ESTD 1954

SINCERE WATCH (HONG KONG) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 444)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2016

FINANCIAL HIGHLIGHTS

- Turnover for the financial year ended 31 March 2016 ("FY2016") decreased by 48.6% from HK$589,716,000 to HK$303,400,000 when compared with last financial year ("FY2015").
- Gross margin decreased from 38.3% to 23.4%. Gross profit for this financial year decreased from HK$225,650,000 to HK$71,135,000.
- The realised foreign exchange gain for the year was HK$316,000 and was HK$15,705,000 last year. The unrealised foreign exchange loss of this financial year was HK$435,000 as compared with HK$3,955,000 gain of last financial year.
- Net loss for FY2016 was HK$143,491,000 (FY2015: HK$40,232,000 net profit).
- Loss per share was 3.48 HK cents for this financial year and earnings per share was 1.22 HK cents for last financial year.
- The Board does not recommend the payment of a final dividend for the year ended 31 March 2016 (FY2015: Nil).

FINANCIAL RESULTS

The board (the "Board") of directors (the "Directors") of Sincere Watch (Hong Kong) Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2016 ("2016"), together with the audited comparative figures for the corresponding year ended 31 March 2015 ("2015").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	NOTES	**2016** **HK$'000**	2015 *HK$'000*
Turnover	*3*	**303,400**	589,716
Cost of sales		**(232,265)**	(364,066)
Gross profit		**71,135**	225,650
Other income		**8,600**	7,824
Gain on disposal of available-for-sale investments		**2,723**	–
Impairment on available-for-sale investments		**(8,982)**	–
Provision of impairment loss on property, plant and equipment		**(11,093)**	–
Selling and distribution costs		**(96,579)**	(102,497)
General and administrative expenses		**(89,037)**	(86,581)
(Loss)/Profit before taxation, exchange gain (loss), decrease in fair value of investment properties and loss on fair value change of derivative financial instruments		**(123,233)**	44,396
Realised exchange gain		**316**	15,705
Unrealised exchange (loss)/gain		**(435)**	3,955
Fair value change of investment properties		**(1,354)**	–
Loss on fair value change of derivative financial instruments		**(1,157)**	(14,812)
(Loss)/Profit before taxation		**(125,863)**	49,244
Income tax expense	*4*	**(17,628)**	(9,012)
(Loss)/Profit for the year	*5*	**(143,491)**	40,232
Other comprehensive expense, net of tax			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(2,747)**	(1,044)
Fair value gain/(loss) on available-for-sale investments		**31,191**	(5,700)
Release of investments revaluation reserve to profit or loss upon disposal of available-for-sale investment		**(2,723)**	–
Other comprehensive income for the year		**25,721**	(6,744)
Total comprehensive income for the year		**(117,770)**	33,488
(Loss)/Earnings per share — basic and diluted	*7*	**(3.48 HK cents)**	1.22 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**6,678**	27,853
Investment properties	8	**352,262**	–
Available-for-sale investments	10	**–**	40,800
Deposit paid for acquisition of property, plant and equipment		**4,023**	4,654
Deferred tax assets		**–**	16,430
		362,963	89,737
Current assets			
Inventories		**412,685**	401,092
Trade and other receivables	9	**61,622**	141,498
Amount due from immediate holding company		**–**	30
Amount due from a fellow subsidiary		**–**	5
Amount due from a related party		**67**	–
Derivative financial instruments		**324**	653
Available-for-sale investments	10	**318,087**	–
Bank balances and cash		**522,443**	460,403
		1,315,228	1,003,681
Current liabilities			
Trade and other payables	11	**575,629**	270,891
Amount due to a fellow subsidiary		**–**	9,624
Amount due to related parties		**2,331**	812
Derivative financial instruments		**–**	3,581
Taxation payable		**1,480**	5,606
		579,440	290,514
Net current assets		**735,788**	713,167
Total assets less current liabilities		**1,098,751**	802,904
Net assets		**1,098,751**	802,904
Capital and reserves			
Share capital		**83,040**	69,200
Reserves		**1,015,711**	733,704
Total equity		**1,098,751**	802,904

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2016 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2016

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.

As at 31 March 2015, the Company's ultimate holding company was Be Bright Limited, a company incorporated in the British Virgin Islands and wholly owned by Mrs. Chu Yuet Wah ("Mrs. Chu"), the ultimate controlling shareholder. The Company's immediate holding company was Sincere Watch Limited ("SW"), a company incorporated in the Republic of Singapore.

