Sincere Watch (Hong Kong) Limited

INTERIM REPORT 2011 中期報告

Stock Code 股份編號 : 00444

(incorporated in the Cayman Islands with limited liability)

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. TAY Liam Wee *(Executive Chairman)*
Mr. CHAU Kwok Fun, Kevin
(Executive 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

NOMINATION COMMITTEE

Mr. LAM Man Bun, Alan *(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

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 5402-03, 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

HSBC Trustee (Cayman) Limited
P.O. Box 484
HSBC House
68 West Bay Road
Grand Cayman
Cayman Islands
KY1-1106

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

The Hong Kong and Shanghai
Banking Corporation Limited
Malayan Banking Berhad,
Hong Kong Branch
Standard Chartered Bank
(Hong Kong) Limited

FINANCIAL HIGHLIGHTS

- Turnover for the six months ended 30 September 2011 (H1 FY2012) increased by 56.4% to HK$637,125,000 when compared with HK$407,344,000 for the corresponding period of last year (H1 FY2011).

- Gross margin increased to 30.9% from 29.2%. Gross profit for the six months ended 30 September 2011 increased by 65.5% to HK$197,159,000 from HK$119,099,000.

- Profit after taxation for the six months ended 30 September 2011 increased to HK$60,934,000 from HK$33,014,000.

- Return on net assets increased to 17.1% for H1 FY2012 from 12.1% for H1 FY2011.

- Earnings per share increased to 14.9 HK cents in H1 FY2012 from 8.1 HK cents in H1 FY2011.

- Net asset value increased to 87.44 HK cents per share as at 30 September 2011 vs 78.87 HK cents per share as at 31 March 2011.

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 2011 (the "Period"), together with the unaudited comparative figures for the corresponding six months ended 30 September 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group achieved exceptional progress for the six months ended 30 September 2011 with Group sales surging 56.4% to HK$637.1 million from HK$407.3 million over the same period last year. The revenue brought in during the period under review was about 78% of the total sales of the full year ended 31 March 2011. The surge in sales was due to the continued strong market evident since the start of the year.

Gross profit also leapt by 65.5% to HK$197.2 million from HK$119.1 million over the same period last year. The gross margin improved to 30.9% from 29.2%.

The Group's profit before tax shot up by 87.8% to HK$73.8 million from HK$39.3 million in the same period last year. This was achieved despite higher realised foreign exchange losses incurred in the current half year. The Group reported a realised foreign exchange loss of HK$21.4 million against a realised foreign exchange gain of HK$7.4 million in the same period last year.

The realised foreign exchange loss was offset partially by the unrealised foreign exchange gain of HK$6 million in the current period, against an unrealised foreign exchange loss of HK$23.7 million in the corresponding period last year.

Spurred by the surge in revenue and improved margins, the Group reported a record interim net profit of HK$60.9 million up 84.6% from HK$33.0 million in the same period of the last financial year.

The net profit in the current half year is already 77.3% of the total net profit for the full year ended 31 March 2011.

Excluding the realised and unrealised exchange differences and gain/loss from changes in fair value of financial assets, the Group's profit before tax was HK$105.9 million – up 127.4% from HK$46.6 million for the six months ended 30 September 2010.

Unrealised 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.

Selling and distribution expenses increased mainly due to higher commission and increased promotional and marketing activities during the Period. General and Administrative expenses also went up mainly due to increased Directors' remuneration, other staff costs and rents.

The positive performance of the Group reflected the sustained robust growth momentum for luxury products in Asia, particularly China and Hong Kong, which are among the biggest markets for luxury goods in Asia.

Group Net Asset Value ("NAV") per share rose by about 30.3% to 87.4 HK cents as at 30 September 2011 from 67.1 HK cents as at 30 September 2010. The NAV per share as at 31 March 2011 was 78.9 HK cents.

Group earnings per share ("EPS") for the first six months ended 30 September 2011 also shot up by 84% to 14.9 HK cents a share from 8.1 HK cents in the same period last year. The Group's EPS for the full year ended 31 March 2011 was 19.3 HK cents.

