Sincere Watch (Hong Kong) Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code 股份編號 : 00444

Interim Report 中期報告 09

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. BATCHELOR John Howard

Independent Non-executive Directors
Mr. LEW, Victor Robert
Dr. KING Roger
Mr. LAM Man Bun, Alan

AUDIT COMMITTEE

Mr. LEW, Victor Robert *(Chairman)*
Dr. KING Roger
Mr. LAM Man Bun, Alan

REMUNERATION COMMITTEE

Dr. KING Roger *(Chairman)*
Mr. LEW, Victor Robert
Mr. LAM Man Bun, Alan

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 2009 (H1 FY2010) dropped by 43.4% to HK$164,304,000 when compared with HK$290,081,000 for the corresponding period of last year.

- Gross margin decreased from 34.9% to 21.3% due to higher slow moving stock provision. Gross profit for the six months ended 30 September 2009 dropped by 65.4% from HK$101,101,000 to HK$34,993,000.

- Profit/Loss after taxation for the six months ended 30 September 2009 decreased from Profit after taxation of HK$45,788,000 to Loss after taxation of HK$27,962,000, primarily attributable to the negative impact of the financial crisis, provision for the slow moving inventories and realised and unrealised exchange losses.

- Earnings per share decreased from 11.2 HK cents to Loss per share of 6.9 HK cents in H1 FY2010.

- Net asset value dropped to 52.79 HK cents per share as at 30 September 2009 vs 59.24 HK cents per share as at 31 March 2009.

INTERIM RESULTS

The board of directors (the "Board") of Sincere Watch (Hong Kong) Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2009 (the "Period"), together with the unaudited comparative figures for the corresponding six months ended 30 September 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group reported a weaker performance for the six months ended 30 September 2009.

Gross margins softened to 21.3% compared to 34.9% in the same period in the last financial year. The lower gross margins were achieved on the back of lower gross profit of HK$34,993,000 and weaker sales which fell 43.4% to HK$164,304,000 compared to HK$290,081,000 in the corresponding period last year. The decline in sales was mainly due to the soft demand for the Group's timepieces from its distribution network across its key geographical territories.

As a result of the lower turnover and margins, the Group reported a net loss of HK$27,962,000. The net loss reflected the challenging market conditions brought on by the global financial crisis, higher provisions for slow moving inventories as well as the impact of realised and unrealised foreign exchange losses. More than half or 66.5% of the net loss was attributed to the impact of the realised and unrealised foreign exchange losses which amounted to HK$18,595,000 of which, HK$14,864,000 or 80% are non-cash unrealised foreign exchange loss. In the corresponding period in the past financial year, the Group recorded HK$36,183,000 in realised and unrealised foreign exchange gains.

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.

Excluding the realised and unrealised exchange differences, the Group's net loss was HK$9,367,000 for the period ended 30 September 2009.

Of all its markets, its performance in the PRC market (consisting of Macau, Beijing & Shanghai) recorded the least impact in revenue decline, as sales in the territory eased about 36% to HK$41,209,000 from HK$64,284,000 in the period under review. Sales from Hong Kong also softened about 44% to HK$112,382,000 compared with HK$199,958,000 for the corresponding period last year. Sales from the other Asian territories experienced the steepest decline as revenue fell more than 58% from HK$25,839,000 to HK$10,713,000 in the period under review. The other Asian territories include Taiwan and Singapore.

This drop in revenue across the Group's key markets was mainly due to a decrease in consumer confidence and spending during the period of economic uncertainty in the last six months.

With the lower sales and stringent cost management policies adopted by the Group, operating expenses fell 41.6% in the period under review from HK$84,594,000 to HK$49,381,000. The fall in selling and distribution costs was due to a streamlining of promotional and marketing activities held during the period. Administrative expenses comprised mainly rentals, depreciation and staff costs. The decrease in administration expenses was mainly due to reduced directors' remuneration and other staff costs.