In September 2015, SW has disposed 1,204.08 million Shares, representing 29.00% of the issued share capital of the Company to 嘉實基金管理有限公司 (Harvest Fund Management Co., Ltd.*), a company incorporated in the PRC. Following the completion of the disposal, SW holds approximately 7.85% of the issued share capital of the Company. In addition, Mrs. Chu, the ultimate beneficial owner of SW is directly interested in approximately 6.38% of the issued shares of the Company. Mrs. Chu, directly and indirectly through SW, hold approximately 14.23% of the issued share capital of the Company. Accordingly, SW and Be Bright Limited ceased to be the immediate holding company and the ultimate holding company respectively.

* The English name is a translation of its Chinese name and is included for identification purposes only.

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

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

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

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

In the current year, the Group has applied the following new Interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

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

New 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:

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle[1]
Amendments to HKAS 1	Disclosure initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9 (2014)	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10 HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning, on or after 1 January 2018
[3] Effective for annual periods beginning, on or after 1 January 2019
[4] Effective for annual periods beginning, on or after a date to be determined

Amendments to HKAS 1 — Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements. An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to HKAS 16 and HKAS 38 — Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 27 — Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) — Financial Instruments

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

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

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

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

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 — Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by HKFRS 12.

Amendments to HKFRS 11 — Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply all of the principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties.

HKFRS 15 — Revenue from Contracts with Customers

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

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

HKFRS 16 — Leases

HKFRS 16 specifies how an entity to recognise, measure, present and disclose leases. HKFRS 16 requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance with HKFRS 16's approach to lessor accounting substantially unchanged from its predecessor HKAS 17.

The Group has already commenced an assessment of the impact of adopting the above Standards and amendments to existing Standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. SEGMENT INFORMATION

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

Segment results represents the (loss)/profit before taxation earned by each segment and excluding unallocated other income and unallocated expenses. Unallocated expenses mainly included directors' salaries, staff costs, depreciation, rental expenses, freight charges, credit card charges, commissions paid to staff and suppliers, advertising and promotion expenses, entertainment, exclusivity and royalty fees, legal and professional fees, repair and maintenance, insurance, travelling, printing, utility expenses and impairment losses. This is the measure reported to the Executive Directors for the purpose of resource allocation and assessment of segment performance.

The following is an analysis of the Group's turnover and results by geographical location. The following tables set out information about the geographical location of the Group's revenue from external customers determined based on the location of customers.

Year ended 31 March 2016

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

Year ended 31 March 2015

	Hong Kong *HK$'000*	Mainland China and Macau *HK$'000*	Other Asian locations *HK$'000* *(Note)*	Consolidated *HK$'000*
REVENUE				
External sales	460,595	92,257	36,864	589,716
RESULT				
Segment result	164,890	44,420	9,849	219,159
Realised exchange gain				15,705
Unrealised exchange gain				3,955
Loss on fair value change of derivative financial instruments				(14,812)
Unallocated expenses				(182,587)
Unallocated income				7,824
Profit before taxation				49,244

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

Note: Other Asian locations includes Singapore and Taiwan.

Information about major customers

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

Revenue from the distribution of branded luxury watches:

	2016	2015
	HK$'000	*HK$'000*
Customer A	**36,621**	115,220
Customer B	**35,377**	87,506

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

Revenue from major operations

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

	2016	2015
	HK$'000	*HK$'000*
Distribution of branded luxury watches, timepieces and accessories	**296,712**	579,788
Dining business	**6,688**	9,928
	303,400	589,716

Other segment information

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

	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**–**	61,506
Mainland China and Macau	**362,963**	11,191
Taiwan	**–**	610
	362,963	73,307

Note: Non-current assets above exclude deferred tax assets.

4. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
Hong Kong	**(283)**	(8,404)
Other jurisdictions	**(1,105)**	(2,928)
	(1,388)	(11,332)

	2016	2015
	HK$'000	*HK$'000*
Overprovision in prior years:		
Hong Kong	**20**	20
Other jurisdictions	**55**	41
	75	61
Deferred tax credit		
Current year	**2,502**	2,259
Reversal	**(18,817)**	–
	(17,628)	(9,012)

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profit for the year. During the year ended 31 March 2016, the Group reduced the carrying amount of deferred tax assets by HK$18,817,000 as it is uncertain when will sufficient taxable profit be available to allow the benefit of the deferred tax asset to be utilized.

