK$1,000,001 to HK$1,500,000	**2**	–
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	–

No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any remuneration in both years.

12. Dividend

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

The Board has proposed the payment of a final dividend for the year ended 31 March 2014 of HK$0.04 per share (2013: HK$0.08 per share) amounting to HK$24,480,000 subject to shareholders' approval in the forthcoming annual general meeting.

13. Earnings per Share

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately HK$52,074,000 (2013: HK$118,853,000) and on the number of shares of 408,000,000 (2013: 408,000,000) that were in issue throughout the year.

There were no potential ordinary shares outstanding during both years.

14. Property, Plant and Equipment

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computers HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 April 2012	47,984	13,332	3,718	1,258	408	66,700
Currency realignment	(100)	(5)	(23)	(2)	–	(130)
Additions	22,790	3,202	494	478	–	26,964
Written off (Note)	(12,422)	(170)	–	–	–	(12,592)
At 31 March 2013	58,252	16,359	4,189	1,734	408	80,942
Currency realignment	(207)	(10)	(39)	(11)	–	(267)
Additions	25,679	370	1,123	541	771	28,484
Disposal/written off	(9,779)	(702)	(898)	–	(408)	(11,787)
At 31 March 2014	**73,945**	**16,017**	**4,375**	**2,264**	**771**	**97,372**
DEPRECIATION						
At 1 April 2012	32,612	8,508	3,489	1,083	408	46,100
Currency realignment	(63)	(5)	(22)	(2)	–	(92)
Provided for the year	10,658	4,003	93	137	–	14,891
Eliminated on written off (Note)	(11,336)	(160)	–	–	–	(11,496)
At 31 March 2013	31,871	12,346	3,560	1,218	408	49,403
Currency realignment	(2)	(8)	(34)	(6)	–	(50)
Provided for the year	15,357	2,792	274	335	105	18,863
Eliminated on disposal/written off	(9,598)	(597)	(878)	–	(408)	(11,481)
At 31 March 2014	**37,628**	**14,533**	**2,922**	**1,547**	**105**	**56,735**
CARRYING VALUES						
At 31 March 2014	**36,317**	**1,484**	**1,453**	**717**	**666**	**40,637**
At 31 March 2013	26,381	4,013	629	516	–	31,539

Note: During the year ended 31 March 2013, the Group relocated the office and the property, plant and equipment associated with the old office were included in the amount of written off accordingly.

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	$33^1/_3$% or over the term of the relevant lease of the rented premises, whichever is shorter period
Furniture and fixtures	$33^1/_3$%–50%
Office equipment	$33^1/_3$%
Computers	$33^1/_3$%
Motor vehicles	20%

15. Intangible Assets

	Distribution rights HK$'000 (note a)	Goodwill HK$'000 (note b)	Total HK$'000
COST			
At 1 April 2012, 31 March 2013 and **31 March 2014**	**6,208**	**8,092**	**14,300**
AMORTISATION AND IMPAIRMENT			
At 1 April 2012, 31 March 2013	6,208	–	6,208
At 1 April 2013	6,208	–	6,208
Charge for the year	–	–	–
Impairment loss recognised during the year	–	8,092	8,092
At 31 March 2014	**6,208**	**8,092**	**14,300**
CARRYING VALUES			
At 31 March 2014	**–**	**–**	**–**
At 31 March 2013	–	8,092	8,092

Notes:

(a) *The exclusive distribution rights were acquired through the acquisition of Sincere Watch Co., Ltd. in October 2006. Such distribution rights have finite useful life and are amortised on a straight line basis over their estimated useful life of approximately five years.*

(b) *Goodwill acquired in a business combination is allocated, at acquisition, to the CGU of the Taiwan operation.*

During the year ended 31 March 2014, management of the Group determines full impairment of this CGU have to be made.

