2017 Annual Report 年報

Sincere Watch (HONG KONG) LIMITED

(Incorporated in the Cayman Islands with limited liability) Stock Code 股份代號 : 00444

Contents

CORPORATE INFORMATION

Directors

Executive Directors

Mrs. CHU Yuet Wah *(Chairman)*
Mr. ZHANG Xiaoliang
(Deputy Chairman and Chief Executive Officer)
Mr. WU Ting Yuk, Anthony
(Deputy Chairman)
Mr. CHU, Kingston Chun Ho
Mr. YANG Guangqiang
Mr. AN Muzong

Independent Non-executive Directors

Ms. LO Miu Sheung, Betty
Dr. WONG Yun Kuen
Mr. YU Zhenxin
Mr. ZONG Hao
Mr. CHIU Sin Nang, Kenny

Audit Committee

Mr. CHIU Sin Nang, Kenny *(Chairman)*
Ms. LO Miu Sheung, Betty
Dr. WONG Yun Kuen
Mr. YU Zhenxin
Mr. ZONG Hao

Remuneration Committee

Dr. WONG Yun Kuen *(Chairman)*
Ms. LO Miu Sheung, Betty
Mr. CHIU Sin Nang, Kenny

Nomination Committee

Ms. LO Miu Sheung, Betty *(Chairman)*
Dr. WONG Yun Kuen
Mr. CHIU Sin Nang, Kenny

Investment Committee

Mrs. CHU Yuet Wah *(Chairman)*
Mr. CHU, Kingston Chun Ho
Dr. WONG Yun Kuen
Mr. YU Zhenxin

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

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28 Yun Ping Road
Causeway Bay
Hong Kong

Auditor

BDO Limited
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111 Connaught Road Central
Hong Kong

Principal Share Registrar and Transfer Office

Conyers 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
Bank of China (Hong Kong) Limited
Tai Fung Bank

Stock Code

00444

Website

http://www.sincerewatch.com.hk

FINANCIAL HIGHLIGHTS

- Turnover for the financial year ended 31 March 2017 ("FY2017") of Sincere Watch (Hong Kong) Limited (the "Company") and its subsidiaries (together the "Group") increased by 17.5% from HK$303,400,000 to HK$356,553,000 when compared with last financial year ("FY2016").

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

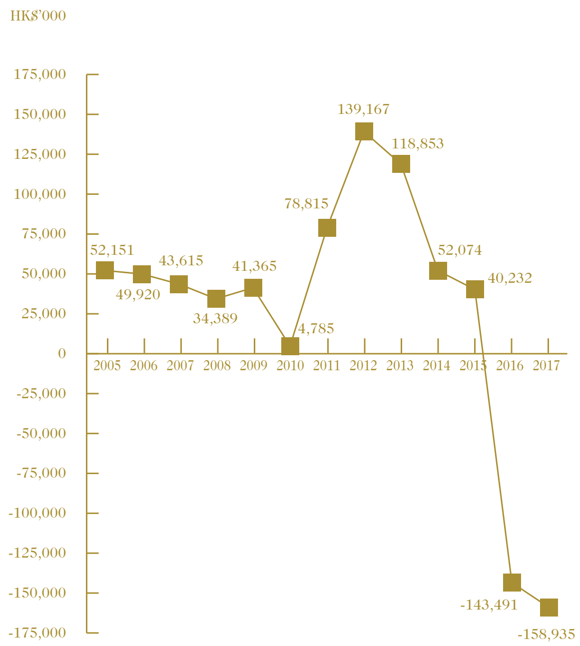
- The realised foreign exchange gain for the year was HK$2,050,000 and was HK$316,000 last year. The unrealised foreign exchange loss of this financial year was HK$2,357,000 and was HK$435,000 last financial year.

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

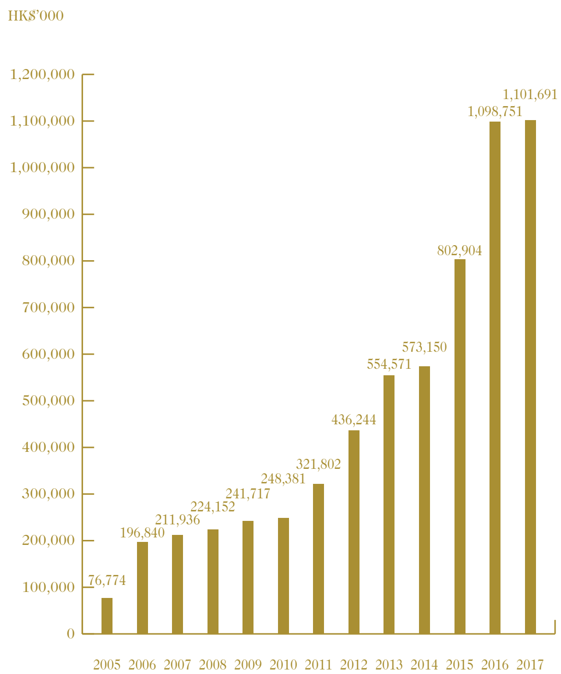
- Loss per share was 3.43 HK cents for this financial year and was 3.48 HK cents for last financial year.

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

(LOSS)/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 would like to review with you the performance and development of the Group for the year ended 31 March 2017.

Owing to the slowdown in the luxury retail markets for fine watches during the year under review, we incurred a net loss in FY2017.

Despite the net loss for FY2017, we will remain focused on strengthening our core competencies and reinforce our leadership position to leverage new opportunities that may arise in order to deliver better returns to our shareholders.

Key Financial Highlights

The total turnover was HK$356.6 million, increased by 17.5% from HK$303.4 million for the year ended 31 March 2016. The increase was mainly due to improved sales in Mainland China and Macau in FY2017.

Gross profit increased from HK$71.1 million in FY2016 to HK$118.4 million in FY2017 and gross margin also increased from 23.4% to 33.2%.

In FY2017, the Group incurred a realised foreign exchange gain of HK$2.1 million against HK$0.3 million in FY2016.

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

Net loss for the Group was HK$158.9 million against HK$143.5 million in FY2016. The increase was mainly due to the impairment loss of HK$92.6 million on the Group's available-for-sale investments to reflect the decrease in fair value of the equity instruments.

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

The Group's cash and bank balances totalling HK$238.8 million and has no outstanding bank borrowings as at 31 March 2017.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 March 2017.

Going Forward

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.

Faced with the market challenges ahead, we will continue to pursue proactive yet prudent strategies on brand enhancement activities and new watch collections in order to increase our revenue. Our persistence in delighting our customers and reinforcing the Group's leadership position in the luxury watch industry by embarking on innovative and signature initiatives will remain our strategic priorities.

Appreciation

On behalf of the Board, we would like to express our heartfelt gratitude to our shareholders, business partners, suppliers, brand principals, customers and employees for their unfailing trust and 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 58, was appointed as an Executive Director and the Chairman of the Company on 29 May 2012 and 13 July 2012 respectively. Mrs. Chu has been a director of Sincere Watch Limited, a shareholder 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, a company listed on the Main Board of the Stock Exchange.

Mrs. Chu is a member of National Committee of Chinese People's Political Consultative Conference, permanent member of the Friends of Hong Kong Association, founder and honorary chairman of The Chamber of Hong Kong Listed Companies, vice chairman of The Institute of Securities Dealers, vice chairman of Hong Kong Securities Professionals Association, standing chairman of Federation of Hong Kong Guangdong Community Organisations, chairman of the Hong Kong Federation of Dongguan Associations, chairman of Aplichau Promotion of Tourism Association, chairman of The Aplichau KaiFong Welfare Association, honorary president of Hong Kong Army Cades Association, honorary president of Hong Kong New Arrivals Services Foundation Limited, honorary vice president of The Hong Kong Girl Guides Association and director of Sun Yat-Sen University Advisory Board. She was the chairman (2015–2016) and advisory board member (2016–2017) of Po Leung Kuk. Mrs. Chu received an Honorary Doctorate of Philosophy in Business Management degree from York University, the USA and holds a Bachelor of Science in Management degree from Golden Gate University, the USA. She is the mother of Mr. Chu, Kingston Chun Ho, an Executive Director of the Company.

Mr. ZHANG Xiaoliang

Deputy Chairman, Executive Director and Chief Executive Officer

Mr. ZHANG Xiaoliang, aged 46, was appointed as an Executive Director and Co-Chairman of the Company on 22 April 2016. He was re-designated from Co-Chairman to Deputy Chairman on 1 October 2016 and appointed as the Chief Executive Officer of the Company on 14 January 2017. Mr. Zhang is also a director of a number of the Company's subsidiaries.

Mr. Zhang is a computer specialist and also a technical expert in the field of digital audio/video engineering. He is the president and producer of Aquamen Entertainment LLC, a US-based company controlled by him, the president of Beijing Chi-Cha Networks Technology Company Limited (北京奇恰網絡科技有限公司), chairman of Chongqing branch of China International Engineering Design & Consult Company Limited (中外建工程設計與顧問有限公司), founder, a director and chief scientist of Beijing Quanlian Networks Technology Company Limited (北京全聯網絡科技股份有限公司), chief scientist of Channelsoft (Beijing) Technology Co., Ltd (青牛(北京)技術有限公司), a director of The China Yanan Spirit Research Society (中國延安精神研究會) and vice chairman of The China Yanan Association (中國延安兒女聯誼會). Mr. Zhang helped found the China Cultural Chamber of Commerce for the Private Sector (中國民營文化產業商會) in 2012 and was an executive director of All-China Federation of Industry and Commerce (中華全國工商業聯合會) from 2007 to 2012. Before joining the Group in 2016, he has worked at companies including Dun & Bradstreet, Bankers Trust, Bank of New York and Merrill Lynch. Mr. Zhang holds a Master Degree of Business Administration from Bauer College of Business, University of Houston, the USA.

DIRECTORS AND SENIOR MANAGEMENT

Mr. WU Ting Yuk, Anthony

Deputy Chairman and Executive Director

Mr. WU Ting Yuk, Anthony, GBS, JP, aged 62, was appointed as an Executive Director and Co-Chairman of the Company on 27 March 2015 and was re-designated from Co-Chairman to Deputy Chairman on 1 October 2016. He is also a director of a number of the Company's subsidiaries. Mr. Wu is a member of the Standing Committee of the Chinese People's Political Consultative Conference National Committee. He was formerly the chairman of the Hong Kong Hospital Authority (2004–2013), chairman of the Bauhinia Foundation Research Centre (2007–2012) and an independent non-executive director of the Fidelity Funds (2010–2014). Mr. Wu also served as the chairman (2010–2012), and is currently a member of the General Committee of the Hong Kong General Chamber of Commerce. He is a member of the State Council's Medical Reform Leadership Advisory Committee, an advisor of the Public Policy Advisory Committee of the National Health and Family Planning Commission of the People's Republic of China, the Principal Advisor to the State Administration of Traditional Chinese Medicine of the People's Republic of China, and a member of the Chinese Medicine Reform and Development Advisory Committee. Mr. Wu is also currently the Chief Advisor to the Bank of Tokyo-Mitsubishi UFJ, Ltd., the Chairman of The China Oxford Scholarship Fund, an Honorary Professor of the Faculty of Medicine of The Chinese University of Hong Kong and the Peking Union Medical College Hospital, and an Honorary Fellow of the Hong Kong College of Community Medicine. He is an independent non-executive director of Power Assets Holdings Limited, Guangdong Investment Limited and China Taiping Insurance Holdings Company Limited, all of which are companies listed on the Main Board of the Stock Exchange. Mr. Wu was also an independent non-executive director of Agricultural Bank of China Limited from January 2009 to June 2015, which is a company listed on The Shanghai Stock Exchange and the Main Board of the Stock Exchange. He is the Honorary Chairman of the Institute of Certified Management Accountants (Australia) Hong Kong Branch and a fellow of the Institute of Chartered Accountants in England and Wales.

Mr. CHU, Kingston Chun Ho

Executive Director

Mr. CHU, Kingston Chun Ho, aged 32, was appointed as an Executive Director of the Company on 29 May 2012. He was the Vice Chairman and Managing Director of the Company from July 2012 to January 2017. Mr. Chu has been a director of Sincere Watch Limited, a shareholder of the Company, since 21 May 2012 and is also a director of a number of the Company's subsidiaries. Mr. Chu is an executive director of Kingston Financial Group Limited, a non-executive director of New Concepts Holdings Limited and the chairman and an executive director of Synergis Holdings Limited, all of which are companies listed on the Main Board of the Stock Exchange. Mr. Chu is a member of Guangxi Committee of The Chinese People's Political Consultative Conference, member of General Committee of The Chamber of Hong Kong Listed Companies, vice president of Hong Kong CPPCC Youth Association, vice president of Federation of HK Guangxi Community Organisations, the honorary chairman of Hong Kong Guangxi Youth Organisations, the chairman of Youth Committee of Hong Kong Federation of Dongguan Associations, a director of Hong Kong Securities Association, vice chairman of Hong Kong Guangdong Youth Association and vice director of Youth Committee of Hong Kong CPPCC (Provincial) Members Association. Mr. Chu holds a Bachelor Degree of Science in Business Administration from the University of Southern California in the USA. Mr. Chu is the son of Mrs. Chu Yuet Wah, the Chairman and an Executive Director of the Company.

DIRECTORS AND SENIOR MANAGEMENT

Mr. YANG Guangqiang

Executive Director

Mr. YANG Guangqiang, aged 68, was appointed as an Executive Director of the Company on 22 April 2016. He is the president of Greater China of Hongkong Moneykey Corp. Limited, chairman of the board of Dongguan Dongcheng Yu Hua School of Vocational Training (東莞市東城育華職業培訓學校), chairman of Occupational Safety and Health Association of Dongguan City (東莞市職業安全健康協會), standing director of China Artistic Photography Society (中國藝術攝影學會) and vice chairman of Guangdong Artistic Photography Society (廣東省藝術攝影學會). Mr. Yang was a liaison officer of the External Affairs Department of City College of Dongguan University of Technology (東莞理工城市學院).