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

5. (LOSS)/PROFIT FOR THE YEAR

	2016	2015
	HK$'000	*HK$'000*
(Loss)/Profit for the year has been arrived at after charging:		
Directors' remuneration	**6,775**	8,592
Other staff costs	**34,967**	33,382
Other staff's retirement benefits scheme contributions	**805**	782
Total staff costs	**42,547**	42,756
Auditor's remuneration	**955**	963
Depreciation of property, plant and equipment	**18,732**	23,287
Minimum lease payments in respect of rented premises *(Note)*	**75,206**	68,415
Cost of inventories recognised as an expense (including write-down of inventories HK$40,778,000 (2015:HK$2,881,000))	**232,265**	364,066
and after crediting:		
Interest income	**7,889**	7,010
Gain on disposal of property, plant and equipment	**517**	–

Note: The minimum lease payments in respect of rental premises excluded contingent rent of HK$210,000 for the year ended 31 March 2016 (2015: HK$33,000). Contingent rent was charged by the lessors if certain percentage of turnover of the related boutiques reached the minimum levels as agreed under the tenancy agreements.

6. DIVIDEND

During the year ended 31 March 2016, no final dividend for the year ended 31 March 2015 was declared and paid (2015: final dividend declared and paid in respect of the year ended 31 March 2014: HK$27,680,000).

The Board does not propose the payment of a final dividend for the year ended 31 March 2016. In respect of the year ended 31 March 2015, the Board did not propose the payment of a final dividend.

7. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to the owners of the Company is based on the following data:

	2016 ***HK$'000***	2015 *HK$'000*
(Loss)/profit for the purpose of basic and diluted earnings per share	**(143,491)**	40,232

	2016 ***'000***	2015 *'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**4,123,562**	3,288,271

Diluted (loss)/earnings per share for the year ended 31 March 2016 and 2015 are the same as the basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding during the period.

8. INVESTMENT PROPERTIES

	2016 ***HK$'000***	2015 *HK$'000*
At: 1 April 2014 and 31 March 2015	**–**	–
Additions	**353,616**	–
Fair value change	**(1,354)**	–
At 31 March 2016	**352,262**	–

On 31 March 2016, the Group acquired investment properties situated in the PRC. The directors determined the fair value of the investment properties at 31 March 2016 was the cash consideration allocated to the relative fair value of all assets and liabilities acquired. The investment properties relative fair value as at 31 March 2016 have been arrived at on the basis of valuation carried out by Collier International(Hong Kong) Limited ("Collier") on 15 March 2016. Collier is an independent qualified professional valuer to the Group. It is the member of the Royal Institution of Chartered Surveyors, and have appropriate qualifications and recent experiences in the valuation of properties in the PRC when they value the investment properties of the Group.

The valuation of the investment properties as at 31 March 2016 is determined using Term and Reversion Approach of valuation which use direct capitalisation approach by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

The fair value of acquired investment properties of the Group is Level 3 recurring fair value measurement as at 31 March 2016.

There were no transfers into or out of level 3 during the year. A reconciliation of the opening and closing level 3 fair value balance is provided below:

	2016
	HK$'000
Opening balance (level 3 recurring fair value)	**–**
Addition in current year	**353,616**
Decrease in fair value recognised in profit or loss	**(1,354)**
Closing balance (level 3 recurring fair value)	**352,262**

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

No rental income from investment properties was recognised during the year ended 31 March 2016 (2015:Nil).

As at 31 March 2016, the investment properties are pledged to secure banking facilities granted to third parties.

The total consideration for the acquisition of the investment properties is payable in three instalments by the Group to the vendor (the "Vendor") and the last payment is expected to take place on or before 31 July 2016. The Vendor undertakes and warrants that it is and shall be responsible for the discharge of the obligations and liabilities of one of the newly acquired subsidiary under two guarantee arrangements. If the Group suffers any damages, costs or liabilities in connection with the guarantee arrangement, the second instalment HK$179,300,000 and the third instalment of HK$107,572,000 will be reduced accordingly on a "dollar for dollar" basis. The directors consider that it is remote to suffer any damages, costs or liabilities in connection with the guarantee arrangement, hence, there is no impact on the cost of investment properties.

9. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**27,252**	101,232
Other receivables, deposits and prepayments	**34,370**	40,266
	61,622	141,498

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

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

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	**15,752**	68,721
31–90 days	**11,486**	19,136
91–120 days	**14**	13,375
	27,252	101,232

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

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

	2016	2015
	HK$'000	*HK$'000*
91–120 days	**14**	13,375

The trade receivables were past due but the Group has not provided for impairment loss. These relate to a number of customers and based on historical information, default risk of these trade receivables is insignificant. Accordingly, no impairment provision is necessary in respect of these receivables.

10. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
	HK$'000	*HK$'000*
Listed equity securities in Hong Kong	**318,087**	40,800
Classified as		
Non-current asset	**–**	40,800
Current asset	**318,087**	–
	318,087	40,800

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

	HK$'000
Acquired during the year as at 31 March 2015	46,500
Net change in fair value recognised in other comprehensive income	(5,700)
As at 31 March 2015	40,800
Acquired during the year	301,094
Disposal during year	(43,293)
Impairment on available-for-sale investments	(8,982)
Net change in fair value recognised in other comprehensive income	31,191
Release of investment revaluation reserve to profit of loss upon disposal of available-for-sale investments	(2,723)
As at 31 March 2016	318,087

All available-for-sale investments were measured at fair value. When impairment of an available-for-sale investment measured at fair value occurs, any impairment loss recognised is recorded in the carrying amount directly. During the year ended 31 March 2016, HK$8,982,000 of impairment on available-for-sale investments was charged to profit or loss directly as the decline in fair value was significant or prolonged(2015: Nil). No reclassification of impairment loss from other comprehensive income to profit or loss is presented as no such impairment was made in previous years.

11. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**146,492**	171,120
Other payables and accrued charges	**429,137**	99,771
	575,629	270,891

The following is an aged analysis of trade payables:

	2016	2015
	HK$'000	*HK$'000*
Within 90 days	**36,969**	55,173
91 days–365 days	**107,599**	111,361
Over 365 days	**1,924**	4,586
	146,492	171,120

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

	2016	2015
	HK$'000	*HK$'000*
Denominated in CHF	**146,128**	170,844
Denominated in EUR	**89**	276
Denominated in RMB	**174**	–
Denominated in NTD	**11**	–

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue for the year ended 31 March 2016 ("FY2016") decreased 48.6% from HK$589.7 million to HK$303.4 million when compared with last financial year ("FY2015").

Gross profit dropped by 68.5% from HK$225.7 million in FY2015 to HK$71.1 million in FY2016. The gross profit margin dropped from 38.3% to 23.4%.

The Group reported a realised foreign exchange gain of HK$0.3 million in FY2016 as compared with HK$15.7 million in FY2015. The unrealised foreign exchange loss was HK$0.4 million in FY2016 as compared with HK$4.0 million gain in FY2015. There was HK$1.2 million loss on fair value change of derivative financial instruments in FY2016 when compared with HK$14.8 million in FY2015. There was HK$9.0 million impairment loss on available-for-sale investments and HK$11.1 million provision of impairment loss on property, plant and equipment in FY2016.

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, decrease in fair value of investment properties and loss on fair value change of derivative financial instruments, the Group's loss before tax was HK$123.2 million against HK$44.4 million profit for FY2015.

Selling and distribution costs decreased 5.8% from HK$102.5 million last year to HK$96.6 million mainly due to lower commission expenses and lower advertising and promotion expenses. General and administrative expenses increased 2.8% from HK$86.6 million last year to HK$89.0 million mainly due to increases in professional fee.

Net loss was HK$143.5 million in FY2016 against HK$40.2 million net profit in FY2015.

Loss per share was 3.48 HK cents in FY2016 against earnings per share of 1.22 HK cents in FY2015. Net asset value per share was 26.5 HK cents as at 31 March 2016 against 23.2 HK cents as at 31 March 2015.

Trade receivables as at 31 March 2016 decreased by 73.1% from 101.2 million to 27.3 million when compared with last year.

KEY PERFORMANCE INDICATORS: INVENTORY TURNOVER AND CURRENT RATIO

Our Inventories as at 31 March 2016 increased by 2.9% to HK$412.7 million when compared with 31 March 2015. Our Inventory Turnover Period, which is calculated by our Inventories balance divided by our Cost of Sales, increased from 402 days in FY2015 to 649 days in FY2016.