Performance by Geographical markets

All markets performed well and turned in higher revenue and profit.

Hong Kong

Hong Kong continues to be the Group's major market, taking up 71.7% of the Group's revenue in the six months ended 30 September 2011. Performance in this market recorded robust growth in revenue. Sales leapt HK$137.3 million or 42.9% to HK$457.0 million from HK$319.7 million in the previous period.

PRC other than Hong Kong

PRC and Macau accounted for about 23.7% of the Group's revenue in the six months ended 30 September 2011. Sales in this region showed the strongest increase, soaring 125.2% to HK$150.9 million from HK$67.0 million, compared to the same period last year.

This region performed strongly as China's demand for luxury watches continued to accelerate in the last six months.

Other Asian markets

The Group's other Asian territories (i.e. Taiwan) also delivered a solid performance.

Revenue grew to HK$29.2 million up 41.6% from HK$20.6 million in the previous corresponding period.

While its sales increased, this region's contribution to the Group's overall revenue has dipped to about 4.6% from 5.1% of Group total revenue in the same period last year.

Sales in Taiwan were driven by sustained demand for luxury watches and new watch models launched by Franck Muller during the period under review.

BUSINESS REVIEW

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

The Group has consistently embarked on niche marketing initiatives to drive home the wow factor of its global watch brands and to delight its customers. This included several unique events in our key markets – which rank amongst the world's fastest growing markets for luxury watches.

Distribution network and market penetration

The Group has grown its extensive distribution network in the period under review to 51 retail points of sales and 9 boutiques making a total of 60 points (up from 46 in the previous corresponding period). A new boutique in Beijing, China was added in August 2011. To improve the Group's business in Taiwan, our Franck Muller Boutique at the Taipei Regent Shopping Mall was relocated to a larger unit within the mall. We increased presence in our distribution network in all markets – China, Hong Kong, Macau, and Taiwan.

The 51 watch retail outlets in the region are run by 28 independent watch dealers throughout our key markets in North Asia.

During the period under review, the Group played an active role in the opening of new retail points of sales in Hong Kong, Taiwan and worked closely with our strategic partner for China to expand the network in that market. These include the opening of the Franck Muller Boutique in Beijing located at China World Trade Center III. New points of sales were added in Hong Kong through Elegant Jewellery Holding Ltd, Chow Tai Fook Jewellery Co. Ltd, Prince Jewellery & Watch Co., in Macau through Chow Tai Fook Jewellery Co. Ltd, and in Taiwan through Yung Hsin Watch Co., Ltd..

In China, new distribution "points of sales" were opened in the cities of Shenzhen, Suzhou, Dalian and Beijing.

Brand enhancement activities

Creating and sustaining brand value among our discerning customers is a key priority for the Group. As such, we have undertaken several unique events to reinforce our brand leadership with the introduction of new point of sales displays, product imagery and focused product placements in relevant media.

Following the Franck Muller Group's successful World Presentation of Haute Horlogerie & Jewellery in Monaco in 2010, the Franck Muller Group held an exclusive watch and jewellery event – the WPHH Monaco novelties presentation at the end of September 2011, which was enthusiastically received by our top clients and regional media. Some of the Group's brands which were exhibited at the event included Backes & Strauss, CVSTOS, Barthelay, Pierre Michel Golay and Pierre Kunz.

The Group also organised exclusive Franck Muller events for retailers in Shenzhen, Dalian and Shenyang. They were held in different elite venues at each of these cities befitting the luxurious and contemporary image of the brand. During these events, the Franck Muller collection and novelties were unveiled amidst the signature ambience of the brand's DNA.

In the first half of this financial year, the Group launched some of the most innovative and most coveted collections from the brand Franck Muller, including:

– The Grand Prix Conquistador, a unique sport luxe watch;

– The Mariner Chronograph appealing to the sailing enthusiasts;

– The Skeleton Tourbillion Collection and the Double Mystery Tourbillion, masterpieces for watch connosieurs.