Mr. AN Muzong

Executive Director

Mr. AN Muzong, aged 53, was appointed as an Executive Director of the Company on 27 August 2016. He is also a director of a number of the Company's subsidiaries and the general manager of Shenyang Development Beida Education Science Park Company Limited (瀋陽發展北大教育科學園有限公司). Mr. An was the general manager of Beijing Beida Sci-Tech Industry Development Center (北京北大科技實業發展中心) from September 2000 to June 2005, during which period he was also the general manager and consultant of several companies within the group, the business of which involves communication, real estate, investment and education. Mr. An was also an executive director (from November 2005 to June 2013) and the chairman of the board (from February 2009 to June 2013) of Shenyang Public Utility Holdings Company Limited, a company listed on the Main Board of the Stock Exchange. Mr. An graduated from Beijing Institute of Aeronautics (北京航空學院) in June 1987.

Ms. LO Miu Sheung, Betty

Independent Non-executive Director

Ms. LO Miu Sheung, Betty, aged 55, was appointed as an Independent Non-executive Director of the Company on 19 June 2012. Ms. Lo is a qualified solicitor in Hong Kong and has over 28 years of experience in general legal practice, with specialisation in conveyancing, commercial and probate laws. She has been in active practice since qualification and is currently a consultant of Messrs. K.C. Ho & Fong, Solicitors & Notaries. Ms. Lo 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). Ms. Lo is currently an independent non-executive director of AEON Stores (Hong Kong) Co., Limited and Kingston Financial Group Limited, both of which are listed on the Main Board of the Stock Exchange. She was also an independent non-executive director of Eagle Legend Asia Limited from March 2012 to December 2014, which is a company listed on the Main Board of the Stock Exchange.

Dr. WONG Yun Kuen

Independent Non-executive Director

Dr. WONG Yun Kuen, aged 59, was appointed as an Independent Non-executive Director of the Company on 18 September 2012. He received a Ph.D. Degree from Harvard University, and was a "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. Dr. Wong 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, the chairman and an executive director of UBA Investments Limited, an executive director of Ngai Shun Holdings Limited, a non-executive director of China Sandi Holdings Limited, and an independent non-executive director of Kingston Financial Group Limited, DeTai New Energy Group Limited, Kaisun Energy Group Limited, GT Group Holdings Limited and Far East Holdings International Limited. Dr. Wong was also an independent non-executive director of Bauhaus International (Holdings) Limited from October 2004 to December 2016, China Sandi Holdings Limited from September 2009 to September 2016, Huge China Holdings Limited from September 2004 to January 2015, Kong Sun Holdings Limited from April 2007 to November 2014, Huajun Holdings Limited from October 2010 to September 2014 and KuangChi Science Limited from June 2007 to August 2014. All the companies mentioned above are listed on the Stock Exchange.

Mr. YU Zhenxin

Independent Non-executive Director

Mr. YU Zhenxin, aged 46, was appointed as an Independent Non-executive Director of the Company on 27 August 2016. He is a director and the general manager of Suzhou Huaze Nano Material Company Limited (蘇州華澤納米材料有限公司). Mr. Yu was a director of the office of the board of directors and supervisory board of Minsheng Life Insurance Company Limited (民生人壽保險股份有限公司) from 2007 to 2012, and the secretary of the general office of All-China Federation of Industry and Commerce (中華全國工商業聯合會) from 1998 to 2010. He graduated from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in March 1998 with a Master's degree in Investment Economics.

Mr. ZONG Hao

Independent Non-executive Director

Mr. ZONG Hao, aged 47, was appointed as an Independent Non-executive Director of the Company on 10 December 2016. He obtained a degree of the Master of Laws from Buffalo Law School, the State University of New York in 1997. Mr. Zong is currently an executive director and chief executive officer of King Stone Energy Group Limited, a company listed on the Main Board of the Stock Exchange. He was the chief representative of Cherry Lane Music Publishing Company Inc. Beijing office from 2003 to 2010, the executive vice president of Quintana China and Taggart China LLC from 2007 to January 2013 and an independent director of Suzhou Electrical Apparatus Science Academy Co., Ltd. from 2009 to 2015, which is a company listed on the Shenzhen Stock Exchange (stock code: 300215).

Mr. CHIU Sin Nang, Kenny

Independent Non-executive Director

Mr. CHIU Sin Nang, Kenny, aged 55, was appointed as an Independent Non-executive Director of the Company on 10 December 2016. He has over 20 years of experience in accounting. Mr. Chiu has held various senior accounting and finance positions in sectors of property investment and development, information technology development business. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia. Mr. Chiu received a Master of Accountancy degree from The Chinese University of Hong Kong in December 2006, a Bachelor of Laws degree from the Peking University, the People's Republic of China in July 1998, a degree of Master of Commerce in Accounting from The University of New South Wales, Australia in May 1989, a Bachelor of Administrative Studies degree and a Bachelor of Arts (Economics) degree from the York University, Canada in June 1986 and June 1985 respectively. He is currently an independent non-executive director of Nine Express Limited, a company listed on the Main Board of the Stock Exchange.

Senior Management

Mr. YANG Yang, aged 42, is the Executive Vice President of the Company since 1 June 2016 and is currently a director of certain subsidiaries of the Company. Mr. Yang is responsible for the development of new businesses, namely healthcare and medical services, and the merger and acquisition matters of the Company. He graduated from the Tsinghua University with a Master's degree in Architecture. He was an architect of 中國建築科學研究院 (China Architecture Science Academy) from 1998 to 2003 and was the general manager of Australia TDP (2003–2008), 衡源德路北京投資有限公司 (2008–2011), 中外建瑞典 (2008–2014) and Nordickina Investment Limited (2011–2015). Mr. Yang has extensive experience in architecture and management.

Ms. HO Kar Yan, Joyce, aged 39, is the Chief Financial Officer of the Group. Ms. Ho is responsible for the financial reporting and accounting, internal control, corporate finance and treasury functions of the Group. Ms. Ho has over 15 years of experience in auditing, banking, financial management and investor relations, and had been the head of investor relations of another listed company engaged in real estate development in the PRC for five years. Ms. Ho graduated from McGill University in Canada with a Bachelor Degree in Commerce. She is a Chartered Financial Analyst and a member of the American Institute of Certified Public Accountants.

Ms. LEE Yuk Mei, Jacqueline, aged 46, 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 20 years of experience in marketing communication with over 17 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. JENG Pei Hwang, Frederick, aged 56, 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 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 turnover for the year ended 31 March 2017 increased by 17.5% from HK$303.4 million to HK$356.6 million when compared with last financial year.

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

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

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

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

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

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

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

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

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

Key Performance Indicators: Inventory Turnover and Current Ratio

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

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

Analysis of Major Customers and Suppliers

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

Our top 5 customers in FY2017 represented approximately 34.3% of our total revenue as compared to approximately 27.3% in FY2016. Our largest customer accounted for approximately 15.8% of our total revenue in FY2017 as compared to approximately 12.1% in FY2016. Four out of our top 5 customers are located in Hong Kong. Our largest customer is a leading company engaged in selling watches. The Group has maintained business relationship with the top 5 customers for at least 4 years.

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

Our top 5 suppliers in FY2017 represented approximately 99.5% of our total purchases as compared to approximately 99.1% in FY2016. Our largest supplier accounted for approximately 86.9% of our total purchases in FY2017 as compared to approximately 89.3% in FY2016. Our largest supplier is a leading supplier of watches. The Group maintained business relationship with such supplier for over 10 years.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

Distribution network and market penetration

The Group has established its extensive distribution network with 53 retail points of sales and 13 boutiques, making a total of 66 points (31 March 2016: 71).

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

During the year under review, the Group actively explored every opportunity to open up new retail points of sales in the regions. New points of sales were added in Hong Kong through Global Timepieces and Halewinner Group.

Brand enhancement activities

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

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

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

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

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

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

Performance by business operations and geographical markets

Watch distribution and dining business

Hong Kong, Mainland China and Macau remained the key revenue drivers, contributing together HK$323.2 million which accounted for 90.6% of the Group's total turnover in FY2017.

Hong Kong

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

Hong Kong recorded segmental profit of HK$37.3 million, increased by 79.0% when compared with last year. This market accounted for 32.6% of the Group's segmental profit.

Mainland China and Macau

The percentage contribution of Mainland China and Macau to the Group's total revenue increased from 23.9% in FY2016 to 34.1% in FY2017 for watch distribution business. Sales in this region showed an increase of 67.6% to HK$121.5 million from HK$72.5 million in last year.

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

Other Asian locations

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

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

Property investment

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

Prospects

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

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

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

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

Liquidity, Financial Resources and Gearing Ratio

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

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

				At 31 March 2017				For the year ended 31 March 2017			At 31 March 2017	
Stock Code	Stock Name	No. of shares held	Investment cost HK$'000	% of shareholdings in equity instrument	Fair Value HK$'000	Approximate percentage of available-for-sale investments %	Approximate percentage of total assets %	Unrealised gain/(loss) during the year HK$'000	Gain/(loss) on disposal HK$'000	Impairment charged to profit or loss HK$'000	Investment revaluation reserve HK$'000	Principal activities
3823	Tech Pro Technology Development Ltd.	36,760,000	73,520	0.50%	5,220	1.9	0.4	(81,166)	–	(68,300)	–	Manufacture and sale of LED lighting products and accessories, energy efficiency projects and provision of property sub-leasing and management services.
938	Man Sang International Ltd.	20,000,000	30,000	1.05%	10,400	3.9	0.8	(5,200)	–	(19,600)	–	Purchasing, processing, designing, production and wholesale distribution of pearls and jewellery; development, sales and leasing of properties.
3886	Town Health International Medical Group Ltd.	6,600,000	11,540	0.09%	8,184	3.1	0.6	(1,452)	–	(3,356)	–	Healthcare business investments; provision and management of medical, dental and other healthcare related services; investments and trading in properties and securities.
376	Yunfeng Financial Group Ltd.	1,196,000	16,146	0.05%	5,836	2.2	0.5	(1,328)	–	(1,328)	–	Securities broking, placing and underwriting, provision of consultancy and advisory services and investment holding.
Part I					29,640	11.1	2.3	(89,146)	–	(92,584)	–	
36	Far East Holdings International Ltd.	30,666,000	23,919	2.82%	23,306	8.7	1.8	3,987	(110)	–	(613)	Manufacturing and sale of garments, short term securities investment and property investment.
627	U-RIGHT International Holdings Ltd.	27,360,000	11,354	2.07%	15,322	5.7	1.2	(274)	261	–	3,967	Wholesale and retail of fashion garments, trading of construction materials and property investment.
663	King Stone Energy Group Ltd.	350,000,000	48,650	4.99%	69,300	25.9	5.4	20,650	–	–	20,650	Mining and selling of coal and silver, oil and gas extraction and production, oil extraction technology research and development and provision of finance leasing.
1003	Huanxi Media Group Ltd.	32,000,000	64,000	1.16%	71,680	26.8	5.6	9,600	–	–	7,680	Media and entertainment businesses, provision of property agency, securities trading and investments and advertising agency business.
1076	Imperial Pacific International Holdings Ltd.	337,980,000	32,742	0.24%	45,627	17.0	3.6	(7,098)	6,500	–	12,885	Gaming and resort business.
2066	Shengjing Bank Co., Ltd. — H Shares	500,000	6,000	0.01%	3,560	1.3	0.3	(1,720)	–	–	(2,440)	Banking businesses and related financial services.
8172	Lajin Entertainment Network Group Ltd.	18,800,000	15,040	0.45%	9,400	3.5	0.7	(6,204)	–	–	(5,640)	Provision of artists management services and film production and distribution.
Part II					238,195	88.9	18.7	18,941	6,651	–	36,489	
Other equity disposed during the year												
587	Hua Han Health Industry Holdings Ltd.	–	–	0.00%	–	–	–	–	(1,761)	–	–	
Other equity instruments					–	–	–	–	(1,761)	–	–	
Total					267,835	100.0	21.0	(70,204)	4,890	(92,584)	36,489	

All available-for-sale investments were listed securities which were measured at fair value. As at 31 March 2017, available-for-sale investments of the Group amounted to HK$267.8 million. The Group received HK$0.2 million of dividend during the year.

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

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

During the year under review, the Hong Kong equity market experienced fluctuations and the performance of the available-for-sale investments had been in line with the market performance and the Group disposed of few securities in the portfolio with realised gain on disposal of available-for-sale investments in the total amount of HK$4.9 million to contribute towards our income statements. Nevertheless, the Directors observed that on 26 October 2016, Tech Pro Technology Development Limited ("Tech Pro") published an announcement to refute the allegations against it as raised in the report issued by Glaucus Research Group California, LLC on 28 July 2016. The Directors considered that were the available-for-sale investment in Tech Pro taken out, the impairment charged to the profit and loss accounts for the unrealised loss was HK$24.3 million only against the unrealised gain of HK$36.5 million when the investment portfolio of the Group was assessed on a pro forma basis. The Directors will continue to monitor the performance of the above investments, and will assess and then adjust the investment strategies in the future so as to minimize the negative impact of any under-performing investment on the overall return of the investment portfolio of the Group. The performance of the available-for-sale investments of the Group will be affected by the degree of volatility in the Hong Kong stock market and subject to other external factors that may affect their values.

The Group's net current assets decreased from HK$735.8 million as at 31 March 2016 to HK$683.3 million as at 31 March 2017. Total net assets remained stable of HK$1,101.7 million as at 31 March 2017 and HK$1,098.8 million as of 31 March 2016. The Directors believe that the Group's existing financial resources are sufficient to fulfil its commitments and current working capital requirements.

Capital Structure and Principal Risk: Foreign Exchange Exposure

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

The Placing was completed on 2 September 2016 and an aggregate of 830,000,000 Placing Shares with an aggregate nominal value of HK$16.6 million were issued under the general mandate. The Company received the net proceeds of approximately HK$162.7 million from the Placing, representing a net issue price of HK$0.196 per Placing Share, and HK$54.7 million of the net proceeds were used for operating activities while HK$108.0 million was deposited into bank account for interest bearing. The effects of the Placing on the capital structure of the Company are more particularly depicted in note 25 to the consolidated financial statements of this annual report. The full details of the aforesaid transaction can also be referred to in the announcements of the Company dated 9 August 2016 and 2 September 2016.