Our Current Ratio, which is calculated by our Current Assets divided by our Current Liabilities, was 2.3 as at 31 March 2016 vs 3.5 as at 31 March 2015. The drop in our Current Ratio is mainly due to increase in trade and other payables.

ANALYSIS OF MAJOR CUSTOMERS AND SUPPLIERS

The sales to the top 5 customers amounted to HK$83.0 million, representing a drop of 68.8% from HK$266.3 million in FY2015.

Our top 5 customers in FY2016 represented approximately 27.3% of our total revenue as compared to approximately 45.2% in FY2015. Our largest customer accounted for approximately 12.1% of our total revenue in FY2016 as compared to approximately 19.5% in FY2015. Four out of our top 5 customers are located in Hong Kong. Our largest customer is a leading firm engaged in selling watches. The Group maintained business relationship with the top 5 customers for 4 to over 6 years.

During FY2016, the purchases from the top 5 major suppliers amounted to HK$227.9 million, representing a decrease of about 31.4% from HK$332.0 million in FY2015.

Our top 5 suppliers in FY2016 represented approximately 99.1% of our total purchases as compared to approximately 99.7% in FY2015. Our largest supplier accounted for approximately 89.3% of our total purchases in FY2016 as compared to approximately 90.4% in FY2015.

Our largest supplier is a leading supplier of watches. The Group maintained business relationship with such supplier for over ten years.

BUSINESS REVIEW

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

The Group has consistently embarked on niche marketing initiatives to grow brand awareness and desirability of its global watch brands. This included several unique events in our key markets with a view to increasing brand exposure and extending brand networking.

Distribution network and market penetration

The Group has established its extensive distribution network with 59 retail points of sales and 12 boutiques, making a total of 71 points (72 as at the end of March 2015).

Other than the 10 boutiques run by the Group, the 61 watch retail outlets in the region are run by 27 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 the region. New points of sales were added in Hong Kong through Carlson Watch Co. Ltd., and Prince Jewellery & Watch Co..

Brand enhancement activities

The Group targets to create and sustain brand value among our discerning customers. As such, we have conducted several brand enhancement activities to reinforce our brand leadership with product imagery and focused product placements in relevant media.

In October 2015, together with 8 top-class watch brands, the Group participated in an exclusive joint event with Oriental Watch, at the Shatin race course. To highlight the brand awareness and excitement, the Group sponsored a Conquistador Chronograph as the Best Dress Award. A fashion runway show was carried out by models showcasing the Vanguard Lady in red gold with diamonds, a futuristic aesthetic design housed in a classic Cintrée Curvex case.

Starting from 2 February 2016, an exclusive 2 months of Franck Muller exhibition was displayed at the Advocacy Zone, Four Seasons Macau to introduce the latest 2015/16 Vanguard Collection. Over 1,100 sq. feet of exhibition booth presented more than 30 luxury timepieces was created to provide a journey for clients to unveil the novelties, as well as the story of the brand with its heritage trademark advances in the history of Haute Horlogerie.

From 3 March 2016 to 30 April, 2016, an exclusive 1 month exhibition was displayed at Global Timepieces, Festival Walk. Clients were invited to discover the latest Vanguard Collection. An innovative design of futuristic aesthetics highlighted by the first regional introduction of the appliqué relief index, designed in the classic Curvex case inspired by Franck Muller's traditions.

In March 2016, the Group co-hosted a private dinner with Art Nova during the period of Art Basel fair, at the Group's flagship boutique restaurant in Causeway Bay. Guests first gathered for a cocktail reception to admire the latest novelties. Collections being highlighted included the Vanguard Collection, the finest jewellery timepiece collections, namely the Double Mystery, Sunrise, and Infinity Ronde during the dinner, while being delighted by the exquisite dining experience.

Also in March 2016, in supporting the Po Leung Kuk as one of the most committed charitable organizations in Hong Kong, CVSTOS participated as the champion prize sponsor in the annual Po Leung Kuk Charity Golf tournament. The Individual Champion prize was a sporty Challenge-R50 Chrono. Amongst the participating teams, two teams of 4 golfers were sponsored by the Group to participate in the charity tournament. The guests enjoyed the full day event and ended with a spontaneous dinner of prize presentation after the tournament.

