

# Sincere WATCH 07ir

(HONG KONG) LIMITED  
(incorporated in the Cayman Islands with limited liability)

中期報告

Stock Code 股份編號: 00444

## **CORPORATE INFORMATION**

### **DIRECTORS**

#### **Executive Directors**

Mr. TAY Liam Wee (*Chairman*)

Mr. CHAU Kwok Fun, Kevin  
(*Vice Chairman*)

Ms. TAY Liam Wuan  
(*Chief Executive Officer*)

#### **Non-executive Director**

Mr. SOH Gim Teik

#### **Independent Non-executive Directors**

Mr. LEW, Victor Robert

Dr. KING Roger

Ms. LIM Suet Fern

### **AUDIT COMMITTEE**

Mr. LEW, Victor Robert (*Chairman*)

Dr. KING Roger

Ms. LIM Suet Fern

### **REMUNERATION COMMITTEE**

Dr. KING Roger (*Chairman*)

Mr. LEW, Victor Robert

Ms. LIM Suet Fern

### **NOMINATION COMMITTEE**

Ms. LIM Suet Fern (*Chairman*)

Mr. LEW, Victor Robert

Dr. KING Roger

### **COMPANY SECRETARY**

Mr. CHAN Kwong Leung, Eric *ACIS*

### **AUTHORISED REPRESENTATIVES**

Ms. TAY Liam Wuan

Mr. CHAN Kwong Leung, Eric

### **QUALIFIED ACCOUNTANT**

Mr. CHEUNG Hon Fai, Maurice *HKICPA*

### **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**

Suites 5402-04, Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

### **AUDITOR**

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

### **PRINCIPAL REGISTRAR AND TRANSFER OFFICE**

Bank of Bermuda (Cayman) Limited  
P.O. Box 513 GT, Strathvale House  
North Church Street  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Investor Services Limited  
26th Floor  
Tesbury Centre  
28 Queen's Road East  
Hong Kong

### **PRINCIPAL BANKERS**

DBS Bank Ltd., Hong Kong Branch  
The Hong Kong and Shanghai  
Banking Corporation Limited  
Malayan Banking Berhad,  
Hong Kong Branch  
ABN AMRO Bank N.V. Hong Kong

## **FINANCIAL HIGHLIGHTS**

- Turnover for the six months ended 30 September 2007 (Q2 FY2008) rose 46% to HK\$307,745,000 from HK\$210,137,000 with the inclusion of Taiwan in current period.
- Average gross margin increased from 29.1% to 29.6%. Gross profit for the six months ended 30 September 2007 grew 50% from HK\$60,506,000 to HK\$91,028,000.
- Profit after taxation for the six months ended 30 September 2007 doubled from HK\$13,025,000 to HK\$26,400,000.
- Earnings per share more than doubled from HK3.2 cents to HK6.5 cents in Q2 FY2008.
- Net asset value rose to HK52.45 cents per share as at 30 September 2007 from HK 51.95 cents per share as at 31 March 2007.

## **INTERIM RESULTS**

The board of directors (the “Board”) of Sincere Watch (Hong Kong) Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2007 (the “Period”), together with the unaudited comparative figures for the corresponding six months ended 30 September 2006.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

Turnover for the six months period ended 30 September 2007 (“Q2 FY2008”) rose 46% to HK\$307,745,000 from HK\$210,137,000 in the previous corresponding six months period ended 30 September 2006 (“Q2 FY2007”). The growth was mainly due to the increase in demand for the Group’s timepieces from its expanded distribution network and boutiques across the North Asia region. In particular, the Group benefited from Hong Kong’s strong economic performance and the increase in tourist traffic from the region, especially China.

In addition to the revenue growth, average gross margins improved from 29.1% to 29.6%. As a result, gross profit for Q2 FY2008 grew 50% to HK\$91,028,000, up from HK\$60,506,000 in Q2 FY2007.

Net profit growth was at a robust 103%, from HK\$13,025,000 in Q2 FY2007 to HK\$26,400,000 in Q2 FY2008.