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

The Group recorded a realised exchange gain of HK$2.1 million in FY2017 against a realised gain of HK$0.3 million in FY2016. In addition, the Group registered an unrealised exchange loss of about HK$0.4 million in FY2016 against HK$2.4 million in FY2017. Besides, in FY2016, the Group recorded HK$1.2 million loss on fair value change of derivative financial instruments, while HK$4.3 million loss was booked this year.

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

Charge on Assets

The Group did not have any material charge on its assets as at 31 March 2017 (31 March 2016: the investment properties were pledged to secure banking facilities granted to third parties).

Employment and Remuneration Policy

As at 31 March 2017, the Group's work force stood at 155 including Directors (31 March 2016: 138). Employees were paid at market rates with discretionary bonus and medical benefits, covered under the mandatory provident fund scheme. To provide incentive or rewards to staff, the Group has adopted a share option scheme, particulars of which are set out in the section headed "Share Option Scheme" on pages 37 and 38 of this annual report.

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

Expiration of Master Agreement

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

Events after the Reporting Period

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

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

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 to the Rules Governing the Listing of 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 2017, except for a deviation 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, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2017.

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 management responsibility to the Executive Directors and senior management who perform their duties under the leadership of the Managing Director/Chief Executive Officer. 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 the 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 the 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 2017, the Board consisted of eleven members, including six Executive Directors, namely Mrs. Chu Yuet Wah *(Chairman)*, Mr. Zhang Xiaoliang *(Deputy Chairman and Chief Executive Officer)*, Mr. Wu Ting Yuk, Anthony *(Deputy Chairman)*, Mr. Chu, Kingston Chun Ho, Mr. Yang Guangqiang and Mr. An Muzong and five Independent Non-executive Directors, namely Ms. Lo Miu Sheung, Betty, Dr. Wong Yun Kuen, Mr. Yu Zhenxin, Mr. Zong Hao and Mr. Chiu Sin Nang, Kenny.

During the year ended 31 March 2017, 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 Ms. Lo Miu Sheung, Betty, Dr. Wong Yun Kuen, Mr. Yu Zhenxin, Mr. Zong Hao and Mr. Chiu Sin Nang, Kenny and considers them to be independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

The Board members have no financial, business, family or other material/relevant relationship with each other except as disclosed in the "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 5 to 9 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 Board meetings. Under code provision A.1.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the year, certain regular Board meetings were convened with less than 14 days' notice to enable the Board members to react timely and make expeditious decision making in respect of transactions which were of significance to the Group's business. As a result, the aforesaid regular Board meetings were held with a shorter notice period than required with the consent of all Directors. The Board will do its best endeavours to meet the requirement of code provision A.1.3 of the CG Code in the future. In addition to the Board meetings, the Chairman of the Board met with Independent Non-executive Directors without the presence of other Executive Directors.

The members of the Board and the attendance of each member at the Board meetings and annual general meeting held during the year are as follows:

	Attended/Eligible to attend	
Name of Board Members	**Board Meetings**	**Annual General Meeting**
Executive Directors		
Mrs. Chu Yuet Wah *(Chairman)*	4/5	1/1
Mr. Zhang Xiaoliang[1] *(Deputy Chairman and Chief Executive Officer)*	3/4	1/1
Mr. Wu Ting Yuk, Anthony[2] *(Deputy Chairman)*	4/5	1/1
Mr. Chu, Kingston Chun Ho[3]	5/5	1/1
Mr. Yang Guangqiang[4]	2/4	1/1
Mr. An Muzong[5]	0/1	0/0
Independent Non-executive Directors		
Ms. Lo Miu Sheung, Betty	3/5	1/1
Dr. Wong Yun Kuen	5/5	1/1
Mr. Yu Zhenxin[6]	1/1	0/0
Mr. Zong Hao[7]	0/0	0/0
Mr. Chiu Sin Nang, Kenny[8]	0/0	0/0
Mr. Lau Man Tak[9]	5/5	1/1

Notes:

1. Mr. Zhang Xiaoliang was appointed as an Executive Director and a Co-Chairman of the Company on 22 April 2016, re-designated from Co-Chairman to Deputy Chairman of the Company on 1 October 2016 and appointed as the Chief Executive Officer of the Company on 14 January 2017.

2. Mr. Wu Ting Yuk, Anthony was re-designated from Co-Chairman to Deputy Chairman of the Company on 1 October 2016.

3. Mr. Chu, Kingston Chun Ho ceased to be the Vice Chairman and Managing Director of the Company on 14 January 2017.

4. Mr. Yang Guangqiang was appointed as an Executive Director of the Company on 22 April 2016.

5. Mr. An Muzong was appointed as an Executive Director of the Company on 27 August 2016.

6. Mr. Yu Zhenxin was appointed as an Independent Non-executive Director of the Company on 27 August 2016.

7. Mr. Zong Hao was appointed as an Independent Non-executive Director of the Company on 10 December 2016.

8. Mr. Chiu Sin Nang, Kenny was appointed as an Independent Non-executive Director of the Company on 10 December 2016.

9. Mr. Lau Man Tak resigned as an Independent Non-executive Director of the Company on 10 December 2016.

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 details 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 entered into letters of appointment with the Company for a specified period of one year in each term, subject to retirement by rotation at annual general meetings 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 Chief Executive Officer

The positions of the Chairman and the Managing Director/Chief Executive Officer of the Company are held by separate individuals to ensure a balance of power and authority. During the period from 1 April 2016 to 13 January 2017, Mr. Chu, Kingston Chun Ho was the Vice Chairman and Managing Director of the Company. The Company regards the role of its Managing Director to be the same as that of the chief executive under the CG Code. Following the cessation of Mr. Chu, Kingston Chun Ho as the Vice Chairman and Managing Director of the Company, Mr. Zhang Xiaoliang, a current Executive Director and Deputy Chairman, was appointed as the Chief Executive Officer of the Company with effect from 14 January 2017.

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. Zhang Xiaoliang, who is the Deputy Chairman and Chief Executive Officer of the Company, is responsible for the overall development as well as the strategic planning and positioning and management of the Group's business in the Peoples' Republic of China (the "PRC"). He is also delegated with the authority and responsibility to run the Group's business and the 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.

Mr. Wu Ting Yuk, Anthony, who is the Deputy Chairman of the Company, is responsible for overseeing and managing business projects of significance for the Group, in particular, the investment projects of the Group in the PRC, as well as other projects assigned to him by the Board from time to time.

Directors' Training and Continuous Professional Development

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has provided relevant reading materials published by professional bodies or regulators to the Directors to keep them abreast of the latest development of legal, regulatory and corporate governance. The Company has also devised a training record in order to assist the Directors to record the training they have undertaken and they are requested to provide training records to the Company.

The Company has received from each of the Directors their record of training for the year ended 31 March 2017. According to the records maintained by the Company, the training that the Directors received during the year is summarized as follows:

Name of Directors		Attending expert briefings/seminars/ conferences/readings relevant to the business, corporate governance or directors' duties
Executive Directors		
Mrs. Chu Yuet Wah		✓
Mr. Zhang Xiaoliang	(appointed on 22 April 2016)	✓
Mr. Wu Ting Yuk, Anthony		✓
Mr. Chu, Kingston Chun Ho		✓
Mr. Yang Guangqiang	(appointed on 22 April 2016)	✓
Mr. An Muzong	(appointed on 27 August 2016)	✓
Independent Non-executive Directors		
Ms. Lo Miu Sheung, Betty		✓
Dr. Wong Yun Kuen		✓
Mr. Yu Zhenxin	(appointed on 27 August 2016)	✓
Mr. Zong Hao	(appointed on 10 December 2016)	✓
Mr. Chiu Sin Nang, Kenny	(appointed on 10 December 2016)	✓
Mr. Lau Man Tak	(resigned on 10 December 2016)	✓

Board Committees

The Board has set up four committees, namely Audit Committee, Remuneration Committee, Nomination Committee and Investment 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. It is responsible for reviewing and overseeing the financial reporting system, risk management and internal control systems of the Company 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 three meetings. The members of the Audit Committee and the attendance of each member are as follows:

Name of Audit Committee Members		Attended/ Eligible to attend
Independent Non-executive Directors		
Mr. Chiu Sin Nang, Kenny *(chairman)*	(appointed on 10 December 2016)	0/0
Ms. Lo Miu Sheung, Betty		3/3
Dr. Wong Yun Kuen		3/3
Mr. Yu Zhenxin	(appointed on 27 August 2016)	1/1
Mr. Zong Hao	(appointed on 10 December 2016)	0/0
Mr. Lau Man Tak *(former chairman)*	(resigned on 10 December 2016)	3/3

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

(a) reviewed with the Company's management the accounting principles and practices adopted by the Group as well as the financial reporting matters including the review of the audited financial statements for the year ended 31 March 2016 and the unaudited financial statements for the six months ended 30 September 2016, with recommendations to the Board for approval;

(b) reviewed risk management and internal control systems of the Company;

(c) met with the auditor to discuss matters relating to the interim results review and the audit issues arising from the annual audit;

(d) reviewed and made recommendations to the Board on the auditor's re-appointment and remuneration; 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 former chairman of the Audit Committee, Mr. Lau Man Tak, and the current chairman of the Audit Committee, Mr. Chiu Sin Nang, Kenny, possess appropriate professional qualifications in finance and accounting and meet the requirements of Rule 3.21 of the Listing Rules.

Remuneration Committee

The Remuneration Committee was established on 19 September 2005. It 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 or any of his/her associates 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 five meetings. The members of the Remuneration Committee and the attendance of each member are as follows:

Name of Remuneration Committee Members		Attended/ Eligible to attend
Independent Non-executive Directors		
Dr. Wong Yun Kuen *(chairman)*		5/5
Ms. Lo Miu Sheung, Betty		4/5
Mr. Chiu Sin Nang, Kenny	(appointed on 10 December 2016)	0/0
Mr. Lau Man Tak	(resigned on 10 December 2016)	4/5

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

(a) reviewed and made recommendations to the Board on the approval of the remuneration packages, bonus and commission payment to Executive Directors and senior management;

(b) recommended the remuneration package and director's fee of the newly appointed Directors; and

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

Details of the remuneration paid to the Directors and members of senior management by band for the year ended 31 March 2017 are disclosed in note 12 to the consolidated financial statements.

Nomination Committee

The Nomination Committee was established on 2 August 2011. It is responsible for reviewing the structure, size and diversity of the Board, assessing the independence of the Independent Non-executive Directors, making recommendations to the Board on nominations, appointment of Directors and Board succession. The Board adopted a board diversity policy which aims to set out the approach to achieving diversity on the Board. The Company recognises the benefits of diversity of Board members. The Nomination Committee selects candidates for directorship with reference to a range of diversity perspectives, including but not limited to the candidate's gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee considered that the Board has sufficient diverse expertise, particularly in corporate management, financial control, business development and human resources management. Meetings of the Nomination Committee shall be held at least once a year.

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

Name of Nomination Committee Members		Attended/ Eligible to attend
Independent Non-executive Directors		
Ms. Lo Miu Sheung, Betty *(chairman)*		4/4
Dr. Wong Yun Kuen		4/4
Mr. Chiu Sin Nang, Kenny	(appointed on 10 December 2016)	0/0
Mr. Lau Man Tak	(resigned on 10 December 2016)	3/4

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

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

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

(c) nominated three Executive Directors and three Independent Non-executive Directors for appointment to the Board;

(d) nominated the retiring Directors for re-election at the annual general meeting;

(e) recommended the acceptance of (i) re-designation of existing Co-Chairmen to Deputy Chairmen, (ii) cessation of the Vice Chairman and Managing Director, and (iii) appointment of Chief Executive Officer of the Company; and

(f) reviewed the Board Diversity Policy and the terms of reference of the Nomination Committee.

Investment Committee

The Investment Committee was established on 12 December 2014. It is responsible for reviewing and evaluating any investment projects proposed by the Company and making recommendations to the Board on such investment projects. It also monitors the investments of the Group. Meetings of the Investment Committee shall be held at least once a year.

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

Name of Investment Committee Members		Attended/ Eligible to attend
Executive Directors		
Mrs. Chu Yuet Wah *(chairman)*		6/6
Mr. Chu, Kingston Chun Ho		6/6
Independent Non-executive Directors		
Dr. Wong Yun Kuen		6/6
Mr. Yu Zhenxin	(appointed on 27 August 2016)	1/1

During the year, the Investment Committee reviewed, evaluated and approved the investment projects worth not exceeding HK$50 million.

Auditor's Remuneration

During the year, the Group was charged HK$915,000 for auditing services and HK$175,000 for non-auditing services by the Company's auditor, BDO Limited.

Services rendered	**Fees paid/ payable** HK$
Audit services	915,000
Non-audit services:	
Review of continuing connected transactions	20,000
Review of results announcements	20,000
Review of interim financial information	135,000

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 a 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 2016 and for the year ended 31 March 2017, 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 42 to 46 of this annual report.

Risk Management and Internal Control

Goals and objectives

The Board acknowledged that it is its responsibility to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems ("Systems"). Such Systems are designed to manage rather than eliminate risks of failure to achieve business objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

Main features of the risk management and internal control systems

The Company has not established an internal audit department and the Directors are of the view that given the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professional firms to perform the review on internal control function for the Group in order to meet its needs.

In FY2017, the Group had complied with all the code provisions on risk management and internal control under the CG Code. The Board considers that the Systems are effective and adequate.