Earnings per share decreased from 11.2 HK cents in H1 FY2009 to loss per share of 6.9 HK cents in H1 FY2010. Net asset value dropped to 52.79 HK cents per share as at 30 September 2009 vs 59.24 HK cents per share as at 31 March 2009.

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, CVSTOS, Pierre Kunz and European Company Watch. 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 brands 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 2009, the Group has eleven mono-brand boutiques – five in Hong Kong, two in Macau, three in the PRC and one in Taiwan, retailing under the brands of Franck Muller and de GRISOGONO.

Despite the significant challenges of softer consumer demand in the past months, the Group remained focused on niche marketing activities to promote the key brands under its portfolio. This included unique events in China – one of the world's fastest growing markets for luxury watches – such as the special two-day media event in Beijing and Shanghai in September 2009 to unveil Franck Muller's exquisite Heart Collection and the Lady's Tourbillon. The Group held a special event in Beijing at the upmarket Maison Bolud Restaurant and another media launch at the fabulous Laris Shanghai. Several watch collectors, watch connoisseurs and members of the media attended this impressive event.

The Group also persisted in introducing new limited watch collections such as the Grand Prix Racing Conguistador which was unveiled at the Singapore F1 Race in September 2009. The Group also organized media introductions of new watch collections in the PRC and Taiwan.

Its most recent effort on 18 September 2009, included a promotional cocktail-dinner event held in conjunction with iW – the International Watch magazine – and Volkswagen in Wanchai Hong Kong – where guests were treated to a dinner and a special hands-on watch appreciation session. More than 30 guests including watch collectors, VIPs from Volkswagon and the media attended the innovative event.

As part of its promotional efforts for their exclusive luxury brand de GRISOGONO, the Group held an exclusive event for VIP Hong Kong golfers at the de GRISOGONO boutique in IFC Mall, Hong Kong in June 2009. Most recently, the Group treated VIPs to an exhibition and dinner at its IFC Mall boutique with de GRISOGONO's President and Founder, Mr. Fawaz Gruosi, presenting their latest exquisite watch and jewellery creations in November 2009.

The Group continued to strengthen its key brands and promoted greater horological knowledge among watch collectors with exciting co-branding/cross marketing activities with leading global brand names.

The Group currently has a network of 44 luxury watch retail outlets run by 23 independent watch dealers in Hong Kong, Macau, the PRC and Taiwan. In the last six months, the Group continued to expand its network of boutiques although at a more cautious pace, with the opening of a new Franck Muller boutique in Kunming, China in July 2009. With this latest addition, the Group now has 11 mono-brand boutiques.

Prospects

The global economic downturn in the past six months resulted in weakened discretionary spending on luxury watches as evidenced by a 26% contraction in the total value of Swiss watch exports in the past six months.

However, there are currently encouraging signs of a global recovery. Business sentiment has improved and Asian markets are expected to lead global economic growth. The Group's immediate holding company, Sincere Watch Limited, is now controlled by a consortium of investors including Triple A Enterprises Pte Ltd (which is owned by Mr. Tay Liam Wee, the CEO and Managing Director of Sincere Watch Limited), Standard Chartered Private Equity Limited, L Capital Sincere Cayman Limited (a member of the world's top luxury group – LVMH) and a group of banks. With the resources of this global consortium and in the light of the improved outlook, the Group is optimistic of its prospects in the coming months.

The Group will continue to strengthen its brand portfolio and enhance key marketing and branding activities. Following the recent launch of the ultra-luxe Franck Muller Monaco Fair held from 6-8 November 2009, there are plans for more exclusive Franck Muller activities in Shanghai as well as Taiwan.

The Group remains gearing-free and will continue to exercise prudence in expenditure, to conserve capital, and improve our operations to enhance positive cash flows while on the lookout for strategic expansion opportunities. With signs of an economic upturn and the rise in consumer confidence in the third quarter of 2009, the Group believes that its strong branding, established reputation and sound financial fundamentals will bolster its position in the coming months.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 September 2009, the Group maintained healthy financial position with cash and bank deposits of HK$68,529,000, pledged bank deposit of HK$6,900,000 and no outstanding bank loan.