For Hong Kong, the Group saw spectacular growth with revenue jumping from HK\$173,439,000 to HK\$252,166,000. For the PRC and Macau, the revenue difference between the two reporting period is due to purchases made by the new points of sales appointed in Macau in corresponding period last year. The Group also saw maiden contributions from other Asian markets, amounting to HK\$31,507,000 due to the acquisition of the Taiwanese subsidiary in October 2006.

Operating expenses went up in the Period from HK\$31,978,000 to HK\$51,572,000. The increase in selling and distribution costs was in line with the level of business done as more promotional and marketing activities were held during the Period. Administrative expenses comprised mainly rentals, depreciation and staff costs. Besides increased rental rates, overall rents and depreciation grew as a result of newly opened boutique like the Shin Kong Place Beijing, Venetian Casino and Resort Macao and Ocean Terminal Kowloon. In addition, the Company’s flagship Franck Muller boutique at Central Hong Kong was considerably enlarged and refurbished.

The Group registered unrealised foreign exchange loss of HK\$8,497,000 for the Period compared to unrealised loss of HK\$7,867,000 for the Period last year. The exchange difference arose from trade payables denominated in foreign currencies, which were 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.

Earnings per share for Q2 FY2008 were HK6.5 cents (Q2 FY2007: HK3.2 cents). After the dividend paid out during the period, the net asset value amounted to HK 52.44 cents per share for the period ended 30 September 2007 compared to HK 51.95 cents per share as at 31 March 2007.

## **Business Review**

The Group is the sole distributor of Franck Muller watches and accessories in Hong Kong, Macau and the PRC. We also represent four other exclusive luxury brands – de Grisogono, European Company Watch, Pierre Kunz and Cvstos. We maintained our overall brand portfolio as the Group focused its attention on strengthening its presence in North Asia, by a growing its distribution network of independent watch retailers and its own operated mono-brand boutiques. These mono-brand boutiques form a vital part of the Group's brand management strategy, as they are located in prime shopping areas and act as a showcase for the exclusive luxury brands that the Group represents. As at 30 September 2007, the Group operates 7 mono-brand boutiques – three in Hong Kong, two in Macau, one in PRC and one in Taiwan, retailing under the brands of Franck Muller and de Grisogono. These mono brand boutiques have been well received by customers and have made positive contributions to the Group's top and bottom lines.

The Group has successfully established a network of 43 quality watch distributors retail outlets run by 23 independent watch dealers in Hong Kong, Macau and PRC and in Taiwan.

In the period under review, the Group's sterling performance reflected the success of its marketing and branding strategies in capitalizing on the growth in demand for luxury goods in North Asia. The Group's recent milestones include the opening of a new Franck Muller boutique in Beijing in April 2007 and the Venetian Casino and Resort Macao in August 2007. As part of its brand management activities, the Group stepped up advertising and promotion efforts, including advertising in newspapers, magazines, billboards, as well as conducted product launch promotions with dealers and other business parties like the Mercedes-Benz promotion night held in August 2007. In addition, the refurbished de Grisogono boutique in the International Finance Centre was re-opened in October 2007.

## **Prospects**

The economic boom of the past two decades has contributed to growing affluence in the PRC, which is expected to become the world's top consumer of luxury goods by 2015. Merrill Lynch/Capgemini Asia Pacific Wealth Report 2006 projected that Asia's rich is also growing at a rate that exceeds the rest of the world.

With the fast growing entertainment and hospitality sector and the increasing number of visitor arrivals from PRC, Macau will be a key growth market for the Group. To capture the wealth of new opportunities brought about by the booming luxury market, the Group has opened the second Franck Muller flagship boutique at the Venetian Macao in August 2007. It will continue to launch innovative retail concepts and marketing platforms in Macau and North Asia to entrench its leading position and drive growth forward.

To ride on the booming luxury demand in the PRC, the Group plans to re-open the Franck Muller boutique in Shanghai in November 2007 at Plaza 66 Nanjing Xi Lu, the premier luxury shopping mall in Shanghai. The Group has already appointed dealerships in Dalian, Hangzhou and Shanghai and it is currently exploring opportunities to form strategic alliances with potential business partners. The Group's stronger presence in Beijing and Shanghai will enable it to capitalize on the tourism boom that is expected during the upcoming Olympics 2008.