Control structure

The Board	• responsible for the Systems and reviewing their effectiveness • oversee the Systems on an ongoing basis with the assistance of the Audit Committee • ensure the maintenance of appropriate and effective Systems • define management structure with clear lines of responsibility and limit of authority • determine the nature and extent of significant risks that the Company is willing to take in achieving the strategic objectives and formulate the Group's risk management strategies
Audit Committee	• review and discuss the Systems with the management annually to ensure that the management has performed its duty to have effective Systems • review the internal control report covering financial, operational and procedural compliance functions prepared by the independent internal control consultancy firm. • consider major findings on internal control matters (if any) raised by independent internal control consultancy firm or any audit issues raised by external auditors and make recommendations to the Board
The management (includes heads of business units, departments and divisions)	• design, implement and monitor the Systems properly and ensure the Systems are executed effectively • monitor risks and take measures to mitigate risks in their day-to-day operations • give prompt responses to, and follow up the findings (if any) on internal control matters raised by external auditors or internal control consultancy firm

Control approach and tools

During the year, the management had analyzed the control environment, identified risk pertaining thereto, and implemented various controls therein.

Approach taken: The Company through the independent internal control consultancy firm conducted interviews with relevant staff members, reviewed relevant documentation of the Systems, evaluated findings of any deficiencies in the design of the Group's Systems, provided recommendations for improvement and assessed the effectiveness of implementation of such recommendations, where appropriate. The scope and findings of review on the Systems have been reported to and reviewed by the Audit Committee annually.

Procedure manuals and operational guidelines: They are in place to safeguard the assets against unauthorized use or disposition, ensuring maintenance of proper accounting records in compliance with the applicable laws, rules and regulations for the provision of reliable financial information for internal use and/or external publication.

Management information system and technology: Such use to control over the business activities allows close tracking of various inputs and outputs of the Company's business such as inventory, human resources, products and customer relationship. It also tracks audit trails in the authorization system, under which permissions and responsibility of authorization are clearly identified and adequate records can be maintained in the Systems.

Reports and variance analysis: Such reports and analysis of each operating segment are conducted on regular basis such that the performance of each point of sales and each product category can be easily accessible.

Information flow: The transparent information flow alerts us promptly of any deviations. Benchmarking with historical database and comparisons with the same also acts as a detecting device for spotting unusual activities.

Control process

There is an on-going process to safeguard the effectiveness of the Systems and the following key measures, policies and procedures are used or adopted to ensure effective functioning of the Group's financial, operational or compliance areas:

Safeguarding of assets: Insurance coverage on inventory is periodically reviewed by the management for sufficient coverage, and to ensure compliance with the terms and conditions of the insurance policies. To safeguard shops' assets, security systems are installed and properly maintained in good condition at each shop. In addition, tests are carried out on a daily basis to ensure the proper functioning of the security system.

Quality control: Luxury watches are tested in-house with our own experts and professional equipment to assure the quality fulfills good standard requirement. The Company also provides assurance of high quality products and after-sale service to enhance the protection of our customers' interest.

Proper authorization on sales discounts: Discount policies are properly maintained, controlled and administered by the management and shop managers according to discount policies in place. Discount policies and pricing strategy are reviewed from time to time.

Financial reporting management:

- proper controls are in place for the recording of complete, accurate and timely accounting and management information;
- annual budget and cashflow forecast are prepared and approved by the management before being adopted;
- the management monitors the business activities closely and reviews monthly financial results of operations against budgets/forecast;
- monthly updates on internal financial statements were provided to all Directors which give a balanced and understandable assessment of the Group's performance, financial position and prospects in sufficient details; and
- annual audit by external auditor is carried out to ensure that the consolidated financial statements are prepared in accordance with generally accepted accounting principles, the Group's accounting policies and the applicable laws and regulations.

Cash flow management: Daily available fund report is reviewed to monitor the cash flows against budgets/forecast.

Systems and procedures on disclosure of inside information to ensure that any material information which comes to the knowledge of any one or more officers should be promptly identified, assessed and escalated, where appropriate, for the attention of the Board.

Whistle-blowing policy for the employees of the Group to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters. Such arrangement will be reviewed by the Audit Committee which ensures that proper arrangement is in place for fair and independent investigation of the matters.

Group risk management

Risk management process

The risk management process includes risk identification, risk evaluation, risk management measures and risk control and review.

The management is entrusted with duties to identify, analyze, evaluate, respond, monitor and communicate risks associated with any activity, function or process within its scope of responsibility and authority. Risks are evaluated by the Board and management based on (i) the severity of the impact of the risks on the Company's financial results; (ii) the probability that the risks will occur; and (iii) the velocity or speed at which risks could occur.

Based on the risk evaluation, the Company will manage the risk as follows:

- **Risk elimination** — management may identify and implement certain changes or controls that in effect eliminate the risk entirely.

- **Risk mitigation** — management may implement risk mitigation plan designed to reduce the likelihood, velocity or severity of the risk to an acceptable level.

- **Risk control and monitoring** — accidents and other situations involving loss or near-loss will be investigated and properly documented as part of the effort to manage risks.

- **Risk retention** — management may decide that the risk rating is low enough that the risk is acceptable level and no action is required. The risk will continue to be monitored as part of the risk management program to ensure the level of risk does not increase to an unacceptable level.

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 Ms. Ho Kar Yan, Joyce, the Chief Financial Officer of the Company. For the year ended 31 March 2017, 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 will 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 the Board committees can be viewed from the websites of the Company and the Stock Exchange.

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") for the transaction of any business specified in such requisition to the Board or the Company Secretary at Room 602, 6/F., Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong. Shareholders can also put forward proposal(s) at Shareholders' meetings in the same manner.

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, the 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., Lee Garden 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 2017.

The Group recognises the importance of its impact on the society and environment and relationships with its key stakeholders to its long-term growth. Committed to improving its business, the Group seeks to conduct responsible business activities and continues to engage with its employees, customers, suppliers, shareholders, and other stakeholder through different channels to develop mutually beneficial relationships and promote sustainability.

This Environmental, Social and Governance ("ESG") Report focuses on the Group's business in watch distribution in Hong Kong, which is the largest contributor to the Group's revenue in the year. This ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Guide") set out in Appendix 27 of the Listing Rules and follows the reporting requirements of the "comply or explain" provisions of the ESG Guide.

Product and Services

As a luxury watch and accessories distributor, providing quality and reliable products and services is the Group's prime responsibility to its customers and is central to enhancing trust in the brands it represents. The Group views product and service quality as fundamental to its business activities and is committed to continuous improvement. The Group puts its values into practice through applying strict product quality control, providing professional customer support services and ensuring its customers' privacy is protected.

Product Responsibility

Maintaining product quality

The Group is committed to providing high quality products and services. The Group's time pieces, watches and accessories are sourced directly from suppliers which apply high quality control and assurance standards and strictly comply with local standards and laws.

The Group has a testing centre in Hong Kong which meets international standards and accreditation for product quality testing. The Group documents and maintains quality control records to keep track of testing activities to ensure all imported products are checked and tested thoroughly by its in-house technicians and that only products which meet its quality standards will be offered to end customers.

Caring after-sales services

The Group understands that apart from quality products, customers also expect professional, caring and personalised services. To support the Group's comprehensive customer services, the Group has a dedicated team responsible for after-sales services that provides specialty repair and maintenance services, technical support and prompt responses to other inquiries on topics such as warranties.

In order to continuously enhance the Group's products and services, customers are encouraged to provide feedback on areas such as their shopping experience and the query handling process, and also voice their concerns through a variety of channels including the Group's retail outlets, services centre, dealers and the official Franck Muller website. All complaints will be directed to the Customer Services Department to follow up with proper actions. During the reporting period, the Group has not received any significant complaints. Most complaints are related to maintenance matters, which the Group has appropriately handled and documented according to internal procedures.

Protecting data privacy

The Group respects personal data privacy. Procedures have been formulated regarding the collection, protection and usage of customers' personal data in accordance with local laws and regulation. Only authorised parties including the Customer Services Department have the right to use, access, store and modify customers' personal information to prevent information leakage. The Group will continue to evaluate and improve the existing system and practices relating to handling customers' personal information to keep abreast of regulatory developments regarding personal data protection.

During the reporting period, the Group is not aware of any non-compliance with relevant laws and regulations relating to product responsibility.

Product and Services (continued)

Supply Chain Management

It is the Group's practice to develop and secure long term relationships with suppliers based on mutual trust. The Group's largest supplier is a leading supplier of watches. The Group maintained a trusting and long-standing business relationship with such supplier for over 10 years. In building a long relationship, the Group actively engages with its suppliers and asserts the Group's brand commitment to quality and craftsmanship.

The Group's time pieces, watches and accessories are supplied by reputable manufacturers who are compliant with local laws and regulations regarding the environmental and social aspects.

Employment and Labour Practices

The Group believes that its devoted, skilled and hardworking employees are the foundation to the Group's success. It is the Group's top priority to attract and retain the best talents, and keep its staff safe at work. The Group implements a transparent and fair recruitment scheme that respects human rights and dignity of all people. The Group provides its staff with comprehensive benefit packages along with learning and professional development opportunities.

Recruitment and Welfare

The Group regards human resources as its valuable assets. The Group upholds the principles of fairness and is dedicated to maintaining equal opportunity of employment in relation to personnel matters, irrespective of age, gender, marital status, religion, disability, race or nationality.

The Group has clear policies on employee compensation and dismissal, recruitment and discretionary bonus scheme, rest periods and benefits and welfare. Any updates and amendments are communicated to employees via email or in company meeting.

The Group believes that the sustainable growth of its business relies on the recruitment and retention of talents. To retain and motivate its staff, the Group offers competitive remuneration which is reviewed annually to ensure it stays competitive with market practice and reflects each employee's performance and contribution. Employees are paid at market rates with discretionary bonus and medical benefits, and covered under the mandatory provident fund scheme.

The Group strictly follows the labour legislation in Hong Kong including the Employment Ordinance and the Mandatory Provident Fund Schemes Ordinance. During the reporting period, the Group is not aware of any breach of applicable employment laws and regulations.

Health and Safety

The Group recognises the importance to ensure employees' health and safety. Though the Group's retail and distribution businesses does not entail material occupational hazards, the Group is firmly committed to maintaining a sound and safe working environment to prevent injury and illness, in compliance with all occupational health and safety laws and regulations. In the office, the Group makes sure that first aid kits and fire extinguishing equipment are located at prominent locations and are properly maintained. Evacuation and escape exercises are regularly performed with staff participation at least once a year.

During the reporting period there were no reported health and safety incidents and material non-compliance with relevant laws and regulations relating to employee health and safety.

Employment and Labour Practices (continued)

Development and Training

Employees are the Group's most valued assets, thus the Group cares immensely about their development. The Group encourages its employees to enhance their knowledge and skills for effective discharge of duties at work and for their personal development.

Suppliers' watch makers and technicians visit the Group's watch repairing function on a regular basis. They share experiences and new techniques with the Group's local technicians, and keep them up to pace with the rapid development in the industry.

For the Group's sales staff at the retail outlets, boutique managers organise soft skills and product update trainings periodically. The Group aims at providing employees with practical learning experience relevant to their duties, and assisting them in nurturing the needed skills for their long-term career development.

The Group aspires to provide its employees with opportunities to advance their career. Therefore, employees are encouraged to raise training requests to the Group's Human Resources Department. The Group will review each request and respond in a timely manner.

Labour Standards

The Group does not tolerate or engage in any use of child or forced labour and follows strictly the respective regulatory requirements in the Employment of Children Regulation within the Employment Ordinance. Procedures are established to ensure no child labour is employed. During the recruitment process, the age of candidates will be verified with their identification documents.

The Group highly values work-life balance and the welfare of its staff. The Group follows a 'five-day-work and two-day-off pattern' and 8 hours per working day for office staff. With respect to overtime, it is never compulsory for staff to work overtime. The Group has clear policies on compensating its staff for their extra work and contributions.

Anti-corruption

The Group is committed to achieving the highest possible standards of openness, probity and accountability. All the employees are expected to comply with the behaviour guidelines stated in the employment agreement.

On conflict of interest, employees shall not engage in any other activities that is detrimental to the Group's interest, except with the express permission of the Group. On confidentiality, employees should ensure that any of the information regarding the business of the Group is not disclosed to any other person. Upon termination of employment, all records, documents, account, computer discs, letter and papers should be returned to the Group.

The Group has in place a whistle-blowing policy which all employees are expected to be familiar with. For new employees, the policy will be passed to them during the orientation programme. It is every employee's responsibility and in all interest of the Group to ensure that any inappropriate behaviour that compromises the interest of the stakeholders, investors, customers and the general public does not occur. Employees are encouraged to report any concerns they have regarding bribery and corruption. Procedures are in place to ensure that all claims are investigated impartially and employees' confidentiality are properly protected. Relevant disclosures can be made in person or in writing directly to the Directors of the Company.

In FY2017, the Group is not aware of any non-compliance with relevant laws and regulations relating to corruption.

Environment

The Group recognises the environment as the foundation for corporate presence and development and the Group endeavours to achieve sustainable business growth. The Group reduces its environmental impact mainly through implementing procedures and measures relating to environmental management and energy conservation in its day-to-day operations. Through these activities, the Group expects to promote and drive harmonious development of economy, society and environment.

As a luxury watch distributor, the Group does not manufacture the products itself. Therefore, the Group's operation does not have significant impact on the environment and natural resources. The Group will continue to improve the environmental performance by periodically reviewing the Group's environmental practices and implementing further measures where applicable.

During the reporting period, there were no material non-compliance with relevant environmental laws and regulations.

Emissions and Waste

The Group's principal activities of distribution of branded luxury watches, timepieces and accessories do not result in significant air emissions, waste water discharge and hazardous waste disposals. At the head office and retail outlets, over which the Group has direct control, general waste is the key type of waste produced which mainly consists of used paper (e.g. office papers, posters and marketing brochures). The Group engages a cleaning contractor to collect and handle the recycling and disposal of general wastes. Measures adopted to minimise waste generation include:

- Participating in "zero landfill" programme organised by supplier, according to which all the Group's used multifunction devices and consumables were returned to the suppliers for recycling;

- Encouraging duplex printing and reusing scrap paper; and

- Communicating internal memorandum and reports by digital means.