Performance by geographical markets

Hong Kong, Mainland China and Macau remained the key revenue drivers, contributing together HK$279.5 million which accounted for 92.1% of the Group's total turnover in FY2016.

Hong Kong

Hong Kong continues to be the Group's major market, accounting for 68.2% of the Group's revenue in FY2016. Performance in this market recorded a decrease in revenue by HK$253.6 million, or 55.0% from HK$460.6 million in the previous year to HK$207.0 million in this year.

Hong Kong recorded segmental profit of HK$20.8 million which decreased 87.4% when compared with last year. This market accounted for 30.8% of the Group's segmental profit.

Mainland China and Macau

The percentage contribution of Mainland China and Macau to the Group's total revenue increased from 15.6% in FY2015 to 23.9% in FY2016. Sales in this region showed a decrease of 21.5% to HK$72.5 million from HK$92.3 million in the last year.

The market in Mainland China and Macau recorded a decrease in segmental profit by HK$5.5 million, or 12.4% to HK$38.9 million in FY2016.

Other Asian locations

The Group's other Asian territories' (i.e. Taiwan and Singapore) segment result remained profitable. This segment recorded revenue of HK$23.9 million, 35.2% lower than HK$36.9 million in FY2015.

This region's contribution to the Group's total revenue increased to 7.9% against 6.3% of the Group's total revenue in the previous year. Segmental profit decreased 18.9% to HK$8.0 million from HK$9.8 million in FY2015.

PROSPECTS

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

The Group will continue to pursue and strengthen marketing and brand enhancement activities in the territory. To increase its distribution network with high visibility and strong retail networking, the Group expects to open a new boutique at Wynn Palace in Macau in the financial year of 2016/17.

With its continued brand strength and established reputation, the Group will strive to leverage every opportunity for business expansion in our major markets.

On 31 March 2016, the Group entered into the sale and purchase agreement to acquire 100% of the issued share capital of Hong Kong Jade Bird South Sea Investment Limited at an aggregate cash consideration of HK$351,422,000. Hong Kong Jade Bird South Sea Investment Limited is principally engaged in investment holding, and through its wholly-owned subsidiaries, beneficially owns the properties situated at units A and A1 of Level 1 and the whole floor of Level 2 of Hewlett Packard Tower, No.112 Jianguo Road, Chaoyang District, Beijing, PRC. Details of this transaction are set out in the Company's announcement dated 31 March 2016.

In addition, the Group will continue to look for investment projects in healthcare and medical tourist industry in the PRC.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 March 2016, the Group had fixed bank deposits and cash and bank balances totalling HK$522.4 million against HK$460.4 million as at 31 March 2015. The Group has no outstanding bank loan.

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 the 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. Up to the date of this announcement, HK$19.3 million of the net proceeds from this rights issue has been used for the shops renovation and displays and HK$88.6 million has been used for settlement of purchases.

On 5 August 2014, the Company entered into the placing agreement, pursuant to which 80,000,000 new shares of the Company would be placed to not less than six independent investors at the placing price of HK$1.34 per share. The completion of the placing took place on 20 August 2014. The Directors considered that the placing represented an opportunity to raise capital for the Group while broadening its Shareholder and capital base.

The placing price of HK$1.34 per share represented a discount of approximately 18.29% to the closing price of HK$1.64 per Share as quoted on the Stock Exchange on the date of the placing agreement. The net proceeds from the placing of about HK$104.9 million were intended to be used for investment opportunities as may be identified from time to time and/or general working capital of the Group for supporting the continuous expansion of the Group's distribution network and marketing and branding activities. Up to the date of this announcement, HK$8.7 million were used for advertising and promotion of the Group, HK$33.8 million were used for rental payment and HK$62.4 million were used for settlement of purchases. Details of the placing and the completion of the placing are disclosed in the announcements of the Company dated 6 August 2014 and 20 August 2014 respectively.

The Group's net current asset increased 3.2% from HK$713.2 million as at 31 March 2015 to HK$735.8 million as at 31 March 2016. The Directors believe the Group's financial resources are sufficient to fulfil its commitments and current working capital requirements.

CHANGE OF USE OF PROCEEDS FROM GM PLACING

On 27 March 2015, the Group entered into the subscription agreement relating to 海南千博樂城開發有限公司 (Hainan Chambow Lecheng Development Limited). Details of this transaction are set out in the Company's announcement dated 27 March 2015.