The Group generally finances its operations and investing activities with internally generated cash flows. As at 30 September 2009, the Group's unaudited net current asset amounted to HK$175,782,000 (31 March 2009: HK$202,790,000) and did not have any bank borrowings (31 March 2009: 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 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 loss of approximately HK$3,731,000 in the current period as compared to a gain of HK$10,722,000 for the corresponding period last year. In addition, the Group had unrealised exchange loss of approximately HK$14,864,000 in the current period while unrealised exchange gain of approximately HK$25,461,000 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 had a pledged bank deposit of HK$6,900,000 as at 30 September 2009 (31 March 2009: HK$6,900,000) to secure undrawn banking facilities.

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 2009.

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 September 2009 (31 March 2009: Nil).

STAFF AND EMPLOYMENT

As at 30 September 2009, the Group employed a total work force of 65 staff including Directors (31 March 2009: 68). 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 2009, 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 Issuers, 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 corporation
Tay Liam Wee	Peace Mark (Holdings) Limited *(Note 1)*	Interest of a controlled corporation *(Note 2)*	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 2009, 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 2009, 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")	Interest of a controlled corporation *(Note 4)*	306,000,000 (L)	75%
Chau Cham Wong, Patrick	Personal interest and interest of controlled corporations *(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	27,408,000 (L)	6.72%
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 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 by virtue of (i) his personal interest in 6.63% of the issued share capital of Peace Mark , (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, and (iii) his deemed interest in 3.83% of the personal and corporate interests of Mr. Leung Yung in Peace Mark 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 by virtue of (i) his personal interest in 1.57% of the issued share capital of Peace Mark, (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, (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, and (iv) his deemed interest in 6.63% of the personal interest of Mr. Chau Cham Wong, Patrick in Peace Mark 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 2009.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES AND MODEL CODE

Throughout the six months ended 30 September 2009, 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, except for the following deviation:

Code Provision A.5.1

Under the code provision, every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development as is necessary, to ensure that he has a proper understanding of the operations and business of the issuer and that he is fully aware of his responsibilities under statute and common law, the Exchange Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the issuer.

The Company appointed two Non-executive Directors on 16 April 2009 and had not met the requirements of the Code Provision A.5.1 upon their appointments. The two Non-executive Directors are respectively the Provisional Liquidator of Peace Mark (Holdings) Limited ("Peace Mark"), the then ultimate holding company of the Company and a listed company on the Stock Exchange, and a Senior Colleague of the Provisional Liquidator. While the principal business of Peace Mark was similar in nature to that of the Company and in view of the knowledge gained by the two Non-executive Directors while handling matters relating to Peace Mark and given both the Provisional Liquidator and his Senior Colleague are experienced in matters of Corporate Governance, the Company considers that the induction and briefing can be dispensed with.

The Company has adopted the Model Code set out in Appendix 10 (the "Model Code") 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 2009, 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 2009.

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 2009.

By order of the Board
Tay Liam Wee
Chairman

Hong Kong, 24 November 2009

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2009

	Notes	For the Six months ended 30 September 2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000
Turnover	3	**164,304**	290,081
Cost of sales		**(129,311)**	(188,980)
Gross profit		**34,993**	101,101
Other Income		**447**	2,204
Selling and distribution costs	12	**(6,935)**	(28,549)
General and administrative expenses	13	**(42,446)**	(56,045)
(Loss)profit before taxation and exchange (losses)gains		**(13,941)**	18,711
Realised exchange (loss)gain		**(3,731)**	10,722
Unrealised exchange (loss)gain		**(14,864)**	25,461
(Loss)profit before taxation	4	**(32,536)**	54,894
Income tax credit(expense)	5	**4,574**	(9,106)
(Loss)profit for the Period		**(27,962)**	45,788
(Loss)earnings per share – basic	7	**(6.9) HK cents**	11.2 HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2009