The recoverable amount of the CGU is determined from value in use calculation. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on historical average growth rate. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

During the year, the Group performed impairment review for goodwill based on cash flow forecast derived from the most recent financial budget for the next five years approved by management using a discount rate of 12.6% (2013: 14.5%) which reflects current market assessments of the time value of money and the risks specific to the CGU. The average growth rate per annum for the next five years is 1% (2013: 14%) in light of the historical average growth rate. The CGU's cash flows beyond the five-year period are extrapolated without further growth rate. On this basis, the goodwill of HK$8,092,000 arising from the acquisition of Sincere Watch Co., Ltd. in prior year was fully impaired during the year as no future economic benefits were expected from the goodwill.

16. Inventories

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

17. Trade and Other Receivables

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

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

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

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

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

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of nil (2013: HK$3,529,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

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

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

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

17. Trade and Other Receivables (continued)

Movement in the allowance for doubtful debts

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

18. Amounts Due From/To Group Companies

Amount due from/to immediate holding company and fellow subsidiary are unsecured, non-interest bearing and repayable within 1 year.

19. Bank Balances and Cash

Bank balances and cash comprise cash at bank and fixed time deposits. Cash at bank is held by the Group at prevailing market interest rates ranging from 0.001% to 0.17% (2013: 0.001% to 0.17%) per annum.

Fixed time deposits carry fixed interest rate ranging from 1.35% to 1.8% (2013: 0.325% to 1.8%) per annum and mature in 1 month (2013: 1 month). Therefore, the amounts are classified as current.

20. Trade and Other Payables

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

The following is an aged analysis of trade payables:

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

The amount of trade payables above includes amounts of approximately HK$228,334,000 (2013: HK$291,238,000) and HK$1,244,000 (2013: HK$409,000) which are denominated in Swiss Franc and Euro respectively.

21. Derivative Financial Instruments

	2014 HK$'000	2013 HK$'000
Foreign currency forward contracts	**722**	(195)

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

Notional amount	Maturity	Exchange rates
At 31 March 2014		
Buy CHF2,332,680	**18 July 2014**	**HKD/CHF at 8.4305**
Buy CHF1,200,000	**21 November 2014**	**HKD/CHF at 8.8238**
At 31 March 2013		
Buy CHF2,000,000	8 April 2014	HKD/CHF at 8.2650

22. Share Capital

	2014 & 2013 HK$'000
Authorised:	
2,000,000,000 ordinary shares of HK$0.10 each	200,000
Issued and fully paid:	
408,000,000 ordinary shares of HK$0.10 each	40,800

There were no changes in the Company's authorised, issued and fully paid share capital in both years.

23. Deferred Taxation

A summary of the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior years is as follows:

	Accelerated accounting depreciation HK$'000	Allowance for inventories HK$'000	Others HK$'000	Total HK$'000
At 1 April 2012	3,002	9,149	29	12,180
Currency realignment	(2)	(18)	(1)	(21)
Credit (charge) to profit or loss for the year	(406)	943	(39)	498
At 31 March 2013	2,594	10,074	(11)	12,657
Currency realignment	(2)	(16)	–	(18)
Credit to profit or loss for the year	1,097	472	17	1,586
At 31 March 2014	3,689	10,530	6	14,225

The Group has unused tax losses of approximately HK$5,522,000 (2013: HK$10,558,000) available for offset against future profits. Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely.

Under the laws and regulations in Taiwan, withholding tax is imposed on dividends declared in respect of profits earned by a subsidiary incorporated and operated in Taiwan. Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the undistributable retained profits earned by that Taiwan subsidiary amounting to HK$34,969,000 (2013: HK$36,267,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

24. Operating Lease Commitments

At 31 March 2014, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2014 HK$'000	2013 HK$'000
Within one year	**66,587**	36,447
In the second to fifth years inclusive	**119,843**	20,746
	186,430	57,193

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

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

25. Retirement Benefits Schemes

The Group participates a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employers and the employees are each required to make a monthly contribution of maximum HK$1,250 for each employee to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme.