The Group will continue to build on its established goodwill with the Swiss watch principals and work together with them to bring forth new inspirations and to promote a strong and robust culture of horology. It will continue to launch innovative retail concepts and marketing platforms in North Asia. It will look at expanding its portfolio to include new luxury brands that have good growth potential.

## **LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO**

As at 30 September 2007, the Group maintained healthy financial position with cash and bank deposits of HK\$121,505,000 and no outstanding bank loan.

The Group generally finances its operations and investing activities with internally generated cash flows. As at 30 September 2007, the Group's unaudited net current asset amounted to HK\$178,535,000 (31 March 2007: HK\$182,760,000) and did not have any bank borrowings (31 March 2007: Nil). The directors believe the Group's existing financial resources are sufficient to fulfill its commitments and current working capital requirements.

## **CAPITAL STRUCTURE AND FOREIGN EXCHANGE EXPOSURE**

The Group placed approximately HK\$3,790,000 (31 March 2007: HK\$8,943,000) in equivalent Swiss Franc short-term interest bearing deposits with banks in Hong Kong as at 30 September 2007. The income of the Group mainly denominated in Hong Kong Dollars and the Group has adequate recurring cash flow to meet the working capital requirement.

The Group has overall realised exchange gain amounting to approximately HK\$158,000 in current period compared with overall realised exchange loss amounting to approximately HK\$6,685,000 for the corresponding period last year. The Group has overall unrealised exchange losses amounting to approximately HK\$8,497,000 in current period compared with overall unrealised exchange loss amounting to approximately HK\$7,867,000 for the corresponding period last year. The Group adhered to a prudent policy on financial risk management and the management of currency and interest rate. The Group benefits from favourable payment terms from its suppliers that may result in unrealised gain or losses from time to time in applying Hong Kong Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates".

## **CHARGE ON ASSETS**

The Group did not have any charge on its assets as at 30 September 2007 (31 March 2007: Nil).

## **SIGNIFICANT ACQUISITION OF SUBSIDIARY**

Last financial year, the Group acquired the entire interest of Sincere Watch Co., Ltd ("SWTW") and SWTW became a wholly owned subsidiary of the Company with effect from 1 October 2006. No significant acquisition of subsidiary was made for current period.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

There was no definite future plan for material investments and acquisition of material capital assets as at 30 September 2007.

## **CONTINGENT LIABILITIES**

The Group did not have any contingent liabilities as at 30 September 2007 (31 March 2007: Nil).

## **STAFF AND EMPLOYMENT**

As at 30 September 2007, the Group employed a total work force of 75 staffs including directors (31 March 2007: 56). Headcount increased because the acquisition of Taiwan subsidiary and opening of Macau boutique. Employees were paid at market remuneration with discretionary bonus and medical benefits, mandatory provident fund scheme and necessary training. The Group has been constantly reviewing staff remuneration to ensure it is competitive with relevant industries.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 September 2007, the beneficial interests of the directors and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("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 Companies, were as follows:

Name of director	Company/name of associated corporation	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of associated corporations
Tay Liam Wee	The Company	Interest of a controlled corporation ( <i>Note</i> )	306,000,000 shares	75%
Soh Gim Teik	Sincere Watch Limited	Interest of Spouse	8,347,295 shares	4.04%
Chau Kwok Fun Kevin	Sincere Watch Limited	Personal Interest	2,418,673 shares	1.17%

*Note:* These shares are registered in the name of and beneficially owned by Sincere Watch Limited ("SWL"), 50.67% of its issued share capital is owned by TBJ Holdings Pte. ("TBJ"), which is in turn beneficially wholly-owned by Mr. Tay Liam Wee. Mr. Tay Liam Wee is deemed to be interested in all the shares held by SWL under the SFO.

Other than as disclosed above, at 30 September 2007, none of the directors, chief executives, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.



## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

At 30 September 2007, shareholders (other than 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 had otherwise notified the Company were as follows:

Name	Capacity	Number of issued ordinary shares held (Note 1)	Approximate percentage of the issued share capital of the Company
SWL	Beneficial owner	306,000,000 shares (L)	75%
TBJ	Interest of a controlled Corporation (Note 2)	306,000,000 shares (L)	75%
Mr. Tay Boo Jiang	Interest of a controlled Corporation (Note 2)	306,000,000 shares (L)	75%
Mr. Tay Liam Wee	Interest of a controlled Corporation (Note 2)	306,000,000 shares (L)	75%
Chartered Asset Management Pte Ltd.	Investment fund	28,641,000 shares (L)	7.02%
CAM-GTF Limited	Investment fund	21,547,000 shares (L)	5.28%

### Notes:

1. The letter "L" denotes the person's long position in the shares.
2. SWL is owned as to 50.67% by TBJ, which is in turn beneficially wholly-owned by Mr. Tay Liam Wee. By virtue of the voting deed entered into between Mr. Tay Boo Jiang and Mr. Tay Liam Wee on 24 August 2005, Mr. Tay Liam Wee agreed to consult and agree with Mr. Tay Boo Jiang on the action to be taken before exercising the voting rights with respect to Mr. Tay Liam Wee's shares in TBJ as from 24 August 2005. Accordingly, each of TBJ, Mr. Tay Liam Wee and Mr. Tay Boo Jiang is by virtue of the SFO deemed to be interested in all the shares in which SWL is interested.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company as at 30 September 2007.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES AND MODEL CODE**

Throughout the six months ended 30 September 2007, the Company has complied with the code provisions set out in the Code on Corporate Governance Practice contained in Appendix 14 to the Listing Rules.

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, the Company confirmed that, throughout the six months period ended 30 September 2007, all Directors have complied with the required standard set out in the Model Code.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed the Group's unaudited financial statements for the six months ended 30 September 2007.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months ended 30 September 2007, neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the listed securities of the Company.

## **PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE**

The interim report containing all the information required by the Listing Rules will be published on the Stock Exchange's website and company website in due course.

By order of the Board  
**Tay Liam Wee**  
*Chairman*

Hong Kong, 12 November 2007

**CONDENSED CONSOLIDATED INCOME STATEMENT***For the six months ended 30 September 2007*

		<b>For the Six months ended 30 September</b>	
		<b>2007</b>	<b>2006</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Turnover</b>	3	<b>307,745</b>	210,137
Cost of sales		<b>(216,717)</b>	(149,061)
Gross profit		<b>91,028</b>	61,076
Interest income		<b>1,134</b>	1,201
Selling and distribution costs		<b>(14,777)</b>	(8,810)
Administrative expenses		<b>(36,795)</b>	(23,168)
Realised exchange gain (loss)		<b>158</b>	(6,685)
		<b>40,748</b>	23,614
Unrealised exchange loss		<b>(8,497)</b>	(7,867)
Profit before taxation	4	<b>32,251</b>	15,747
Taxation	5	<b>(5,851)</b>	(2,722)
Profit for the Period		<b>26,400</b>	13,025
Earnings per share – basic		<b>HK6.5 cents</b>	HK3.2 cents

**CONDENSED CONSOLIDATED BALANCE SHEET***For the period ended 30 September 2007*

		(Unaudited) 30 September 2007 <i>HK\$'000</i>	(Audited) 31 March 2007 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		14,165	8,191
Intangible assets	8	12,302	13,174
Deferred tax assets		12,126	11,411
		<u>38,593</u>	<u>32,776</u>
Current assets			
Inventories		340,517	281,648
Trade and other receivables	9	97,507	88,082
Derivative financial instruments		230	–
Tax recoverable		658	2,924
Bank balances and cash		121,505	135,657
		<u>560,417</u>	<u>508,311</u>
Current liabilities			
Trade and other payables	10	377,634	314,964
Amount due to immediate holding company		207	331
Amount due to fellow subsidiaries		2,267	8,798
Taxation		1,774	1,458
		<u>381,882</u>	<u>325,551</u>
Net current assets		<u>178,535</u>	<u>182,760</u>
Net assets		217,128	215,536
Non-current liabilities			
Deferred tax		3,150	3,600
		<u>213,978</u>	<u>211,936</u>
Capital and reserves			
Share capital		40,800	40,800
Reserves		173,178	171,136
Equity attributable to equity holders of the Company		<u>213,978</u>	<u>211,936</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30 September 2007*

