



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. TAY Liam Wee (*Chairman*)

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

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

Independent Non-executive Directors

Mr. LEW, Victor Robert

Dr. KING Roger

AUDIT COMMITTEE

Mr. LEW, Victor Robert (*Chairman*)

Dr. KING Roger

REMUNERATION COMMITTEE

Dr. KING Roger (*Chairman*)

Mr. LEW, Victor Robert

COMPANY SECRETARY

Mr. CHAN Kwong Leung, Eric *ACIS*

AUTHORISED REPRESENTATIVES

Ms. TAY Liam Wuan

Mr. CHAN Kwong Leung, Eric

QUALIFIED ACCOUNTANT

Mr. SAN Kin Pong, Bond *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 2008 (H1 FY2009) dropped by 5.7% to HK\$290,081,000 when compared with HK\$307,745,000 for the corresponding period of last year.
- Gross margin increased from 29.3% to 34.9% due to the product mix of higher margin. Gross profit for the six months ended 30 September 2008 grew by 12.2% from HK\$90,077,000 to HK\$101,101,000.
- Profit after taxation for the six months ended 30 September 2008 increased from HK\$26,400,000 to HK\$45,788,000, in large part due to both realised and unrealised foreign exchange gain.
- Earnings per share increased from 6.5 HK cents to 11.2 HK cents in H1 FY2009.
- Net asset value rose to 60.65 HK cents per share as at 30 September 2008 vs 54.94 HK cents per share as at 31 March 2008.

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 2008 (the “Period”), together with the unaudited comparative figures for the corresponding six months ended 30 September 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group reported an increase in both Profit before Tax and Net Profit for the six months ended 30 September 2008.

Turnover for the six months ended 30 September 2008 (“H1 FY2009”) however eased by 5.7% to HK\$290,081,000 from HK\$307,745,000 for the previous corresponding six months ended 30 September 2007 (“H1 FY2008”). This was mainly due to the soft demand for the Group’s timepieces from its distribution network across the North Asia region in light of the lack of confidence in the economic environment affected by the global financial market meltdown.

Despite the lower sales, gross margin improved from 29.3% to 34.9% because of better product mix for the period under review. As a result, gross profit for H1 FY2009 grew by 12.2% to HK\$101,101,000 up from HK\$90,077,000 in H1 FY2008.

Net profit growth was at 73.4%, from HK\$26,400,000 in H1 FY2008 to HK\$45,788,000 in H1 FY2009. The increase was in large part due to the total realised and unrealised exchange gain of HK\$36,200,000 vs HK\$8,300,000 loss for the corresponding period of last year. The Group’s profit before taxation and exchange gain for the period was HK\$18,700,000, vs HK\$40,600,000 for the same period of last year.

For Hong Kong, revenue softened from HK\$252,166,000 to HK\$199,958,000 owing to the impact of the downturn in the economy. For the PRC and Macau, the increase in revenue by HK\$40,212,000 was mainly due to revenue generated from the Group’s Franck Muller boutique at Venetian Macau which was opened in August 2007. Other Asian markets contributed lower revenue of HK\$25,839,000 compared with HK\$31,507,000 for the corresponding period last year.

Operating expenses went up in the period under review from HK\$50,621,000 to HK\$84,594,000. The increase in selling and distribution costs was due to more promotional and marketing activities 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 three newly opened boutiques at Lee Theatre in Causeway Bay, Peninsula in Tsimshatsui and Venetian Macau.

The Group recorded realised and unrealised foreign exchange gain of HK\$10,722,000 and HK\$25,461,000 respectively for the period compared to a realised gain of HK\$158,000 and an unrealised loss of HK\$8,497,000 for the corresponding period of last year. Such foreign 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 H1 FY2009 were 11.2 HK cents or 72.3% higher than the 6.5 HK cents in H1 FY2008. Net asset value amounted to 60.65 HK cents per share as at 30 September 2008, up 10.4% compared to 54.94 HK cents per share as at 31 March 2008.

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 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 2008, the Group has ten mono-brand boutiques – five in Hong Kong, two in Macau, two in the PRC and one in Taiwan, retailing under the brands of Franck Muller and de Grisogono.

The Group has successfully established a network of 44 luxury watch retail outlets run by 23 independent watch dealers in Hong Kong, Macau, the PRC and Taiwan.