Use of Resources

The Group is committed to using resources wisely and efficiently. At the head office and retail outlets, the Group has been implementing different measures to increase the saving of energy, water, paper and other office supplies. These measures range from the use of recycled paper and materials, to the behavioural change of the Group's people. The Group has implemented energy-saving and sustainability measures including the following:

- Employees are encouraged to shut off lighting when leaving a room for more than an hour and switch off computers after working hours;

- Employees are reminded to switch relevant office equipment and electronic appliances to energy-saving mode, e.g. enabling the printers and computers to automatically power down after a period of inactivity;

- The Group always considers to use appliances that meet the Grade 1 standard of the Electrical and Mechanical Services Department's energy efficiency label whenever replacing new office equipment or procuring renovation materials; and

- All the office lighting has been switched to more energy efficient LED.

The Environment and Natural Resources

The nature of the Group's business operations does not involve in any other significant pollution or destruction of the environment and natural resources. The relevant principles and policies on managing emissions and use of resources are already disclosed above.

Community

The Group believes that participation in community activities will not only demonstrate its commitment to the society, but can also showcase its practice of corporate citizenship and contribute to the harmonious development of the society. In FY2017 the Group participated in charity walks in support of the Youth Outreach and the Po Leung Kuk.

To encourage its staff to get involved in supporting the local community and learn new skills, the Group continuously explores new volunteering opportunities and employees are encouraged to join these charity activities and events.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") are pleased to present their annual report and the audited consolidated financial statements for the year ended 31 March 2017.

Principal Activities

The Company acts as 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"), dining business and property investment.

Business Review

The business review of the Group for the year ended 31 March 2017 is set out in the section headed "Management Discussion and Analysis" on pages 10 to 15 of this annual report.

Subsidiaries

Details of the Company's subsidiaries as at 31 March 2017 are set out in note 31 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 March 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 47 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2017.

Distributable Reserves of the Company

At 31 March 2017, 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 2017, the Company's reserves available for distribution to shareholders amounted in total to approximately HK$873,785,000 (2016: HK$734,254,000).

Equity-Linked Agreements

Save for the share option scheme of the Company as set out in note 26 and the Placing Agreement dated 9 August 2016 as set out in note 25 to the consolidated financial statements and in the section headed "Management Discussion and Analysis" on pages 10 to 15 of this annual report, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

Major Customers and Suppliers

The Group's five largest customers contributed approximately 34.3% 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 99.5% of the Group's total purchases for the year. The largest supplier of the Group accounted for approximately 86.9% of the Group's total purchases.

Franck Muller Pte Ltd, a wholly owned subsidiary of Sincere Watch Limited ("SW", a substantial shareholder of the Company), was one of the Group's five largest suppliers during the year whereas SW is wholly owned by Mrs. Chu Yuet Wah (a Director and a substantial shareholder of the Company). Other than Mrs. Chu Yuet Wah and SW, at no time during the year did any of the Directors, their close associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers and suppliers.

REPORT OF THE DIRECTORS

Property, Plant and Equipment

During the year, the Group spent approximately HK$18,752,000 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 15 to the consolidated financial statements.

Investment Properties

Details of the investment properties are set out in note 16 to the consolidated financial statements.

Directors

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

Executive Directors

Mrs. Chu Yuet Wah *(Chairman)*
Mr. Zhang Xiaoliang[1] *(Deputy Chairman and Chief Executive Officer)* (appointed on 22 April 2016)
Mr. Wu Ting Yuk, Anthony[2] *(Deputy Chairman)*
Mr. Chu, Kingston Chun Ho[3]
Mr. Yang Guangqiang (appointed on 22 April 2016)
Mr. An Muzong (appointed on 27 August 2016)

Independent Non-executive Directors

Ms. Lo Miu Sheung, Betty
Dr. Wong Yun Kuen
Mr. Yu Zhenxin (appointed on 27 August 2016)
Mr. Zong Hao (appointed on 10 December 2016)
Mr. Chiu Sin Nang, Kenny (appointed on 10 December 2016)
Mr. Lau Man Tak (resigned on 10 December 2016)

Notes:

1. Mr. Zhang Xiaoliang was re-designated from Co-Chairman to Deputy Chairman of the Company on 1 October 2016 and appointed as the Chief Executive Officer of the Company on 14 January 2017.

2. Mr. Wu Ting Yuk, Anthony was re-designated from Co-Chairman to Deputy Chairman of the Company on 1 October 2016.

3. Mr. Chu, Kingston Chun Ho ceased to be the Vice Chairman and Managing Director of the Company on 14 January 2017.

Pursuant to Article 108 of the Company's Articles of Association, Mr. Chu, Kingston Chun Ho, Ms. Lo Miu Sheung, Betty and Dr. Wong Yun Kuen shall retire by rotation from office at the forthcoming annual general meeting and, being eligible, have offered themselves for re-election.

Pursuant to Article 112 of the Company's Articles of Association, Mr. An Muzong, Mr. Yu Zhenxin, Mr. Zong Hao and Mr. Chiu Sin Nang, Kenny shall retire at the forthcoming annual general meeting and, being eligible, have offered themselves for re-election.

Directors' Service Contracts

Each of Mrs. Chu Yuet Wah and Mr. Chu, Kingston Chun Ho, the Executive Directors, has entered into a service agreement with the Company for an initial term of three years commencing on 1 April 2013. The appointment pursuant to these 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 by giving to the other not less than three months' prior written notice.

Each of Mr. Zhang Xiaoliang, Mr. Wu Ting Yuk, Anthony and Mr. Yang Guangqiang, the Executive Directors, has entered into a service agreement with the Company for an initial term of one year commencing on 1 June 2016. Mr. An Muzong, an Executive Director, has entered into a service agreement with the Group for an initial term of one year commencing on 27 August 2016. The appointment pursuant to these 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 by giving to the other not less than three months' prior written notice.

Each of the five Independent Non-executive Directors, Ms. Lo Miu Sheung, Betty, Dr. Wong Yun Kuen, Mr. Yu Zhenxin, Mr. Zong Hao and Mr. Chiu Sin Nang, Kenny, has entered into a letter of appointment with the Company for an initial term of one year commencing on 19 June 2012, 18 September 2012, 27 August 2016, 10 December 2016 and 10 December 2016 respectively. The appointment pursuant to these letters of appointment 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 by 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 Competing Business

At 31 March 2017, 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.

Management Contracts

Save for the Directors' service contracts and contracts of service with persons engaged in the full-time employment of the Company, no contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisting during the year.

Contracts with Controlling Shareholders

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders (if any) during the year ended 31 March 2017.

Directors' Interests in Shares and Underlying Shares

At 31 March 2017, 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 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of Director	Capacity	Number of shares held (long position)	Approximate percentage of the Company's issued shares
Chu Yuet Wah	Beneficial owner	265,000,000	5.32%
	Interest of controlled corporation *(Note)*	325,920,000	6.54%

Note: These 325,920,000 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 325,920,000 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.

Share Option Scheme

A share option scheme (the "Scheme") was adopted by the Company pursuant to a resolution passed at the annual general meeting of the Company held on 26 August 2016. No share option has been granted since the adoption of the Scheme.

A summary of the principal terms of the Scheme is as follows:

(1) The purpose of the Scheme is to motivate the eligible participants to optimise their performance efficiency for the benefit of the Group, and to attract and retain or otherwise maintain an on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth and value of the Group.

(2) Share options may be granted to the eligible participants of the Scheme, being any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; any Directors (including Independent Non-executive Directors) of the Company or any of its subsidiaries; and any advisers, consultants, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Company or any of its subsidiaries.

(3) The total number of shares available for issue under the Scheme is 415,200,000 shares representing approximately 8.33% of the issued shares of the Company as at the date of this annual report.

(4) The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to and including the date of grant shall not exceed 1% of the shares in issue as at the date of grant unless it is approved by shareholders (other than the grantees and/or their respective associates) in a general meeting of the Company.

Any options granted to a substantial shareholder or an Independent Non-executive Director of the Company or any of their respective associates which will result in the number of shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding), in aggregate over 0.1% of the shares in issue and with an aggregate value (based on the official closing price of the shares at the date of each grant) in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, in any 12-month period up to and including the date of such grant, are subject to shareholders' approval in general meeting of the Company.

(5) An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion. No option may be granted more than 10 years after the date of approval of the Scheme.

(6) The Scheme does not specify a minimum period for which an option must be held before it can be exercised. However, the Board may, at its sole discretion, specify any minimum period(s) for which an option must be held before it can be exercised at the time of grant of the options.

(7) Upon acceptance of the option, a nominal consideration of HK$1.00 will be paid by each grantee for each lot of share option(s) granted on or before the relevant acceptance date as stated in the offer letter.

(8) The exercise price of an option must be at least the higher of:

  (a) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a trading day;

  (b) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and

  (c) the nominal value of a share.

(9) The Scheme is valid and effective for a period of 10 years commencing from 26 August 2016.

Directors' Interests in Contracts of Significance and Connected Transactions

Continuing Connected Transactions

The Company and SW, a shareholder of the Company, entered into the Inventory Control Agreement on 29 March 2016 for a term from 1 April 2016 to 31 March 2019 to govern the continuing connected transactions with the annual cap of (a) HK$14,500,000 for sale of the products by the Group to members of SW and its subsidiaries ("SW Group"), and (b) HK$14,500,000 for purchase of the products by the Group from SW Group for each of the three financial years ending 31 March 2017, 31 March 2018 and 31 March 2019.

During the year, the Group had the following continuing connected transactions with SW Group:

i. The Group sold watches to SW Group for sale and distribution on an as needed basis when SW Group is out of certain models of watches. Such sales amounted to a total of approximately HK$3,277,000 and did not exceed the cap amount of HK$14,500,000 as mentioned in the announcement of the Company dated 29 March 2016.

ii. The Group purchased watches from SW Group 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$14,415,000 and did not exceed the cap amount of HK$14,500,000 as mentioned in the announcement of the Company dated 29 March 2016.

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 favourable to the Company than terms available from independent third parties; (iii) in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (iv) have not exceeded the relevant maximum amount capped in accordance with the announcement 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 (Revised) "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 its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Connected Transaction

On 9 August 2016, the Company and Kingston Securities Limited, an indirect wholly-owned subsidiary of Kingston Financial Group Limited ("Kingston"), entered into the Placing Agreement pursuant to which Kingston Securities Limited acted as the Placing Agent for the Placing. The Company conditionally agreed to place through the Placing Agent, on a best efforts basis, up to 830,000,000 Placing Shares to not fewer than six Placees (who and whose ultimate beneficial owners are Independent Third Parties and not acting in concert with the connected persons of the Company) at a price of HK$0.20 per Placing Share. The Placing Shares were allotted and issued pursuant to the General Mandate. The Placing Agent was entitled to receive a commission of 2.00% of the amount equal to the Placing Price multiplied by the actual number of the Placing Shares successfully placed by the Placing Agent. The placing commission was arrived at after arm's length negotiations between the Company and the Placing Agent under normal commercial terms and with reference to the prevailing market conditions. The placing of 830,000,000 Placing Share was completed on 2 September 2016. In accordance with the placing arrangements under the Placing Agreement, the Company paid HK$3,320,000 to the Placing Agent as commission in September 2016.

Given Mrs. Chu Yuet Wah is the common shareholder and executive director of the Company and Kingston, the Company and the Placing Agent are regarded as connected person to each other under the Listing Rules and the services provided by the Placing Agent constituted a connected transaction of the Company.

Details of the above transaction and the capitalized terms in the above paragraphs were set out and defined in the announcements of the Company dated 9 August 2016 and 2 September 2016.

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

Permitted Indemnity Provision

Pursuant to the Company's Articles of Association, the Directors and officers of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain in or about the execution of their duties in their respective offices or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

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 2017, the following persons (other than the interests disclosed above in respect of the Directors or 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 shares
Sky League Limited	Beneficial owner	1,294,370,000	25.98%
Wang Fang	Interest of controlled corporation *(Note 1)*	1,294,370,000	25.98%
Brilliant World Limited	Beneficial owner	550,960,000	11.06%
Bai Ning	Interest of controlled corporation *(Note 2)*	550,960,000	11.06%
Sincere Watch Limited	Beneficial owner	325,920,000	6.54%
Be Bright Limited	Interest of controlled corporation *(Note 3)*	325,920,000	6.54%

Notes:

1. These 1,294,370,000 shares were held by Sky League Limited, which was wholly-owned by Wang Fang. Accordingly, Wang Fang was deemed to be interested in these 1,294,370,000 shares of the Company by virtue of the SFO.

2. These 550,960,000 shares were held by Brilliant World Limited, which was wholly-owned by Bai Ning. Accordingly, Bai Ning was deemed to be interested in these 550,960,000 shares of the Company by virtue of the SFO.

3. These 325,920,000 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 325,920,000 shares of the Company by virtue of the SFO.

Save as disclosed above, as at 31 March 2017, 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 as otherwise notified to the Company.

Arrangements to Purchase Shares or Debentures

At no time during the year was the Company, any of its 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.

REPORT OF THE DIRECTORS

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 a deviation as disclosed in the Corporate Governance Report on pages 16 to 28 of this annual report.

Compliance with Laws and Regulations

During the year ended 31 March 2017, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

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 Group's operating results, individual performance and comparable market trends.

Environmental Policies and Performance

A discussion on the Group's environmental policies and performance for the year ended 31 March 2017 is set out in the section headed "Environmental, Social and Governance Report" on pages 29 to 33 of this annual report.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Memorandum and Articles of Association of the Company, or the Companies Law 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 number of issued shares is held by public as at the date of this annual report.

Auditor

A resolution will be submitted to the annual general meeting to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

Chu Yuet Wah
Chairman
Hong Kong
28 June 2017

BDO

TO THE SHAREHOLDERS OF SINCERE WATCH (HONG KONG) LIMITED

(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Sincere Watch (Hong Kong) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 47 to 97, which comprise the consolidated statement of financial position as at 31 March 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at and for the year ended 31 March 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of available-for-sale investments

The Group recognised impairment on available-for-sale investments of HK$92.6 million for the year ended 31st March 2017.