	<b>(Unaudited)</b>	
	<b>For the Six months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash inflow from operating activities	<b>17,327</b>	8,865
Net cash outflow from investing activities	<b>(6,999)</b>	(15,094)
Net cash outflow from financing activities	<b>(24,480)</b>	(28,560)
Decreases in cash and cash equivalents	<b>(14,152)</b>	(34,789)
Cash and cash equivalents at the beginning of the Period	<b>135,657</b>	144,350
Cash and cash equivalents at the end of the Period	<b>121,505</b>	109,561

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007

	Attributable to equity holders of the Company					Total
	Share Capital	Share Premium	Special Reserve (Note)	Translation reserve	Retained profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2007	40,800	59,546	801	41	110,748	211,936
2007 Dividend paid	-	-	-	-	(24,480)	(24,480)
Exchange difference arising from translation of financial statements of foreign operations recognised directly in equity	-	-	-	122	-	122
Profit for the Period, representing total recognised income for the period	-	-	-	-	26,400	26,400
At 30 September 2007	<u>40,800</u>	<u>59,546</u>	<u>801</u>	<u>163</u>	<u>112,668</u>	<u>213,978</u>
At 1 April 2006	40,800	59,546	801	-	95,693	95,693
2006 Dividend paid	-	-	-	-	(28,560)	(28,560)
Profit for the Period, representing total recognised income for the period	-	-	-	-	13,025	13,025
At 30 September 2006	<u>40,800</u>	<u>59,546</u>	<u>801</u>	<u>-</u>	<u>80,158</u>	<u>181,305</u>

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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

The unaudited consolidated financial statements for the Period have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (The “Listing Rules”). The financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company and its principal subsidiaries.

The Company’s ultimate holding company is TBJ Holdings Pte Ltd., a company incorporated in the Republic of Singapore. The Company’s immediate holding company is Sincere Watch Limited, a company incorporated in the Republic of Singapore.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

The unaudited consolidated financial statements have been prepared under the historical cost convention. The principal accounting policies and methods of computations used in the preparation of the unaudited consolidated financial statements are consistent with those applied in the Group’s final financial statements for the year ended 31 March 2007, except that the Group has changed certain of its accounting policies subsequent to its adoption of the new/revised standards that are effective for accounting periods commencing on or after 1 April 2007. The adoption of such standards did not have material effect on these financial statements.

The Group has not early adopted the standards and interpretations that have been issued but are not yet effective. The adoption of such standards will not result in substantial changes to the Group’s accounting policies.

### 3. SEGMENT INFORMATION

The Group's principal activity is brand management and distribution of branded luxury watches, timepieces and accessories as a single business segment. Turnover represents the net amounts received and receivable for goods sold by the Group to external customers, less returns and allowances. An analysis of the Group's turnover and results by geographical market of its customers is as follows:-

#### For the six months ended 30 September 2007

	Hong Kong	PRC Other than Hong Kong (note)	Other Asian countries	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>				
Sales	<u>252,166</u>	<u>24,072</u>	<u>31,507</u>	<u>307,745</u>
<b>RESULT</b>				
Segment results	<u>72,075</u>	<u>7,999</u>	<u>10,954</u>	<u>91,028</u>
Unallocated corporate expenses				(59,911)
Unallocated corporate income				<u>1,134</u>
Profit before tax				<u>32,251</u>
Income tax expenses				<u>(5,851)</u>
Profit for the Period				<u><u>26,400</u></u>

#### For the six months ended 30 September 2006

	Hong Kong	PRC Other than Hong Kong	Other Asian countries	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>				
Sales	<u>173,439</u>	<u>36,698</u>	<u>0</u>	<u>210,137</u>
<b>RESULT</b>				
Segment results	<u>52,264</u>	<u>8,812</u>	<u>0</u>	<u>61,076</u>
Unallocated corporate expenses				(46,530)
Unallocated corporate income				<u>1,201</u>
Profit before tax				<u>15,747</u>
Income tax expenses				<u>(2,722)</u>
Profit for the period				<u><u>13,025</u></u>

Note: please refer to the management discussion and analysis section of this report for analysis.