Prospects

Asia continues to power ahead in the global luxury industry.

According to the report on Asia-Pacific Markets by Credit Lyonnais Securities Asia ("CLSA"), China will become the world's largest market for luxury goods over the next decade.

CLSA has forecast demand for luxury goods and travel from Greater China to account for 44% of global sales by 2020, up from 15% today. With an estimated annual growth rate of 23%, China will become the world's largest domestic market for luxury goods, worth €74 billion or 0.6% of the country's total GDP, over the next decade.

The latest figures from the Federation of the Swiss Watch Industry continued to support Asia's eminent position as the main engine of growth for the Swiss watch industry.

According to its latest September 2011 statistics, Hong Kong and China rank among the top three countries for Swiss watches. Hong Kong retained its top spot while China took the third spot – just behind the US, which was the world's second largest market for Swiss Watches. For the first nine months of 2011, Hong Kong's import of Swiss watches of more than CHF2.78 billion was nearly twice that of the US (which registered only CHF1.4 billion).

In line with the upbeat forecast, we expect the Group's performance to continue to reap the benefits from the fast pace of luxury consumption in Asia, particularly in China and Hong Kong, our two largest markets. Plans are already in progress to open more distribution outlets in China with at least six to eight new retail points of sale in the coming months.

We will also continue to build on the strength of our brands and nurture the talent of our teams to further extend our leadership position in all our core markets and ultimately enhance value to our shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 September 2011, the Group has strengthened its financial position. The Group has maintained a strong cash balance, with cash and bank balance rising 35.2% to HK$396.6 million from HK$293.4 million as at 31 March 2011. Compared to its cash balance of HK$273.3 million as at 30 September 2010, the increase was even higher – 45.1%. The Group remains debt free, with no outstanding bank loans.

The Group finances its operations and investing activities with internally generated cash flows. As at 30 September 2011, the Group's net current asset rose 11.6% to HK$319.8 million from HK$286.5 million as at 31 March 2011. This is also a 36.9% improvement compared to HK$233.6 million recorded on 30 September 2010. 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 is mainly denominated in Hong Kong Dollars and the Group has adequate recurring cash flow to meet the working capital needs.

The Group recorded a realised exchange loss of HK$21.4 million in H1 FY2012 compared to a realised gain of HK$7.4 million in H1 FY2011. In addition, the Group registered an unrealised exchange gain of about HK$6.0 million in H1 FY2012 against an unrealised exchange loss of about HK$23.7 million for H1 FY2011. Besides, in H1 FY2012 the Group recorded HK$16.6 million loss from changes in fair value of financial assets designated as at fair value through profit or loss, which represents the "mark-to-market" loss on foreign currency forward contracts against HK$9.1 million gain for H1 FY2011.

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

CHARGE ON ASSETS

The Group did not have any charge on its assets as at 30 September 2011 (31 March 2011: Nil).

SIGNIFICANT ACQUISITION OF SUBSIDIARY

No significant acquisition of subsidiary was made for 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 2011.

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 September 2011 (31 March 2011: Nil).

STAFF AND EMPLOYMENT

As at 30 September 2011, the Group's work force stood at 85 including Directors (31 March 2011: 73). The increase was mainly due to the need for more staff to support higher sales. Employees were paid at market rates with discretionary bonus and medical benefits and covered under the mandatory provident fund scheme.

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

DIRECTORS' INTERESTS IN SHARES

At 30 September 2011, 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 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.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2011, the following persons (other than the interests disclosed above in respect of Directors or chief executives of the Company) had interests in the share capital of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	**Capacity**	**Number of shares held** *(Note 1)*	**Percentage of shareholding in the Company**
Sincere Watch Limited ("SWL")	Beneficial owner *(Note 2)*	306,000,000 (L)	75%
Sincere Holdings Limited	Interest of a controlled corporation *(Note 3)*	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. Sincere Holdings 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.

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 2011.

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.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 (the "Model Code") to the Listing Rules as the code of conduct regarding Directors' securities transactions during the Period. Having made specific enquiry of all Directors, all Directors confirmed that during the Period, they 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 2011.