The Group also participates a defined contribution plan under the Labor Pension Act ("LPA") in Taiwan. Under this scheme, the employers are required to make contribution to the scheme at the rates specified in LPA. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

26. Related Party Transactions

(a) Related party and continuing connected party transactions

In addition to the balances with related parties as disclosed in note 18, the Group had the following major transactions with the following related parties, which also regarded as connected parties pursuant to chapter 14A of the Listing Rules:

	2014 **HK$'000**	2013 HK$'000
Sales to a fellow subsidiary	**3,215**	11,000
Purchases from fellow subsidiary	**3,481**	2,212
Underwriting fee paid to a related company	**3,060**	–
Financial advisory fee paid to a related company	**250**	–

(b) Compensation of key management personnel

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 11.

(c) Loan agreement provided by key management personnel

During the year, the Company entered into a revolving facility agreement to the extent of HK$100,000,000 with a director of the Company. The loan facility is unsecured, interest-bearing and repayable on demand. This facility was not utilised as at the reporting date.

27. Subsidiaries

Details of the Company's subsidiaries at 31 March 2014 and 31 March 2013 are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid share capital	Proportion of nominal value of issued share held by the Company				Principal activity
			Directly		*Indirectly*		
			2014	2013	**2014**	2013	
Sincere Brand Holdings Limited	British Virgin Islands	US$200	**100%**	100%	**–**	–	Investment holding
Sincere Brand Management Limited	Hong Kong	HK$1,000,000	**–**	–	**100%**	100%	Trading of watches
Sincere Watch Co. Ltd.	Taiwan	NTD5,000,000	**–**	–	**100%**	100%	Trading of watches
Pendulum (Macau) Limited	Macau	MOP25,000	**–**	–	**100%**	100%	Trading of watches
Pendulum Limited	Hong Kong	HK$2	**–**	–	**100%**	100%	Inactive
Sincere Watch Trading Co. Ltd.	Hong Kong	HK$1	**–**	–	**100%**	100%	Investment holding
Sincere Distribution Limited	British Virgin Islands	USD100	**100%**	100%	**–**	–	Investment holding
Shanghai Franck Muller Fine Watch Co. Ltd.	PRC	HK$30,000,000	**–**	–	**100%**	100%	Trading of watches
法穆蘭鐘錶(北京)有限責任公司 (Incorporated on 12 July 2013)	PRC	RMB4,000,000	**–**	–	**100%**	–	Trading of watches
Franck Muller Fine Dining Limited (Incorporated on 15 January 2014)	Hong Kong	HK$5,000	**–**	–	**100%**	–	Food and beverage

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

28. Information about the Financial Position of the Company

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

	2014	2013
	HK$'000	HK$'000
Non-current assets		
Unlisted investments in subsidiaries	**76,981**	76,981
Amounts due from subsidiaries	**57,692**	57,692
	134,673	134,673
Current assets		
Amounts due from subsidiaries	**39,661**	35,866
Other current assets	**3,116**	1,544
	42,777	37,410
Current liabilities	**(2,817)**	(2,487)
Net current assets	**39,960**	34,923
	174,633	169,596
Capital and reserves		
Share capital (see note 22)	**40,800**	40,800
Reserves (Note)	**133,833**	128,796
	174,633	169,596

Note:

The movement of the reserves of the Company is as follows:

	HK$'000
At 1 April 2012	128,531
Profit for the year	265
At 31 March 2013 and 1 April 2013	128,796
Profit for the year	37,677
2013 final dividend paid	(32,640)
At 31 March 2014	133,833

29. Event after the Reporting Period

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

Financial Summary

Results

	For the year ended 31 March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**648,013**	749,183	1,115,070	821,540	443,969
Profit before taxation	**62,476**	140,996	168,800	94,117	4,744
Income tax (expense) credit	**(10,402)**	(22,143)	(29,633)	(15,302)	41
Profit for the year	**52,074**	118,853	139,167	78,815	4,785
Earnings per share					
Basic (HK cents)	**12.8**	29.1	34.1	19.3	1.2

Assets and Liabilities

	At 31 March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**911,115**	939,753	946,679	761,370	497,723
Total liabilities	**(337,965)**	(385,182)	(510,435)	(439,568)	(249,342)
Total equity	**573,150**	554,571	436,244	321,802	248,381