The Group's recent milestones include the opening of three new Franck Muller boutiques in the period under review, one at Lee Theatre in Causeway Bay, the other at Peninsula in Tsimshatsui and Venetian Macau. As part of its brand management activities, the Group maintained its advertising and promotion efforts, including advertising in newspapers, magazines, billboards, as well as conducting product launch promotions with dealers and other brand events like the Franck Muller Parties in Hong Kong and Beijing, and Franck Muller Super Car Tour in Singapore.

Prospects

Going forward, the overall global economic outlook appears challenging due to the ongoing global financial crisis. While this has affected demand for luxury goods, the Group will continue to build on its established goodwill with its local retail partners and working together to introduce fresh initiatives to maintain a robust culture of horology. At the same time, over the course of the second half of this financial year, the Group will conserve capital expenditures and improve our operations to enhance positive cash flows and maintain a sound balance sheet position.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group has maintained cash and bank deposits of HK\$121,989,000 and no outstanding bank loan.

As at 30 September 2008, the Group has a foreign exchange line up to HK\$35,000,000 and overdraft banking facilities of HK\$2,000,000, of which HK\$1,400,000 has been utilised as guarantee.

The Group generally finances its operations and investing activities with internally generated cash flows. As at 30 September 2008, the Group's unaudited net current asset amounted to HK\$205,401,000 (31 March 2008: HK\$185,121,000) and did not have any bank borrowings (31 March 2008: Nil). The directors believe the Group's existing financial resources are sufficient to fulfil its commitments and current working capital requirements.

CAPITAL STRUCTURE AND FOREIGN EXCHANGE EXPOSURE

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

The Group recorded realised exchange gain of approximately HK\$10,722,000 in the current period as compared to HK\$158,000 for the corresponding period last year. In addition, the Group had unrealised exchange gain of approximately HK\$25,461,000 in the current period while unrealised exchange loss of approximately HK\$8,497,000 was recorded for the corresponding period last year. The Group adhered to a prudent policy on financial risk management and the management of foreign currencies 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 2008 (31 March 2008: Nil).

SIGNIFICANT ACQUISITION OF SUBSIDIARY

No significant acquisition of subsidiary was made in the 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 2008.

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 September 2008 (31 March 2008: Nil).

STAFF AND EMPLOYMENT

As at 30 September 2008, the Group employed a total work force of 86 staff including directors (31 March 2008: 84). Employees were paid at market rates 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' INTERESTS IN SHARES

At 30 September 2008, 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 directors	Company/name of associated corporation	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of associated corporation
Tay Liam Wee	Peace Mark (Holdings) Limited (<i>Note 1</i>)	Interest of a controlled corporation (<i>Note 2</i>)	23,876,001	2.19%
Chau Kwok Fun, Kevin	Peace Mark (Holdings) Limited	Personal interest	951,457	0.08%

Notes:

- (1) Provisional Liquidators appointed on 10 September 2008, according to an announcement of Peace Mark (Holdings) Limited dated 11 September 2008.
- (2) These shares are owned by TBJ Holdings Pte. ("TBJ"), which is in turn beneficially wholly-owned by Mr. Tay Liam Wee.

Other than as disclosed above, at 30 September 2008, 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.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2008, 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
Sincere Watch Limited ("SWL")	Beneficial owner (Note 2)	306,000,000 (L)	75%
A-A United Limited	Interest of a controlled corporation (Note 3)	306,000,000 (L)	75%
Peace Mark (Holdings) Limited ("Peace Mark Holdings")	Interest of a controlled corporation (Note 4)	306,000,000 (L)	75%
Chau Cham Wong, Patrick	Personal interest and interest of a controlled corporation (Note 5)	306,000,000 (L)	75%
Leung Yung	Personal interest and interest of controlled corporations (Note 6)	306,000,000 (L)	75%
Chartered Asset Management Pte Ltd.	Investment manager	28,641,000 (L)	7.02%
CAM-GTF Limited	Investment fund	24,637,000 (L)	6.04%

Notes:

- (1) The letter "L" denotes the person's long position in the shares.
- (2) These 306,000,000 shares of the Company are registered in the name of and beneficially owned by SWL.
- (3) A-A United Limited is deemed to be interested in the 306,000,000 shares of the Company as referred to in Note (2) above as it holds more than one-third of the issued share capital of SWL.
- (4) Peace Mark Holdings is deemed to be interested in the 306,000,000 shares of the Company as referred to in Note (3) above as it holds more than one-third of the issued share capital of A-A United Limited.
- (5) Mr. Chau Cham Wong, Patrick is deemed to be interested in the 306,000,000 shares of the Company as referred to in Note (4) above as he beneficially owns more than one-third of the issued share capital of Peace Mark Holdings by virtue of (i) his personal interest in 6.63% of the issued share capital of Peace Mark Holdings, (ii) his beneficial interest in 50.45% of the issued share capital of A-One Investments Limited which owns 24.24% of the issued share capital of Peace Mark Holdings, and (iii) his deemed interest in 3.83% of the personal and corporate interests of Mr. Leung Yung in Peace Mark Holdings pursuant to section 317 of the SFO as referred to in Note (6) below.