Impairment on available-for-sale investments is recognised when there is a significant or prolonged decline in fair value below cost of the available-for-sale equity investments. The determination of whether an available-for-sale investment is impaired requires significant judgment.

We identified the impairment of available-for-sale investments as a key audit matter due to the significance of balance to the Group's total assets and significant management judgments involved in assessing impairment.

Refer to note 5 and 18 in the consolidated financial statements.

Impairment of available-for-sale investments (continued)

Our response:

Our procedures in relation to the impairment of available-for-sale investments included:

— Obtaining evidence regarding the fair value of the equity investments at the end of the reporting period;

— Comparing the fair value of the equity investments at the end of the reporting period with the costs of acquisition;

— Evaluating the judgment on "significant" and "prolonged" adopted by the Group's management; and

— Recalculating the amount of impairment.

Provision for write-down of inventories

The carrying amount of the Group's inventories at 31st March 2017 was HK$353.4 million.

These inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Management estimated the net realisable value of inventories at the end of the reporting period, and made provision for write-down in value, if any. Estimates are based on management's monitoring of the aging and current market conditions, and the historical experience of selling the inventories of similar nature.

We identified the provision for inventories as a key audit matter because of its significance to the consolidated financial statements and the estimations used in applying this methodology are subject to uncertainty and management judgment as a result of changes of economy condition, competitor actions, cost to make the sale for the products and customer taste.

Refer to note 5 and 19 in the consolidated financial statements.

Our response:

Our procedures in relation to the provision for write-down of inventories included:

— Testing management's controls over purchases of inventories;

— Performing substantive procedures relating to the costs and net realizable value with reference to the purchase invoices and subsequent sales records;

— Evaluating key assumptions adopted by the Group's management on provision for write-down of inventories; and

— Recalculating the provision.

Valuation of investment properties

Management estimated the fair value of the Group's investment properties to be HK$338.5 million at 31st March 2017, with a revaluation gain of HK$6.8 million for the year ended 31 March 2017 recorded in the consolidated statement of profit or loss. Independent external valuations were obtained for the investment properties in order to support management's estimates. The valuations are dependent on certain key assumptions that require significant management judgement, including capitalisation rates and fair market rents. Capitalisation rates were substantially unchanged since 31st March 2016 and the increase in fair values mainly relates to movements in fair market rents.

We identified the valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's financial statements and the valuation process is dependent upon certain assumptions and a determination of key inputs, which are judgmental. Any changes to these inputs may have a significant impact on the fair value.

Refer to note 5 and 16 in the consolidated financial statements.

Our response:

Our procedures in relation to management's valuation of investment properties included:

— Evaluating the independent external valuers' competence, capabilities and objectivity;

— Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry in the People's Republic of China; and

— Checking, on a sample basis, the accuracy and relevance of the input data used.

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Lee Ka Leung, Daniel
Practising Certificate no. P01220
Hong Kong
28 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	NOTES	**2017 HK$'000**	2016 HK$'000
Turnover	8	**356,553**	303,400
Cost of sales		**(238,183)**	(232,265)
Gross profit		**118,370**	71,135
Other income		**4,963**	8,600
Gain on disposal of available-for-sale investments		**4,890**	2,723
Impairment on available-for-sale investments		**(92,584)**	(8,982)
Provision of impairment loss on property, plant and equipment		**(4,740)**	(11,093)
Selling and distribution costs		**(102,274)**	(96,579)
General and administrative expenses		**(85,883)**	(89,037)
Loss before taxation, exchange gain/(loss), increase/(decrease) in fair value of investment properties and loss on fair value change of derivative financial instruments		**(157,258)**	(123,233)
Realised exchange gain	9	**2,050**	316
Unrealised exchange loss		**(2,357)**	(435)
Fair value change of investment properties		**6,769**	(1,354)
Loss on fair value change of derivative financial instruments		**(4,290)**	(1,157)
Loss before taxation		**(155,086)**	(125,863)
Income tax expense	10	**(3,849)**	(17,628)
Loss for the year	11	**(158,935)**	(143,491)
Other comprehensive expense, net of tax			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(14,509)**	(2,747)
Fair value gain on available-for-sale investments		**2,307**	31,191
Release of investment revaluation reserve to profit or loss upon disposal of available-for-sale investments		**(4,890)**	(2,723)
Release of investment revaluation reserve to profit or loss for impairment loss on available-for-sale investments		**16,304**	–
Other comprehensive (expense)/income for the year		**(788)**	25,721
Total comprehensive expense for the year		**(159,723)**	(117,770)
Loss per share — basic and diluted	14	**(3.43 HK cents)**	(3.48 HK cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	15	**12,282**	6,678
Investment properties	16	**338,489**	352,262
Available-for-sale investments	18	**69,300**	–
Deposit paid for acquisition of property, plant and equipment		**–**	4,023
		420,071	362,963
Current assets			
Inventories	19	**353,409**	412,685
Trade and other receivables	20	**61,962**	61,622
Amounts due from related parties	21	**1,362**	67
Derivative financial instruments	24	**–**	324
Available-for-sale investments	18	**198,535**	318,087
Bank balances and cash	22	**238,807**	522,443
Taxation receivable		**68**	–
		854,143	1,315,228
Current liabilities			
Trade and other payables	23	**169,359**	575,629
Amounts due to related parties	21	**–**	2,331
Derivative financial instruments	24	**1,472**	–
Taxation payable		**–**	1,480
		170,831	579,440
Net current assets		**683,312**	735,788
Total assets less current liabilities		**1,103,383**	1,098,751
Deferred tax liabilities	27	**1,692**	–
Net assets		**1,101,691**	1,098,751
Capital and reserves			
Share capital	25	**99,640**	83,040
Reserves		**1,002,051**	1,015,711
Total equity		**1,101,691**	1,098,751

Chu Yuet Wah
Executive Director

Chu, Kingston Chun Ho
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Share capital HK$'000 (note 25)	Share premium HK$'000 (note 32)	Investments revaluation reserve HK$'000 (note 18)	Special reserve HK$'000 (Note)	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2015	69,200	255,092	(5,700)	801	923	482,588	802,904
Exchange difference arising from translation of foreign operations	–	–	–	–	(2,747)	–	(2,747)
Fair value gain on available-for-sale investments	–	–	31,191	–	–	–	31,191
Release to profit or loss upon disposal of available-for-sale investments	–	–	(2,723)	–	–	–	(2,723)
Loss for the year	–	–	–	–	–	(143,491)	(143,491)
Total comprehensive (expense) income for the year	–	–	28,468	–	(2,747)	(143,491)	(117,770)
Placing of shares (note 25)	13,840	408,280	–	–	–	–	422,120
Transaction costs on placing of shares	–	(8,503)	–	–	–	–	(8,503)
At 31 March 2016 and 1 April 2016	83,040	654,869	22,768	801	(1,824)	339,097	1,098,751
Exchange difference arising from translation of foreign operations	–	–	–	–	(14,509)	–	(14,509)
Fair value gain on available-for-sale investments	–	–	2,307	–	–	–	2,307
Release to profit or loss upon disposal of available-for-sale investments	–	–	(4,890)	–	–	–	(4,890)
Release to profit or loss for impairment loss on available-for-sale investments	–	–	16,304	–	–	–	16,304
Loss for the year	–	–	–	–	–	(158,935)	(158,935)
Total comprehensive (expense) income for the year	–	–	13,721	–	(14,509)	(158,935)	(159,723)
Placing of shares (note 25)	16,600	149,400	–	–	–	–	166,000
Transaction costs on placing of shares	–	(3,337)	–	–	–	–	(3,337)
At 31 March 2017	**99,640**	**800,932**	**36,489**	**801**	**(16,333)**	**180,162**	**1,101,691**

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 in 2005.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	**(155,086)**	(125,863)
Adjustments for:		
(Reversal of allowance for bad debts)/Allowance for bad debts	**(2,000)**	2,000
Write-down of inventories	**28,590**	40,778
Interest income	**(467)**	(7,889)
Fair value change of investment properties	**(6,769)**	1,354
Gain on disposal of property, plant and equipment	**–**	(517)
Gain on disposal of available-for-sale investments	**(4,890)**	(2,723)
Impairment on available-for-sales investments	**92,584**	8,982
Impairment of property, plant and equipment	**4,740**	11,093
Written off of inventories	**558**	557
Depreciation of property, plant and equipment	**8,192**	18,732
Unrealised exchange loss	**2,357**	435
Change in fair value of derivative financial instruments	**4,290**	1,157
Operating cash flows before movements in working capital	**(27,901)**	(51,904)
Decrease/(increase) in inventories	**31,590**	(54,495)
(Increase)/decrease in trade and other receivables	**(2,598)**	77,509
Decrease in trade and other payables	**(397,997)**	(49,033)
Increase in amount due to related parties	**–**	1,519
Increase in amount due from a related party	**(3,626)**	(67)
Cash outflow on derivative financial instruments	**(2,494)**	(4,409)
Cash used in operations	**(403,026)**	(80,880)
Hong Kong Profits Tax paid	**(403)**	(2,689)
Macau Profits Tax paid	**(1,508)**	(3,183)
PRC Profits Tax paid	**(1,657)**	–
Taiwan Profits Tax refunded	**1**	–
NET CASH USED IN OPERATING ACTIVITIES	**(406,593)**	(86,752)
INVESTING ACTIVITIES		
Purchase of available-for-sale investments	**(48,650)**	(301,094)
Purchase of property, plant and equipment	**(14,729)**	(8,265)
Proceeds from disposal of available-for-sale investments	**24,929**	46,016
Repayment from a fellow subsidiary	**–**	5
Interest received	**467**	7,889
Repayment from immediate holding company	**–**	30
Proceeds from disposal of property, plant and equipment	**–**	603
NET CASH USED IN INVESTING ACTIVITIES	**(37,983)**	(254,816)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
FINANCING ACTIVITIES		
Net proceeds from placing of shares	**162,663**	413,617
Advance to a fellow subsidiary	**–**	(9,624)
NET CASH FROM FINANCING ACTIVITY	**162,663**	403,993
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(281,913)**	62,425
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**522,443**	460,403
Effect of foreign exchange rate changes	**(1,723)**	(385)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**238,807**	522,443

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 1 April 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 People's Republic of China (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 PRC, dining business and property investment.

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

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs")

Adoption of new/revised HKFRSs — effective 1 April 2016

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

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

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

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

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

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

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

[1] *Effective for annual periods beginning on or after 1 January 2017*

[2] *Effective for annual periods beginning on or after 1 January 2018*

[3] *Effective for annual periods beginning on or after 1 January 2019*

[4] *The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.*

Amendments to HKAS 7 — Disclosure Initiative

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

Amendments to HKAS 12 — Income Taxes

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

Amendments to HKFRS 2 — Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

HKFRS 9 — Financial Instruments

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

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

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

HKFRS 15 — Revenue from Contracts with Customers

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

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

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

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

Amendments HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

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

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

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

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. Basis of Preparation

Statement of compliance

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 and by the Hong Kong Companies Ordinance.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

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.

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.

Functional and presentation currency

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

4. Significant Accounting Policies

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.

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

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 transactions between members of the Group are eliminated in full on consolidation.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is 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 when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, 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 based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

4. Significant Accounting Policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sales of goods

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.

Rental income

Rental income under operating leases is recognised on a straight-line basis over the terms of the relevant leases.

Interest income

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.

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 recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each 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 retranslated.

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

4. Significant Accounting Policies (continued)

Foreign currencies (continued)

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 each reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Goodwill and fair value adjustment on identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

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.

Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution pension plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. Significant Accounting Policies (continued)

Taxation

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

Current 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 items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

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 those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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 deferred tax assets is reviewed at the end of each 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.

Current and deferred tax for the year

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.

4. Significant Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment held for use in the supply of goods, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and amortisation 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.

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 period is shorter
Furniture and fixtures	$33^{1}/_{3}\%$ – 50%
Office equipment	$33^{1}/_{3}\%$
Computers	$33^{1}/_{3}\%$
Motor vehicles	20%

Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Intangible assets

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and any accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured at the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4. Significant Accounting Policies (continued)

Impairment losses on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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. When 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 disposal 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 specific identification basis for watches; first-in-first-out basis for other inventories. 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 instruments.

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.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets

Financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets ("AFS financial assets"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Loans and receivables

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

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

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be 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.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. 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 average credit period of 30 to 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are 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.

The carrying amount of the financial asset 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. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities 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.

Financial liabilities

Financial liabilities (including trade and other payables and amount due to a fellow subsidiary/a related party) are subsequently measured at amortised cost using the effective interest method.

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 when derivative contracts are 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.

Derecognition

The Group derecognise a financial asset only when the contractual rights to the cash flows from the asset 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, 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.

4. Significant Accounting Policies (continued)

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity);

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

4. Significant Accounting Policies (continued)

Related parties (continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. 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.

Impairment of non-financial assets other than goodwill

If a triggering event occurs indicating that the carrying amount of an asset may not be recoverable, an assessment of the carrying amount of that asset will be performed. Triggering events include significant adverse changes in the market value of an asset, changes in the business or regulatory environment, or certain legal events. The interpretation of such events requires judgement from management with respect to whether such an event has occurred. Upon the occurrence of triggering events, the carrying amounts of non-financial assets are reviewed to assess whether their recoverable amounts have declined below their carrying amounts. The recoverable amount is the present value of estimated net future cash flows which the Group expects to generate from the future use of the asset, plus residual value of the asset on disposal. Where the recoverable amount of non-financial assets is less than its carrying value, an impairment loss is recognised to write the assets down to its recoverable amount. The impairment assessment is performed based on the discounted cash flow analysis. This analysis relies on factors such as forecast of future performance and long-term growth rates and the selection of discount rates. If these forecast and assumptions prove to be inaccurate or circumstances change, further write-down or reversal of the write-down of the carrying value of the non-financial assets may be required.