	<b>(Unaudited)</b> <b>For the period</b> <b>ended</b> <b>30 September</b> <b>2007</b> <b>HK\$'000</b>	(Audited) For the year ended 31 March 2007 HK\$'000
SEGMENT ASSETS (BY LOCATION OF CUSTOMERS)		
Hong Kong	72,229	64,545
PRC other than Hong Kong	10,630	3,804
Other Asian countries	<u>26,949</u>	<u>25,454</u>
	<b>109,808</b>	93,803
Unallocated corporate assets	<u>489,202</u>	<u>447,284</u>
	<b><u>599,010</u></b>	<b><u>541,087</u></b>

	<b>(Unaudited)</b> <b>For the period</b> <b>ended</b> <b>30 September</b> <b>2007</b> <b>HK\$'000</b>	(Audited) For the year ended 31 March 2007 HK\$'000
SEGMENT ASSETS (BY LOCATION OF ASSETS)		
Hong Kong	463,568	454,923
PRC other than Hong Kong	62,411	14,405
Other Asian countries	<u>60,017</u>	<u>57,424</u>
	<b>585,996</b>	526,752
Unallocated corporate assets	<u>13,014</u>	<u>14,335</u>
	<b><u>599,010</u></b>	<b><u>541,087</u></b>

Most of the Group's liabilities represent trade payables to suppliers in Europe. Accordingly, no segment liabilities by location of customers were presented.

	<b>(Unaudited)</b> <b>For the Six months</b> <b>ended 30 September</b> <b>2007</b> <b>HK\$'000</b>	2006 HK\$'000
OTHER INFORMATION		
Capital additions (by location of assets)		
Hong Kong	2,241	96
PRC other than Hong Kong	5,181	–
Other Asian countries	<u>712</u>	<u>–</u>
Depreciation and amortisation (by location of assets)		
Hong Kong	1,693	486
PRC other than Hong Kong	144	–
Other Asian countries	<u>1,194</u>	<u>–</u>
Allowances for inventories (by location of assets)		
Hong Kong	4,496	3,143
Other Asian countries	<u>657</u>	<u>–</u>

The capital expenditure, depreciation and other non-cash expenditure, by nature, are not separable by location of customers.

#### 4. PROFIT BEFORE TAXATION

	(Unaudited) For the Six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging/(crediting):		
Directors' remuneration	8,787	7,010
Other staff costs	8,178	6,019
Other staff's retirement benefit scheme contributions	189	159
	<hr/>	<hr/>
Total staff costs	17,154	13,188
	<hr/>	<hr/>
Realised exchange loss	–	6,685
Unrealised exchange loss	8,727	7,280
Unrealised exchange loss on fair value changes on foreign exchange contracts	–	587
	<hr/>	<hr/>
Exchange loss	8,727	14,552
	<hr/>	<hr/>
Allowances for inventories	5,153	3,143
Amortisation of intangible assets	872	–
Depreciation of property, plant and equipment	2,160	486
Minimum lease payments in respect of rented premises and after crediting:	9,236	4,624
Realised exchange gain	158	–
Unrealised exchange gain on fair value changes on foreign exchange contracts	230	–
	<hr/>	<hr/>
Exchange gain	388	–
	<hr/>	<hr/>
Interest income	1,134	1,201
	<hr/>	<hr/>

#### 5. INCOME TAX EXPENSES

	(Unaudited) For the Six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
Hong Kong Profits Tax	5,270	3,311
Tax in other jurisdictions	1,741	–
	<hr/>	<hr/>
Deferred tax	7,011	3,311
	(1,160)	(589)
	<hr/>	<hr/>
	5,851	2,722
	<hr/>	<hr/>

The provision for Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the Period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

## 6. DIVIDEND

The directors have resolved not to declare the payment of any interim dividend for the six months ended 30 September 2007 (30 September 2006: Nil).