- (6) Mr. Leung Yung is deemed to be interested in the 306,000,000 shares of the Company as referred to in Note (4) above as he beneficially owns more than one-third of the issued share capital of Peace Mark Holdings by virtue of (i) his personal interest in 1.57% of the issued share capital of Peace Mark Holdings, (ii) his beneficial interest in 49.55% of the issued share capital of A-One Investments Limited which owns 24.24% of the issued share capital of Peace Mark Holdings, (iii) his corporate interest in 100% of the issued share capital of United Success Enterprises Limited which owns 2.26% of the issued share capital of Peace Mark Holdings, and (iv) his deemed interest in 6.63% of the personal interest of Mr. Chau Cham Wong, Patrick in Peace Mark Holdings pursuant to section 317 of the SFO as referred to in Note (5) above.
- (7) The 306,000,000 shares mentioned in Notes (2) to (6) refer to the same block of shares.

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 2008.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES AND MODEL CODE

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules during the Period save that from 16 September 2008 to the date of this report, the Company has only two independent non-executive directors and Audit Committee members, which fall below the requisite number under Rule 3.10 and Rule 3.21 of the Listing Rules respectively. The Company has been in the process of identifying the right candidate for appointment as the 3rd independent non-executive director and Audit Committee member and expects that the appointment be completed before 16 December 2008.

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 2008, 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 2008.

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

The Company has not redeemed any of its shares and neither the Company nor any of its subsidiaries has purchased or sold any of the shares of the Company during the six months ended 30 September 2008.

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 the Company's website in due course.

By order of the Board
Tay Liam Wee
Chairman

Hong Kong, 18 November 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

		For the Six months ended 30 September	
		2008 (Unaudited) HK\$'000	2007 (Restated) HK\$'000
	Notes		
Turnover	3	290,081	307,745
Cost of sales		<u>(188,980)</u>	<u>(217,668)</u>
Gross profit		101,101	90,077
Other Income		2,204	1,134
Selling and distribution costs	12	(28,549)	(14,777)
General and administrative expenses	13	<u>(56,045)</u>	<u>(35,844)</u>
Profit before taxation and exchange gain/(loss)		18,711	40,590
Realised exchange gain		10,722	158
Unrealised exchange gain/(loss)		<u>25,461</u>	<u>(8,497)</u>
Profit before taxation	4	54,894	32,251
Income tax expenses	5	<u>(9,106)</u>	<u>(5,851)</u>
Profit for the Period		<u>45,788</u>	<u>26,400</u>
Earnings per share – basic	7	<u>11.2 HK cents</u>	<u>6.5 HK cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		18,436	16,430
Intangible assets	8	11,211	11,865
Deferred tax assets		14,639	13,436
		44,286	41,731
Current assets			
Inventories		357,588	281,250
Trade and other receivables	9	85,758	119,000
Taxation recoverable		–	1,187
Bank balances and cash		121,989	214,228
		565,335	615,665
Current liabilities			
Trade and other payables	10	341,546	424,215
Amount due to immediate holding company		171	71
Amount due to fellow subsidiaries		7,114	1,566
Dividend payable		9	–
Taxation payable		11,094	4,692
		359,934	430,544
Net current assets		205,401	185,121
Total assets less current liabilities		249,687	226,852
Non-current liability			
Deferred tax liability		2,250	2,700
		247,437	224,152
Capital and reserves			
Share capital		40,800	40,800
Reserves		206,637	183,352
Equity attributable to equity holders of the Company		247,437	224,152