Impairment of available-for-sale investments

The determination of whether an available-for-sale investment is impaired requires significant judgment. For listed available-for-sale equity investments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgment is required when determining whether a decline in fair value has been significant or prolonged. In making this judgment, the Group evaluates the duration and extent to which the fair value of an investment is less than its cost. In assessing whether it is prolonged, the decline is evaluated against the period in which the fair value of the asset has been below its original cost at initial recognition. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition. The Group also takes into account other factors, such as the historical data on market volatility and the price of the specific investment, significant changes in technology, markets, economics or the law, as well as industry and sector performance and the financial information regarding the investee that provides evidence that the cost of the equity securities may not be recovered. Judgment is also required to determine whether historical performance remains representative of current and future economic conditions.

5. Key Sources of Estimation Uncertainty (continued)

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 2017, the carrying amount of inventories is approximately HK$353,409,000 (2016: HK$412,685,000), after net of allowance for inventories of approximately HK$139,560,000 (2016: HK$110,186,000).

Fair value of investment properties

The Group carries its investment properties at fair value with changes in the fair value recognised in the consolidated statement of profit or loss. It obtains independent valuations at least annually. In making the judgement, consideration is given to assumptions that are mainly based on market conditions existing at the reporting date, using Income Approach of valuation which use direct capitalisation approach by capitalising the rental income from the existing tenancies. Changes in subjective input assumptions can materially affect the fair value estimate. The key assumptions used in the valuation in determining fair value for the Group's properties are set out in note 16 in the consolidated financial statements.

As at 31 March 2017, the aggregate fair value of the Group's investment properties amounted to HK$338,489,000 (2016: HK$352,262,000) based on the valuation performed by independent professional valuers.

6. 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.

7. Financial Instruments

7a. Categories of financial instruments

	2017 **HK$'000**	2016 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**294,595**	580,222
Fair value through profit or loss		
Derivative financial instruments classified as held for trading	**–**	324
Available-for-sale investments	**267,835**	318,087
Financial liabilities		
Amortised cost	**145,287**	560,750
Fair value through profit or loss		
Derivative financial instruments classified as held for trading	**1,472**	–

7b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, balances with related parties, bank balances and cash, trade and other payables 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 of the Company 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.

7. Financial Instruments (continued)

7b. 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 end of the reporting period are as follows:

	Currency	Assets 2017 HK$'000	Assets 2016 HK$'000	Liabilities 2017 HK$'000	Liabilities 2016 HK$'000
Euro	EUR	**85**	104	**710**	–
Renminbi	RMB	**458**	460	**–**	–
Singapore dollars	SGD	**1,297**	–	**–**	349
Swiss Franc	CHF	**1,564**	20,720	**79,990**	146,218
Hong Kong dollars	HKD	**5**	6	**–**	–
Taiwan	TWD	**1**	2	**–**	–
United States dollars	USD	**7,613**	–	**–**	–

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 Hong Kong dollars and CHF.

Sensitivity analysis

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

The following table details the Group's sensitivity to a 10% (2016: 10%) increase and decrease in Hong Kong dollars against CHF. 10% (2016: 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% (2016: 10%) change in foreign currency rate. The analysis illustrates the impact for a 10% (2016: 10%) weakening of Hong Kong dollars against Swiss Franc and a positive number below indicates an increase in post-tax loss for the year. For a 10% (2016: 10%) strengthening of Hong Kong dollars against Swiss Franc, there would be an equal and opposite impact on the post-tax loss for the year. The increase/decrease in loss 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 date.

	Swiss Franc impact 2017 HK$'000	Swiss Franc impact 2016 HK$'000
Increase/Decrease in post-tax loss for the year	**6,549**	10,479

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

7. Financial Instruments (continued)

7b. Financial risk management objectives and policies (continued)

Market risk (continued)

Other price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities in Hong Kong. The sensitivity analysis has been estimated based on the exposure to equity price risk at the end of the reporting period when the equity price has been 10% higher/lower, other comprehensive income would increase/decrease by HK$26,784,000 (2016: HK$31,809,000) as a result of the changes in fair value of available-for-sale investments.

The Group is also exposed to currency risk for the outstanding foreign exchange forward contracts. For the foreign exchange forward contracts at 31 March 2017, the sensitivity analysis has been estimated based on the contracts outstanding at the end of reporting period. When the relevant market forward exchange rate of CHF against HKD strengthens/weakens by 10%, the potential effect on post-tax loss for the year will be decreased/increased by approximately HK$3,623,000 (2016: HK$3,037,000).

The details of the foreign exchange forward contracts are set out in note 24.

Credit risk

As at 31 March 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in 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 Group's concentration of credit risk on trade receivables as at 31 March 2017 is mainly from five major customers which accounted for 71% (2016: 68%) of trade receivables. 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 81% (2016: 86%) of the total trade receivables. The Group has closely monitored the sales performance and would seek for the chance to diversify its customer bases.

7. Financial Instruments (continued)

7b. Financial risk management objectives and policies (continued)

Liquidity risk

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows at 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 tables detail 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 2017					
Non-derivative financial liabilities					
Trade and other payables	–	**78,922**	**66,365**	**145,287**	**145,287**
		78,922	**66,365**	**145,287**	**145,287**

	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 2016					
Non-derivative financial liabilities					
Trade and other payables	–	449,069	109,350	558,419	558,419
Amount due to related parties	–	2,331	–	2,331	2,331
		451,400	109,350	560,750	560,750

7. Financial Instruments (continued)

7c. 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 directors consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximate their fair values.

7d. Fair value measurements recognised in the statement of financial position

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

Financial assets/ financial liabilities	Fair value as at 31 March 2017	31 March 2016	Fair value hierarchy	Valuation techniques and key inputs
Foreign currency forward contracts (note 24)	Financial liabilities HK$1,472,000	Financial assets HK$324,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counter parties.
Listed available-for-sale investments (note 18)	HK$267,835,000	HK$318,087,000	Level 1	Quoted bid prices in an active market.

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

8. Segment Information

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

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

The following tables set out information about the business and geographical location of the Group's revenue from external customers.

Year ended 31 March 2017

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

8. Segment Information (continued)

Year ended 31 March 2016

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

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

Note: Other Asian locations include Singapore and Taiwan.

Information about major customers

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

Revenue from the distribution of branded luxury watches:

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

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

8. Segment Information (continued)

Revenue from major operations

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

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

Other segment information

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

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

9. Realised Exchange Gain

The amount represents realised exchange gain on monetary items of HK$2,050,000 (2016: HK$316,000).

10. Income Tax Expense

	2017	2016
	HK$'000	HK$'000
The charge comprises:		
Current tax		
Hong Kong	**–**	283
Other jurisdictions	**1,893**	1,105
	1,893	1,388
Under/(over) provision in prior years		
Hong Kong	**391**	(20)
Other jurisdictions	**(165)**	(55)
	226	(75)
Deferred tax charge/(credit)(note 27)		
Current year	**1,730**	(2,502)
Reversal	**–**	18,817
	3,849	17,628

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

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

10. Income Tax Expense (continued)

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

	2017 **HK$'000**	2016 HK$'000
Loss before taxation	**(155,086)**	(125,863)
Tax at the domestic income tax rate of 16.5% (2016: 16.5%)	**(25,589)**	(20,767)
Tax effect of income not taxable in determining taxable profit	**(2,475)**	(655)
Tax effect of expenses not deductible in determining taxable profit	**5,086**	12,892
(Under)/over-provision in prior years	**226**	(75)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(122)**	(1,305)
Tax effect of tax losses not recognised	**24,993**	8,721
Tax effect of temporary differences not recognised	**1,730**	–
Reversal of deferred tax assets recognised in prior years	**–**	18,817
Tax charge for the year	**3,849**	17,628

11. Loss for the Year

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

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

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

Directors' remuneration

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) for the year ended 31 March 2017 is as follows:

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					
Mr. An Muzong					
(Appointed on 27 August 2016)	–	824	–	–	824
Mrs. Chu Yuet Wah	–	3,600	–	18	3,618
Mr. Chu, Kingston Chun Ho	–	2,435	–	18	2,453
Mr. Wu Ting Yuk, Anthony	–	4,200	–	15	4,215
Mr. Yang Guangqiang					
(Appointed on 22 April 2016)	–	500	–	–	500
Mr. Zhang Xiaoliang					
(Appointed on 22 April 2016)	–	4,200	–	–	4,200
Independent non-executive directors					
Mr. Chiu Sin Nang, Kenny					
(Appointed on 10 December 2016)	74	–	–	–	74
Mr. Lau Man Tak					
(Resigned on 10 December 2016)	166	–	–	–	166
Ms. Lo Miu Sheung, Betty	240	–	–	–	240
Dr. Wong Yun Kuen	240	–	–	–	240
Mr. Yu Zhenxin					
(Appointed on 27 August 2016)	143	–	–	–	143
Mr. Zong Hao					
(Appointed on 10 December 2016)	74	–	–	–	74
	937	15,759	–	51	16,747

Mr. Zhang Xiaoliang is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

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

Directors' remuneration (continued)

The remuneration of each director for the year ended 31 March 2016 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	–	18	3,618
Mr. Chu, Kingston Chun Ho	–	2,419	–	18	2,437
Mr. Wu Ting Yuk, Anthony	–	–	–	–	–
Independent non-executive directors					
Mr. Lau Man Tak	240	–	–	–	240
Ms. Lo Miu Sheung, Betty	240	–	–	–	240
Dr. Wong Yun Kuen	240	–	–	–	240
	720	6,019	–	36	6,775

Note: The performance bonus are determined with reference to the individual performance for both years.

Employees' emoluments

For the year ended 31 March 2017, the five highest paid individuals included four (2016: two) directors, details of whose remuneration are included above. The remuneration of the one highest paid individual in 2017 (2016: three) were as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and other benefits	**1,162**	2,829
Performance related incentive payments	**145**	816
Contributions to retirement benefits schemes	**18**	54
	1,325	3,699

The emoluments of the employees were within the following bands:

	Number of employees 2017	2016
HK$1,000,001 to HK$1,500,000	**1**	2
HK$Nil to HK$1,000,000	**–**	1

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.

13. Dividend

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

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

14. Loss Per Share

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

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

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

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

15. 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
At 1 April 2015						
Cost	81,967	16,570	5,621	2,668	771	107,597
Accumulated depreciation and impairment loss	(57,769)	(15,969)	(3,776)	(1,984)	(246)	(79,744)
Net book amount	24,198	601	1,845	684	525	27,853
Net book amount						
At 1 April 2015	24,198	601	1,845	684	525	27,853
Additions	8,202	173	366	155	–	8,896
Disposals/written off	(86)	–	–	–	–	(86)
Depreciation	(16,565)	(516)	(1,021)	(462)	(168)	(18,732)
Impairment loss	(9,303)	(200)	(1,009)	(224)	(357)	(11,093)
Exchange realignment	(145)	2	(9)	(8)	–	(160)
At 31 March 2016	6,301	60	172	145	–	6,678
At 31 March 2016						
Cost	88,132	16,717	5,897	2,786	771	114,303
Accumulated depreciation and impairment loss	(81,831)	(16,657)	(5,725)	(2,641)	(771)	(107,625)
Net book amount	6,301	60	172	145	–	6,678
Net book amount						
At 1 April 2016	6,301	60	172	145	–	6,678
Additions	17,353	455	452	492	–	18,752
Depreciation	(7,781)	(130)	(128)	(153)	–	(8,192)
Impairment loss	(4,591)	(27)	(68)	(54)	–	(4,740)
Exchange realignment	(211)	–	–	(5)	–	(216)
At 31 March 2017	11,071	358	428	425	–	12,282
At 31 March 2017						
Cost	105,187	16,969	6,413	2,577	771	131,917
Accumulated depreciation and impairment loss	(94,116)	(16,611)	(5,985)	(2,152)	(771)	(119,635)
Net book amount	11,071	358	428	425	–	12,282

The Hong Kong luxury watch market showed a general decline during the year and yet to recover. The Group performed an impairment assessment on property, plant and equipment of the Group's geographical segments, in accordance with the accounting policy on impairment of non-financial assets. Based on the assessment, an impairment loss of approximately HK$4,740,000 (2016: HK$11,093,000) was recognised and charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2017. The recoverable amounts of these property, plant and equipment using value in use calculation were determined by the discounted cash flows generated from each segment based on a management budget plan and a pre-tax discount rate of 10%.

16. Investment Properties

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

The fair value of the Group's investment properties as at 31 March 2017 have been arrived at on the basis of valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL") on 20 June 2017. JLL is an independent qualified professional valuer to the Group. It has appropriate qualifications and recent experiences in the valuation of properties in the PRC.

The valuation of the investment properties as at 31 March 2017 is determined using the Income Approach by taking into account the net rental income of a property derived from its existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the fair value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

The fair value of investment properties of the Group is derived by Level 3 recurring fair value measurement as at 31 March 2017.

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

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

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

16. Investment Properties (continued)

Properties	Location	Fair value hierarchy	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
2017						
Commercial units	Beijing, the PRC	Level 3	Income Approach	Current Daily Rent	RMB8.1 per square metre ("psm") to RMB19.6 psm	The higher the current daily rent, the higher the fair value
				Daily Market Rent	RMB10.3 psm to RMB20 psm	The higher the daily market rent, the higher the fair value
				Term Yield	4.5% to 5.5%	The higher the term yield, the lower the fair value
				Reversionary Yield	5% to 5.5%	The higher the reversionary yield, the lower the fair value
2016						
Commercial units	Beijing, the PRC	Level 3	Term and Reversion Approach	Current Daily Rent	RMB8.08 per square metre ("psm") to RMB19.57 psm	The higher the current daily rent, the higher the fair value
				Daily Market Rent	RMB12 psm to RMB20 psm	The higher the daily market rent, the higher the fair value
				Term Yield	4.5%	The higher the term yield, the lower the fair value
				Reversionary Yield	5%	The higher the reversionary yield, the lower the fair value

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

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

As at 31 March 2017, none of the investment properties were pledged. (As at 31 March 2016, the investment properties were pledged to secure banking facilities granted to third parties.)