Final dividend for year ended 31 March 2007 amounting to HK\$24,480,000 was approved by the shareholders at the annual general meeting held on 8 August 2007 and was paid during the Period.

## 7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the Period of HK\$26,400,000 (2006: HK\$13,025,000) and on the number of 408,000,000 shares (2006: 408,000,000 shares) that would have been in issue throughout the Period.

## 8. INTANGIBLE ASSETS

	<b>Goodwill</b> <i>HK\$'000</i>	<b>Distribution rights</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Cost			
At 1 April 2006	–	–	–
Arising on acquisition of a subsidiary	8,092	6,208	14,300
	<u>8,092</u>	<u>6,208</u>	<u>14,300</u>
At 31 March 2007 and 30 September 2007	<b>8,092</b>	<b>6,208</b>	<b>14,300</b>
Accumulated amortisation			
At 1 April 2006	–	–	–
Charge for the year	–	1,126	1,126
	<u>–</u>	<u>1,126</u>	<u>1,126</u>
At 1 April 2007	–	1,126	1,126
Charge for the Period	–	872	872
	<u>–</u>	<u>872</u>	<u>872</u>
At 30 September 2007	<u>–</u>	<b>1,998</b>	<b>1,998</b>
Net carrying value			
At 30 September 2007	<b>8,092</b>	<b>4,210</b>	<b>12,302</b>
At 31 March 2007	<b>8,092</b>	<b>5,082</b>	<b>13,174</b>

During the Period, an adjustment was made to the fair value of the identifiable assets and liabilities of Sincere Watch Co., Ltd (“SWTW”), acquired on 1 October 2006. A valuation report received in the current period indicated that the fair value of the distribution right at the date of acquisition was HK\$6,208,000 which was less than the original estimate by HK\$8,092,000. Accordingly, goodwill arising from acquisition was adjusted by an equivalent amount.

## 9. TRADE AND OTHER RECEIVABLES

	(Unaudited) For the period ended 30 September 2007 <i>HK\$'000</i>	(Audited) For the year ended 31 March 2007 <i>HK\$'000</i>
Trade receivables	88,691	80,629
Other receivables	8,816	7,453
	<u>97,507</u>	<u>88,082</u>
The following is an aged analysis of trade receivables:		
Within 30 days	49,512	43,896
31–90 days	38,499	36,726
91–120 days	680	7
Over 120 days	–	–
	<u>88,691</u>	<u>80,629</u>

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

## 10. TRADE AND OTHER PAYABLES

	(Unaudited) For the period ended 30 September 2007 <i>HK\$'000</i>	(Audited) For the year ended 31 March 2007 <i>HK\$'000</i>
Trade payables	330,956	277,111
Other payables	46,678	37,853
	<u>377,634</u>	<u>314,964</u>
The following is an aged analysis of trade payables:		
Within 90 days	151,328	47,499
91–365 days	162,780	214,166
Over 365 days	16,848	15,446
	<u>330,956</u>	<u>277,111</u>

The amount of trade payables above includes HK\$329,999,000 (31 March 2007: HK\$275,686,000) and HK\$457,000 (31 March 2007: HK\$1,239,000) which is denominated in Swiss Franc and Euro respectively.

## 11. RELATED PARTY TRANSACTIONS

### (a) Transaction

During the Period, the Group had HK\$2,793,000 (2006: HK\$1,530,000) purchases from companies related to the holding Company.

### (b) Compensation of key management personnel

The remuneration of directors during the Period was as follows:

	<b>(Unaudited)</b>	
	<b>For the Six months</b>	
	<b>ended 30 September</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Short-term benefits	<b><u>8,431</u></b>	<b><u>7,010</u></b>

The remuneration of directors is determined by the remuneration committee and management respectively having regard to the performance of individuals and market trends.