	For the Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss)profit for the Period	**(27,962)**	45,788
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**1,619**	(2,103)
Total comprehensive(loss) income for the period	**(26,343)**	43,685
Total comprehensive(loss) income attributable to:		
Owners of the Company	**(26,343)**	43,685

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 September 2009 (Unaudited) *HK$'000***	31 March 2009 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment	*8*	**10,014**	14,011
Intangible assets		**9,903**	10,556
Deferred tax assets		**21,025**	16,160
		40,942	40,727
Current assets			
Inventories		**252,683**	326,396
Trade and other receivables	*9*	**74,688**	44,754
Amount due from immediate holding company		**227**	–
Taxation recoverable		**195**	248
Pledged bank deposits		**6,900**	6,900
Bank balances and cash		**68,529**	77,569
		403,222	455,867
Current liabilities			
Trade and other payables	*10*	**214,725**	243,384
Amount due to immediate holding company		**–**	118
Amount due to fellow subsidiaries		**5,573**	1,142
Taxation payable		**7,142**	8,433
		227,440	253,077
Net current assets		**175,782**	202,790
Total assets less current liabilities		**216,724**	243,517
Non-current liability			
Deferred tax liability		**1,350**	1,800
		215,374	241,717
Capital and reserves			
Share capital		**40,800**	40,800
Reserves		**174,574**	200,917
Equity attributable to owners of the Company		**215,374**	241,717

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2009

	Attributable to owners of the Company					
	Share Capital	Share Premium	Special Reserve	Translation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2009	**40,800**	**59,546**	**801**	**(1,052)**	**141,622**	**241,717**
Exchange difference arising from translation of financial statements of foreign operations recognised directly in equity	**–**	**–**	**–**	**1,619**	**–**	**1,619**
Loss for the period	**–**	**–**	**–**	**–**	**(27,962)**	**(27,962)**
At 30 September 2009 (unaudited)	**40,800**	**59,546**	**801**	**567**	**113,660**	**215,374**
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)	40,800	59,546	801	245	146,045	247,437

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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 September 2009

	For the Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash outflow from operating activities	**(8,046)**	(64,877)
Net cash used in investing activities	**(994)**	(6,962)
Net cash used in financing activities	**–**	(20,400)
Net decrease in cash and cash equivalents	**(9,040)**	(92,239)
Cash and cash equivalents at the beginning of the Period	**77,569**	214,228
Cash and cash equivalents at the end of the Period	**68,529**	121,989

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.

The Company's ultimate holding company is Sincere Holdings Limited, a company controlled by a consortium of investors comprising Triple A Enterprises Pte Ltd. ("TAEPL") (a company owned by Mr. Tay Liam Wee who is also a director in TAEPL as well as the Chief Executive Officer and Managing Director of Sincere Watch Limited), Standard Chartered Private Equity Limited, L Capital Sincere Cayman Ltd., ABN AMRO Bank N.V., Hong Kong Branch, BNP Paribas, Hong Kong Branch, ING Bank N.V., Hong Kong Branch and TC Capital Advisory Ltd. 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 the historical cost basis. The principal accounting policies 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 2009 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for the Group's financial year beginning on 1 April 2009.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 "Operating segments" is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3). The adoption of the new and revised HKFRSs had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on after 1 July 2009. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was geographical segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

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.

For management purposes, the Group is currently organised into three geographical segments – Hong Kong, PRC Other than Hong Kong and Other Asian locations. These segments are the basis on which the Group reports its segment information.

Segment profit represents the profit earned by each segment without allocation of selling and distribution and administrative expenses. This is the measure reported to the Group's chief operating decision maker, for the purposes of resource allocation and performance assessment.