The total consideration for the acquisition of the investment properties were payable in three installments by the Group to the vendor (the "Vendor") and finally settled during the year ended 31 March 2017. 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.

17. Intangible Assets

	Goodwill HK$'000 (Note)
COST	
At 1 April 2015, 31 March 2016 and 31 March 2017	8,092
AMORTISATION AND IMPAIRMENT	
At 1 April 2015 and 31 March 2016	8,092
Charge for the year	–
At 31 March 2017	8,092
CARRYING VALUES	
At 31 March 2016 and 2017	–

Note: Goodwill acquired in a business combination is allocated, at acquisition, to the CGU of the Taiwan operation.

18. Available-For-Sale Investments

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

18. Available-For-Sale Investments (continued)

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

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

All available-for-sale investments were measured at fair value. When impairment of an available-for-sale investments measured at fair value occurs, any impairment loss recognised is recorded in the carrying amount directly. During the year ended 31 March 2017, HK$92,584,000 of impairment on available-for-sale investments was charged to profit or loss directly as the decline in fair value was significant or prolonged (2016: HK$8,982,000).

19. Inventories

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

20. Trade and Other Receivables

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

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

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

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

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

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

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

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

21. Amounts Due from/to Related Parties

As at 31 March 2017, amounts due from related companies were unsecured, non-interest bearing and repayable within 1 year.

22. 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 3.00% (2016: 0.001% to 0.45%) per annum.

Fixed time deposits carry fixed interest rate ranging from 0.15% to 1.30% (2016: 0.30% to 2.10%) per annum and mature in 1 to 3 months (2016: 1 month). Therefore, the amounts are classified as current.

23. Trade and Other Payables

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

The following is an aged analysis of trade payables:

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

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

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

24. Derivative Financial Instruments

	2017 HK$'000	2016 HK$'000
Financial asset		
Foreign currency forward contracts	–	324
Financial liability		
Foreign currency forward contracts	1,472	–
	1,472	324

During the year ended 31 March 2017, fair value loss of approximately HK$4,290,000 (2016: loss of approximately HK$1,157,000) was recognised directly in profit or loss.

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

The details of outstanding foreign currency forward contracts to which the Group is committed as follows:

Notional amount	Maturity	Exchange rates
At 31 March 2017		
Buy CHF650,000	**25 April 2017**	**HKD/CHF at 8.1570**
Buy CHF550,000	**26 May 2017**	**HKD/CHF at 8.1710**
Buy CHF500,000	**27 June 2017**	**HKD/CHF at 8.1870**
Buy CHF1,300,000	**26 July 2017**	**HKD/CHF at 8.2015**
Buy CHF500,000	**26 July 2017**	**HKD/CHF at 7.7990**
Buy CHF2,100,000	**28 August 2017**	**HKD/CHF at 7.8160**
At 31 March 2016		
Buy CHF3,000,000	22 April 2016	HKD/CHF at 7.9953
Buy CHF1,500,000	24 June 2016	HKD/CHF at 8.0442

The disclosures set out in the table below include financial asset and financial liability that are subject to an enforceable master netting arrangement irrespective of whether they are offset in the Group's consolidated statement of financial position.

The amounts recognised for the derivative financial asset and derivative financial liability do not meet the criteria for offsetting in the Group's consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable upon an event of default.

24. Derivative Financial Instruments (continued)

Financial asset subject to an enforceable master netting agreement:

	Gross amount of recognised financial asset HK$'000	Gross amount of recognised financial liability set off in the statement of financial position HK$'000	Net amount of financial asset presented in the statement of financial position HK$'000	Related amount not set off in the statement of financial position: Financial instruments HK$'000	Related amount not set off in the statement of financial position: Cash collateral received HK$'000	Net amount HK$'000
As at 31 March 2017						
Foreign exchange forward contracts	–	–	–	–	–	–
As at 31 March 2016						
Foreign exchange forward contracts	324	–	324	–	–	324

Financial liability subject to an enforceable master netting agreement:

	Gross amount of recognised financial liability HK$'000	Gross amount of recognised financial asset set off in the statement of financial position HK$'000	Net amount of financial liability presented in the statement of financial position HK$'000	Related amount not set off in the statement of financial position: Financial instruments HK$'000	Related amount not set off in the statement of financial position: Cash collateral pledged HK$'000	Net amount HK$'000
As at 31 March 2017						
Foreign exchange forward contracts	**1,472**	–	**1,472**	–	–	**1,472**
As at 31 March 2016						
Foreign exchange forward contracts	–	–	–	–	–	–

25. Share Capital

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

Notes:

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

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

26. Share-Based Payment Transactions

At the annual general meeting of the Company held on 26 August 2016 (the "Adoption Date"), shareholders of the Company have adopted a new share option scheme (the "Share Option Scheme").

Pursuant to the Share Option Scheme, the total numbers of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Company must not in aggregate exceed 10% of the aggregate of the Shares of the Company in issue on the date of adoption. The Company may renew this 10% limit with shareholders' approval provided that such renewal may not exceed 10% of the shares in the Company in issue as at the date of the shareholders' approval.

The total number of shares of the Company which may be issued upon exercise of all outstanding options to be granted and yet to be exercised under the Share Option Scheme and all outstanding options granted and yet to be exercised under any other share option scheme adopted by the Company should not exceed 30% of the shares in issue from time to time.

Unless approved by the shareholders of the Company in general meeting, the total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant (including both exercised and unexercised options) under the Share Option Scheme and any other share option schemes adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue.

26. Share-Based Payment Transactions (continued)

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the date of grant of the options. The exercise of options may also be subject to any conditions imposed by the Company at the time of offer.

The subscription price for the shares of the Company to be issued upon exercise of the options must be at least the higher of (i) the official closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange of Hong Kong Limited on the date of grant; (ii) the average of the official closing prices of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share of the Company on the date of grant. The subscription price will be approved by the board of directors at the time the option is offered to the participants.

Since the Adoption Date, the Company had no share option being granted, outstanding, lapsed or cancelled pursuant to the Share Option Scheme as at 31 March 2017.

27. Deferred Taxation

The followings are the major deferred tax (liabilities)/assets recognised and movements thereon during the current and prior years:

	Revaluation of investment properties HK$'000	Accelerated accounting depreciation HK$'000	Allowance for inventories HK$'000	Others HK$'000	Total HK$'000
At 1 April 2015	–	5,916	10,520	(6)	16,430
Exchange realignment	–	(20)	(95)	–	(115)
Charged to profit or loss for the year	–	880	1,622	–	2,502
Reversal	–	(6,776)	(12,047)	6	(18,817)
At 31 March 2016	–	–	–	–	–
Exchange realignment	38	–	–	–	38
Charged to profit or loss for the year	(1,730)	–	–	–	(1,730)
At 31 March 2017	(1,692)	–	–	–	(1,692)

The Group has unused tax losses of HK$214,901,000 (2016: HK$63,427,000) available for offset against future profits. Included in the unrecognised tax losses of HK$22,764,000 will expire from 2019 to 2022. Other tax losses may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Under the laws and regulations in Taiwan, withholding tax of 20% 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 undistributed retained profits earned by that Taiwan subsidiary amounting to HK$24,324,000 (2016: HK$29,506,000) 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.

28. Commitments

Operating leases

The Group as lessee

At 31 March 2017, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	74,138	77,257
In the second to fifth years inclusive	124,286	121,961
	198,424	199,218

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.

The Group as lessor

At the end of the reporting period, the Group had commitments for future minimum rental receivable under non-cancellable operating leases in respect of commercial properties leased out which fall due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	–	–
Later than one year but within five years	15,690	15,512
Later than five years	35,593	16,592
	51,283	32,104

Capital commitments

	2017 HK$'000	2016 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	–	270

29. Retirement Benefits Schemes

The Group operates a mandatory provident fund scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the rules and regulations of the Mandatory Provident Fund Authority. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. Contributions are made based on a percentage of the participating employee relevant income from the Group and are charged to profit or loss as they become payable in accordance with the rules of 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.

The employees in the Group's subsidiaries in the PRC and Macau are members of the state-managed retirement benefit schemes operated by the PRC government and the Macau government respectively. Those subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

30. Related Party Transactions

(a) Related party and continuing connected party transactions

In addition to the balances with related parties as disclosed in note 21, the Group had the following transactions with the related parties, which are also regarded as connected parties pursuant to chapter 14A of the Listing Rules:

	2017 **HK$'000**	2016 HK$'000
Sales to a related company	**3,277**	1,490
Purchase from related companies	**14,415**	13,600
Administrative service fee paid to a related company	**240**	240
Financial advisory fee paid to a related company	**–**	300
Placing commission paid to a related company	**3,320**	8,442
Printing fees paid to a related company	**300**	435
Brokerage fee paid to a related company	**191**	227
Regional branding support income from a related company	**135**	–

A director of the Company is also a director and shareholder of the related company.

(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 12.

(c) Loan agreement provided by key management personnel

On 13 August 2013, the Company entered into a revolving facility agreement to the extent of HK$100,000,000 with a director who is also the shareholder of the Company and the facility was terminated on 16 June 2015. No loan agreements were entered with any key management personnel during the year ended 31 March 2017.

31. Subsidiaries

Details of the Company's subsidiaries at 31 March 2017 and 31 March 2016 are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company				Principal activity
			Directly		*Indirectly*		
			2017	2016	**2017**	2016	
Sincere Brand Holdings Limited	British Virgin Islands ("BVI")	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%	Investment holding
Sincere Watch Trading Co. Ltd.	Hong Kong	HK$1	**–**	–	**100%**	100%	Investment holding
Sincere Health Care Limited	Hong Kong	HK$1	**100%**	100%	**–**	–	Investment holding
心施(上海)投資諮詢有限公司	PRC	US$500,000	**–**	–	**100%**	100%	Inactive
Sincere Distribution Limited	BVI	USD100	**100%**	100%	**–**	–	Investment holding
Shanghai Franck Muller Fine Watch Co. Ltd.	PRC	HK$40,000,000	**–**	–	**100%**	100%	Trading of watches
法穆蘭鐘錶(北京)有限責任公司	PRC	RMB4,000,000	**–**	–	**100%**	100%	Trading of watches
Franck Muller Fine Dining Limited	Hong Kong	HK$5,000	**–**	–	**100%**	100%	Food and beverage
True Classic Holdings Ltd	BVI	US$1	**100%**	100%	**–**	–	Investment holding
Giant Bright Holdings Limited	Hong Kong	HK$1	**–**	–	**100%**	100%	Investment holding
Empire Jade Limited	BVI	US$100	**100%**	100%	**–**	–	Investment holding
Hong Kong Jade Bird South Sea Investment Limited	Hong Kong	HK$100	**–**	–	**100%**	100%	Investment holding
三亞青鳥旅遊產業投資有限公司	PRC	HK$5,000,000	**–**	–	**100%**	100%	Investment holding
北京沈發物業管理有限公司	PRC	RMB500,000	**–**	–	**100%**	100%	Property investment
Orient Tycoon Limited (Incorporated on 18 November 2016)	BVI	US$1	**100%**	–	**–**	–	Investment holding
Harmony Cultural Holdings Limited (Incorporated on 2 March 2017)	Hong Kong	HK$1	**–**	–	**100%**	–	Investment holding

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

32. Information About the Financial Position of the Company

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

	2017 **HK$'000**	2016 HK$'000
Non-current assets		
Property, plant and equipment	**2,444**	–
Unlisted investments in subsidiaries	**76,982**	76,982
Loan to subsidiaries	**90,000**	91,904
	169,426	168,886
Current assets		
Amounts due from subsidiaries	**803,153**	648,476
Other current assets	**2,939**	1,512
	806,092	649,988
Current liabilities	**(2,093)**	(1,580)
Net current assets	**803,999**	648,408
	973,425	817,294
Capital and reserves		
Share capital (note 25)	**99,640**	83,040
Reserves (Note)	**873,785**	734,254
	973,425	817,294

32. Information About the Financial Position of the Company (continued)

Note:

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

	Share premium HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2015	255,092	76,780	1,894	333,766
Loss and total comprehensive income for the year	–	–	711	711
Placing of shares	408,280	–	–	408,280
Transaction costs on placing of shares	(8,503)	–	–	(8,503)
At 31 March 2016 and 1 April 2016	654,869	76,780	2,605	734,254
Loss and total comprehensive income for the year	–	–	(6,532)	(6,532)
Placing of shares	149,400	–	–	149,400
Transaction costs on placing of shares	(3,337)	–	–	(3,337)
At 31 March 2017	**800,932**	**76,780**	**(3,927)**	**873,785**

33. Event After the Reporting Period

On 23 May 2017, the Group entered into a cooperation agreement ("Agreement") with Aquamen Entertainment LLC ("Aquamen") to invest HK$45million into the film project ("Film") to be produced by Aquamen.

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

34. Major Non-Cash Transactions

During the year ended 31 March 2017, deposit paid for acquisition of property, plant and equipment of HK$4,023,000 (2016: HK$631,000) were transferred to property, plant and equipment.

35. Comparative Figures

Certain comparative figures have been re-presented to confirm with current year's presentation.

36. Approval of Financial Statements

The consolidated financial statement were approved and authorised for issue by the Board on 28 June 2017.

FINANCIAL SUMMARY

Results

	For the year ended 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**356,553**	303,400	589,716	648,013	749,183
(Loss)/Profit before taxation	**(155,086)**	(125,863)	49,244	62,476	140,996
Income tax expense	**(3,849)**	(17,628)	(9,012)	(10,402)	(22,143)
(Loss)/Profit for the year	**(158,935)**	(143,491)	40,232	52,074	118,853
(Loss)/Earnings per share					
Basic (HK cents)	**(3.43)**	(3.48)	1.22	2.02	4.61

Assets and Liabilities

	At 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,274,214**	1,678,191	1,093,418	911,115	939,753
Total liabilities	**(172,523)**	(579,440)	(290,514)	(337,965)	(385,182)
Total equity	**1,101,691**	1,098,751	802,904	573,150	554,571