On 29 March 2015, the Company entered into the placing agreement under the general mandate (GM), pursuant to which 692,000,000 new shares of the Company would be placed to independent investors at the placing price of HK$0.61 per share. The completion of the GM placing took place on 16 April 2015. The net proceeds from the GM Placing, was approximately HK$413.50 million which was intended to be used for (i) the subscription of registered capital and contribution to the capital reserve of 海南千博樂城開發有限公司 (Hainan Chambow Lecheng Development Limited). and (ii) the development of and general working capital for the Boao Xiaoledao Project. The Subscription Agreement lapsed on 27 July 2015. Details of the GM Placing, completion of the GM Placing and lapse of the Subscription Agreement are disclosed in the Company's announcements dated 29 March 2015, 16 April 2015 and 27 July 2015 respectively.

Up to the date of this announcement, in respect of the net proceeds from the GM Placing completed on 16 April 2015, approximately HK$3.7 million was used for the Boao Xiaoledao Project and approximately HK$243.9 million (being the first plus second instalments) was used for acquisition of 100% of the issued share capital of Hong Kong Jade Bird South Sea Investment Limited as the Subscription Agreement relating to 海南千博樂城開發有限公司 (Hainan Chambow Lecheng Development Limited) lapsed on 27 July 2015. HK$107.6 million being the third instalment will be expected to be used for such acquisition on or before 31 July 2016. The remainder of the net proceeds will be used for future investment opportunities and general working capital of the Group.

CAPITAL STRUCTURE AND PRINCIPAL RISK: FOREIGN EXCHANGE EXPOSURE

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

The Group recorded a realised exchange gain of HK$0.3 million in FY2016 against a realised gain of HK$15.7 million in FY2015. In addition, the Group registered an unrealised exchange loss of about HK$0.4 million in FY2016 against HK$4.0 million gain in FY2015. Besides, in FY2016, the Group recorded HK$1.2 million loss on fair value change of derivative financial instruments, while HK$14.8 million loss 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 2016 (31 March 2015: Nil).

SIGNIFICANT ACQUISITION OF SUBSIDIARY

On 31 March 2016, the Group entered into the Sale and Purchase Agreement to acquire 100% of the issued share capital of Hong Kong Jade Bird South Sea Investment Limited at an aggregate cash consideration of HK$351,422,000. Hong Kong Jade Bird South Sea Investment Limited is principally engaged in investment holding, and through its wholly-owned subsidiaries, beneficially owns the properties situated at units A and A1 of Level 1 and the whole floor of Level 2 of HP Tower, No. 112 Jianguo Road, Chaoyang District, Beijing, PRC.

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 2016.

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 31 March 2016 (31 March 2015: Nil).

STAFF AND EMPLOYMENT AND ENVIRONMENTAL MATTERS

As at 31 March 2016, the Group's work force stood at 138 including Directors (31 March 2015: 143). 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.

On the environmental side, the Group whose principal activities are distribution of branded luxury watches, timepieces and accessories does not give gas emissions or hazardous materials which may arise from manufacturing processes.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 March 2016, except for the following deviation.

In respect of code provision A.1.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the year, certain regular Board meetings were convened with less than 14 days' notice to enable the Board members to react timely and make expeditious decision making in respect of transactions which were of significance to the Group's business. As a result, the aforesaid regular Board meetings were held with a shorter notice period than required with the consent of all the Directors. The Board will do its best endeavours to meet the requirement of code provision A.1.3 of the CG Code in future.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

EVENTS AFTER THE REPORTING PERIOD

On 31 March 2016, the Group entered into the Sale and Purchase Agreement to acquire 100% of the issued share capital of Hong Kong Jade Bird South Sea Investment Limited at an aggregate cash consideration of HK$351,422,000.

The Group paid HK$64,550,000 and HK$179,300,000, being two partial payments of the Consideration, in April 2016 and June 2016 respectively.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company will be held on 26 August 2016.

The register of members of the Company will be closed from 24 August 2016 to 26 August 2016, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the entitlement to attend and vote at the forthcoming annual general meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 23 August 2016.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Lau Man Tak (Chairman of the Audit Committee), Ms. Lo Miu Sheung, Betty and Dr. Wong Yun Kuen. The Group's audited financial statements for the year ended 31 March 2016 have been reviewed by the Audit Committee.

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

Hong Kong, 28 June 2016

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