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 2009

	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	112,382	41,209	10,713	164,304
RESULT				
Segment results	14,597	17,104	3,292	34,993
Unallocated expenses				(67,975)
Unallocated income				447
Loss before taxation				(32,535)
Income tax credit				4,573
Loss for the period attributable to owners of the Company				(27,962)

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	199,958	64,284	25,839	290,081
RESULT				
Segment results	55,950	35,844	9,307	101,101
Unallocated expenses				(48,411)
Unallocated income				2,204
Profit before taxation				54,894
Income tax expense				(9,106)
Profit for the period attributable to owners of the Company				45,788

4. (LOSS)PROFIT BEFORE TAXATION

	For the Six months ended 30 September **2009** **(Unaudited)** ***HK$'000***	2008 (Unaudited) *HK$'000*
(Loss)profit before taxation has been arrived at after charging:		
Directors' remuneration	**3,707**	11,706
Other staff costs	**7,144**	10,637
Other staff's retirement benefits scheme contributions	**163**	218
Total staff costs	**11,014**	22,561
Allowances for inventories	**26,022**	5,361
Amortisation of intangible assets (included in general and administrative expenses)	**653**	654
Depreciation of property, plant and equipment	**5,063**	5,082
Minimum lease payments in respect of rented Premises	**20,793**	19,247
and after crediting:		
Reversal of allowance for doubtful debts	**–**	1,945

5. **INCOME TAX (CREDIT) EXPENSE**

	For the Six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
Hong Kong Profits Tax	**–**	8,914
Tax in other jurisdictions	**589**	1,936
	589	10,850
Deferred tax	**(5,163)**	(1,744)
	(4,574)	9,106

The provision for Hong Kong Profits Tax is calculated at 16.5% (30 September 2008: 16.5%) 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 2009 (30 September 2008: Nil).

No final dividend for the year ended 31 March 2009 was declared and paid during the Period. (2008: HK$20,400,000 was paid in respect of the year ended 31 March 2008.)

7. **(LOSS)EARNINGS PER SHARE**

The calculation of basic (loss)earnings per share is based on the Loss for the Period of HK$27,962,000 (30 September 2008: Profit HK$45,788,000) and on the number of 408,000,000 shares (30 September 2008: 408,000,000 shares) that have been in issue throughout the Period.

8. **MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT**

During the period, the Company spent approximately HK$1,000,000 (30 September 2008: HK$7,182,000) on acquisition of property, plant and equipment.

9. **TRADE AND OTHER RECEIVABLES**

	30 September 2009	31 March 2009
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables	**53,724**	27,709
Other receivables	**20,964**	17,045
	74,688	44,754
The following is an aged analysis of trade receivables:		
Within 30 days	**19,540**	11,004
31-90 days	**34,184**	15,107
91-120 days	**–**	1,443
Over 120 days	**484**	639
	54,208	28,193
Allowance for doubtful debts	**(484)**	(484)
	53,724	27,709

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

10. TRADE AND OTHER PAYABLES

	30 September 2009 (Unaudited) *HK$'000*	31 March 2009 (Audited) *HK$'000*
Trade payables	**172,918**	207,520
Other payables	**41,807**	35,864
	214,725	243,384
The following is an aged analysis of trade payables:		
Within 90 days	**24,626**	12,224
91-365 days	**93,663**	166,585
Over 365 days	**54,629**	28,711
	172,918	207,520

The amount of trade payables above includes HK$172,279,000 (31 March 2009: HK$207,384,000) and HK$630,000 (31 March 2009: HK$132,000) which are denominated in Swiss Franc and Euro respectively.

11. RELATED PARTY TRANSACTIONS

(a) Transaction

During the Period, the Group had HK$4,635,000 (30 September 2008: HK$6,057,000) purchases from a fellow subsidiary and HK$425,000 (30 September 2008: Nil) sales to immediate holding company.

(b) Compensation of key management personnel

The remuneration of Directors during the Period was as follows:

	For the Six months ended 30 September	
	2009 (Unaudited) *HK$'000*	2008 (Unaudited) *HK$'000*
Directors' remuneration	**3,707**	11,706

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 decrease in selling and distribution costs was due to less promotional and marketing activities held during the period.

13. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised mainly rentals, depreciation and staff costs. The decrease in General and administrative expenses was mainly due to the reduced directors' remuneration and other staff costs.