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	For the Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Net cash (outflow)/inflow from operating activities	(64,977)	17,327
Net cash used in investing activities	(6,962)	(6,999)
Net cash used in financing activities	<u>(20,300)</u>	<u>(24,480)</u>
Decreases in cash and cash equivalents	(92,239)	(14,152)
Cash and cash equivalents at the beginning of the Period	<u>214,228</u>	<u>135,657</u>
Cash and cash equivalents at the end of the Period	<u>121,989</u>	<u>121,505</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Attributable to equity holders of the Company					Total HK\$'000
	Share Capital HK\$'000	Share Premium HK\$'000	Special Reserve HK\$'000 (Note)	Translation reserve HK\$'000	Retained profits HK\$'000	
At 1 April 2008	40,800	59,546	801	2,348	120,657	224,152
2008 Dividend paid	-	-	-	-	(20,400)	(20,400)
Exchange difference arising from translation of financial statements of foreign operations recognised directly in equity				(2,103)	-	(2,103)
Profit for the period	-	-	-	-	45,788	45,788
At 30 September 2008 (unaudited)	<u>40,800</u>	<u>59,546</u>	<u>801</u>	<u>245</u>	<u>146,045</u>	<u>247,437</u>
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	-	-	-	-	26,400	26,400
At 30 September 2007 (unaudited)	<u>40,800</u>	<u>59,546</u>	<u>801</u>	<u>163</u>	<u>112,668</u>	<u>213,978</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 Peace Mark (Holdings) Limited., a company incorporated in the Bermuda with limited liability. Peace Mark (Holdings) Limited went into liquidation in September 2008. 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 on a going-concern basis and 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 audited financial statements for the year ended 31 March 2008.

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 the goods sold by the Group to external customers, less returns and allowances. An analysis of the Group's turnover and results by geographical market based on location of its customers is as follows:-

For the six months ended 30 September 2008

	Hong Kong (Unaudited) HK\$'000	PRC Other than Hong Kong (Unaudited) HK\$'000	Other Asian locations (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
REVENUE				
Turnover	<u>199,958</u>	<u>64,284</u>	<u>25,839</u>	<u>290,081</u>
RESULT				
Segment results	<u>55,950</u>	<u>35,844</u>	<u>9,307</u>	101,101
Unallocated expenses				(48,411)
Unallocated income				<u>2,204</u>
Profit before taxation				54,894
Income tax expense				<u>(9,106)</u>
Profit for the period attributable to equity holders of the Company				<u>45,788</u>

For the six months ended 30 September 2007

	Hong Kong (Restated) HK\$'000	PRC Other than Hong Kong (Restated) HK\$'000	Other Asian locations (Restated) HK\$'000	Total (Restated) HK\$'000
REVENUE				
Turnover	<u>252,166</u>	<u>24,072</u>	<u>31,507</u>	<u>307,745</u>
RESULT				
Segment results	<u>71,267</u>	<u>7,999</u>	<u>10,811</u>	90,077
Unallocated expenses				(58,960)
Unallocated income				<u>1,134</u>
Profit before taxation				32,251
Income tax expense				<u>(5,851)</u>
Profit for the period attributable to equity holders of the Company				<u>26,400</u>

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
SEGMENT ASSETS (BY LOCATION OF CUSTOMERS)		
Hong Kong	43,171	85,800
PRC other than Hong Kong	16,921	17,280
Other Asian locations	<u>18,448</u>	<u>27,785</u>
	78,540	130,865
Unallocated assets	<u>531,081</u>	<u>526,531</u>
	<u>609,621</u>	<u>657,396</u>
SEGMENT ASSETS (BY LOCATION OF ASSETS)		
Hong Kong	466,467	514,463
PRC other than Hong Kong	60,922	65,520
Other Asian locations	<u>67,593</u>	<u>62,790</u>
	594,982	642,773
Unallocated assets	<u>14,639</u>	<u>14,623</u>
	<u>609,621</u>	<u>657,396</u>

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

	For the Six months ended 30 September 2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
OTHER INFORMATION		
Capital additions (by location of assets)		
Hong Kong	6,261	2,241
PRC other than Hong Kong	132	5,181
Other Asian locations	<u>789</u>	<u>712</u>
Depreciation and amortisation (by location of assets)		
Hong Kong	3,589	1,693
PRC other than Hong Kong	956	144
Other Asian locations	<u>1,191</u>	<u>1,194</u>
Reversal of allowance for doubtful debts		
Hong Kong	<u>1,945</u>	<u>–</u>
Allowance for inventories (by location of assets)		
Hong Kong	4,748	4,496
Other Asian locations	<u>613</u>	<u>657</u>

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

4. PROFIT BEFORE TAXATION

	For the Six months ended	
	30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration	11,706	8,787
Other staff costs	10,637	8,178
Other staff's retirement benefits scheme contributions	218	189
	<hr/>	<hr/>
Total staff costs	22,561	17,154
	<hr/>	<hr/>
Allowances for inventories	5,361	5,153
Amortisation of intangible assets	654	872
Depreciation of property, plant and equipment	5,082	2,159
Minimum lease payments in respect of rented premises and after crediting:	19,247	9,236
Reversal of allowance for doubtful debts	1,945	—
	<hr/>	<hr/>

5. INCOME TAX EXPENSE

	For the Six months ended	
	30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
The charge comprises:		
Current tax		
Hong Kong Profits Tax	8,914	5,270
Tax in other jurisdictions	1,936	1,741
	<hr/>	<hr/>
	10,850	7,011
Deferred tax	(1,744)	(1,160)
	<hr/>	<hr/>
	9,106	5,851
	<hr/>	<hr/>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2007: 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 Board has resolved not to declare the payment of any interim dividend for the six months ended 30 September 2008 (30 September 2007: Nil).

Final dividend for the year ended 31 March 2008 amounting to HK\$20,400,000 was approved by the shareholders at the annual general meeting held on 23 July 2008 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\$45,788,000 (2007: HK\$26,400,000) and on the number of 408,000,000 shares (2007: 408,000,000 shares) that have been in issue throughout the Period.

8. INTANGIBLE ASSETS

	Goodwill <i>HK\$'000</i>	Distribution rights <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost			
At 1 April 2008 & 30 September 2008	<u>8,092</u>	<u>6,208</u>	<u>14,300</u>
Accumulated amortisation			
At 1 April 2008	–	2,435	2,435
Charge for the Period	<u>–</u>	<u>654</u>	<u>654</u>
At 30 September 2008	<u>–</u>	<u>3,089</u>	<u>3,089</u>
Net carrying value			
At 30 September 2008 (unaudited)	<u>8,092</u>	<u>3,119</u>	<u>11,211</u>
At 31 March 2008 (audited)	<u>8,092</u>	<u>3,773</u>	<u>11,865</u>

9. TRADE AND OTHER RECEIVABLES

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Trade receivables	63,803	99,704
Other receivables	<u>21,955</u>	<u>19,296</u>
	<u>85,758</u>	<u>119,000</u>
The following is an aged analysis of trade receivables:		
Within 30 days	33,423	75,280
31 – 90 days	24,386	17,545
91 – 120 days	5,994	6,868
Over 120 days	<u>734</u>	<u>2,690</u>
	64,537	102,383
Allowance for doubtful debts	<u>(734)</u>	<u>(2,679)</u>
	<u>63,803</u>	<u>99,704</u>

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

10. TRADE AND OTHER PAYABLES

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Trade payables	294,645	391,283
Other payables	<u>46,901</u>	<u>32,932</u>
	<u>341,546</u>	<u>424,215</u>
The following is an aged analysis of trade payables:		
Within 90 days	87,707	43,239
91 – 365 days	159,902	325,994
Over 365 days	<u>47,036</u>	<u>22,050</u>
	<u>294,645</u>	<u>391,283</u>

The amount of trade payables above includes HK\$293,674,000 (31 March 2008: HK\$391,024,000) and HK\$948,000 (31 March 2008: HK\$236,000) which are denominated in Swiss Franc and Euro respectively.

11. RELATED PARTY TRANSACTIONS

(a) Transaction

During the Period, the Group had HK\$6,057,000 (2007: HK\$2,793,000) purchases from fellow subsidiaries.

(b) Compensation of key management personnel

The remuneration of directors during the Period was as follows:

	For the Six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Restated) HK\$'000
Directors' Remuneration	<u>11,706</u>	<u>8,787</u>

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

12. SELLING AND DISTRIBUTION COSTS

The increase in selling and distribution costs was due to more promotional and marketing activities held during the period like the Franck Muller Parties in Hong Kong and Beijing, and Franck Muller Super Car Tour in Singapore. For the second half of this financial year, these marketing and communication activities will be significantly reduced.

13. GENERAL AND ADMINISTRATIVE EXPENSES

Administrative expenses comprised mainly rentals, depreciation and staff costs. Besides increased rental rates, overall rents and depreciation grew as a result of three newly opened boutiques at Lee Theatre in Causeway Bay, Peninsula in Tsimshatsui and Venetian Macau.