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 2011.

By order of the Board
Tay Liam Wee
Executive Chairman

23 November 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

		For the six months ended 30 September	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**637,125**	407,344
Cost of sales		**(439,966)**	(288,245)
Gross profit		**197,159**	119,099
Other income		**17**	499
Selling and distribution costs	*12*	**(28,088)**	(18,163)
General and administrative expenses	*13*	**(63,233)**	(54,876)
Profit before taxation and exchange (losses) gains		**105,855**	46,559
Realised exchange (loss) gain		**(21,429)**	7,397
Unrealised exchange gain (loss)		**6,012**	(23,693)
(Loss) Gain from changes in fair value of financial assets designated as at fair value through profit or loss		**(16,591)**	9,064
Profit before taxation		**73,847**	39,327
Income tax expense	*4*	**(12,913)**	(6,313)
Profit for the Period, attributable to owners of the Company	*5*	**60,934**	33,014
Other comprehensive income			
Exchange differences on translation of foreign operations		**(1,515)**	518
Total comprehensive income for the Period, attributable to owners of the Company		**59,419**	33,532
Earnings per share – basic	*7*	**14.9 HK cents**	8.1 HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 September 2011 (Unaudited) *HK$'000***	31 March 2011 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment	*8*	**13,071**	8,199
Intangible assets		**8,092**	8,092
Deferred tax assets		**15,809**	19,057
		36,972	35,348
Current assets			
Inventories		**318,080**	272,854
Trade and other receivables	*9*	**173,801**	159,749
Amount due from a fellow subsidiary		**–**	5
Bank balances and cash		**396,576**	293,414
		888,457	726,022
Current liabilities			
Trade and other payables	*10*	**552,252**	431,736
Amount due to immediate holding company		**323**	188
Amount due to a fellow subsidiary		**1,297**	536
Taxation payable		**14,816**	7,108
		568,688	439,568
Net current assets		**319,769**	286,454
Total assets less current liabilities		**356,741**	321,802
Non-current liability			
Deferred tax liability		**–**	–
Net assets		**356,741**	321,802
Capital and reserves			
Share capital		**40,800**	40,800
Reserves		**315,941**	281,002
Equity attributable to owners of the Company		**356,741**	321,802

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Attributable to owners of the Company					
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Special reserve** *HK$'000*	**Translation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
At 1 April 2011	40,800	59,546	801	3,593	217,062	321,802
2011 Dividend paid	–	–	–	–	(24,480)	(24,480)
Exchange difference arising from translation of financial statements of foreign operations recognised directly in equity	–	–	–	(1,515)	–	(1,515)
Profit for the period	–	–	–	–	60,934	60,934
At 30 September 2011 (unaudited)	**40,800**	**59,546**	**801**	**2,078**	**253,516**	**356,741**
At 1 April 2010	40,800	59,546	801	827	146,407	248,381
2010 Dividend paid	–	–	–	–	(8,160)	(8,160)
Exchange difference arising from translation of financial statements of foreign operations recognised directly in equity	–	–	–	518	–	518
Profit for the period	–	–	–	–	33,014	33,014
At 30 September 2010 (unaudited)	**40,800**	**59,546**	**801**	**1,345**	**171,261**	**273,753**

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 2011

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**135,975**	183,580
Net cash used in investing activities	**(8,333)**	(4,198)
Net cash used in financing activities	**(24,480)**	(8,160)
Net increase in cash and cash equivalents	**103,162**	171,222
Cash and cash equivalents at the beginning of the period	**293,414**	102,121
Cash and cash equivalents at the end of the period	**396,576**	273,343

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, ("SHL"), a company incorporated in the Cayman Islands and controlled by a consortium of investors. The Company's immediate holding company is Sincere Watch Limited ("SWL"), 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 2011.

The Group has not early applied the new and revised HKASs, HKFRSs amendments and interpretations (hereinafter collectively referred to as "new and revised HKFRSs") that have been issued but are not yet effective.

The Directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the Executive Directors that are used to allocate resources and assess performance, which are analysed based on geographic locations of the sales. The Group has only one business segment which is the trading of watches.

Segment results represents the profit before taxation earned by each segment and excluding unallocated other income and unallocated corporate expenses such as central administration costs, selling and distribution costs, exchange gain or loss and directors' salaries. This is the measure reported to the Executive Directors for the purpose of resource allocation and assessment of segment performance.

The Group's principal activity is distribution of branded luxury watches, timepieces and accessories.

An analysis of the Group's turnover and results by operating segment is as follows:

For the six months ended 30 September 2011

	Hong Kong (Unaudited) *HK$'000*	PRC other than Hong Kong (Unaudited) *HK$'000*	Other Asian locations (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
REVENUE				
External Sales	**457,000**	**150,888**	**29,237**	**637,125**
RESULT				
Segment results	**141,153**	**44,263**	**11,743**	**197,159**
Unallocated expenses				**(123,329)**
Unallocated income				**17**
Profit before taxation				**73,847**

For the six months ended 30 September 2010

	Hong Kong (Unaudited) *HK$'000*	PRC other than Hong Kong (Unaudited) *HK$'000*	Other Asian locations (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
REVENUE				
External Sales	319,714	66,987	20,643	407,344
RESULT				
Segment results	89,804	23,236	6,059	119,099
Unallocated expenses				(80,271)
Unallocated income				499
Profit before taxation				39,327

4. INCOME TAX EXPENSE

	For the six months ended 30 September 2011 (Unaudited) *HK$'000*	2010 (Unaudited) *HK$'000*
The charge comprises:		
Current tax		
Hong Kong	**(6,234)**	(6,890)
Other jurisdictions	**(3,503)**	(939)
	(9,737)	(7,829)
Deferred tax	**(3,176)**	1,516
	(12,913)	(6,313)

Hong Kong Profits Tax is calculated at 16.5% (30 September 2010: 16.5%) of the estimated assessable profit for the Period. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

5. PROFIT FOR THE PERIOD

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the Period has been arrived at after charging:		
Directors' remuneration	**14,359**	10,242
Other staff costs	**12,373**	10,354
Other staff's retirement benefits scheme contributions	**222**	187
Total staff costs	**26,954**	20,783
(Reversal of)/Allowances for inventories (included in cost of sales)	**(13,033)**	9,084
Amortisation of intangible assets (included in general and administrative expenses)	**–**	653
Depreciation of property, plant and equipment	**3,469**	4,197
Minimum lease payments in respect of rented Premises	**24,044**	21,470

6. DIVIDEND

The Board has resolved not to declare the payment of any interim dividend for the six months ended 30 September 2011 (30 September 2010: nil).

Final dividend for the year ended 31 March 2011 amounting to HK$24,480,000 was approved by the shareholders at the annual general meeting held on 19 September 2011 and was paid during the Period. (2010: HK$8,160,000 was paid in respect of the year ended 31 March 2010.)

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the Period attributable to owners of the Company of HK$60,934,000 (30 September 2010: HK$33,014,000) and on the number of 408,000,000 shares (30 September 2010: 408,000,000 shares) that were in issue throughout the Period.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the Period, the Company spent approximately HK$9,101,000 (30 September 2010: HK$4,234,000) on acquisition of property, plant and equipment.

9. TRADE AND OTHER RECEIVABLES

	30 September 2011 (Unaudited) *HK$'000*	31 March 2011 (Audited) *HK$'000*
Trade receivables	**133,929**	129,637
Other receivables, deposits and prepayments	**39,872**	30,112
	173,801	159,749
The following is an aged analysis of trade receivables:		
Within 30 days	**72,410**	71,352
31-90 days	**53,159**	48,488
91-120 days	**–**	9,791
Over 120 days	**8,844**	490
	134,413	130,121
Allowance for doubtful debts	**(484)**	(484)
	133,929	129,637

The Group allows a credit period normally ranging from 30 to 90 days to its trade customers. The trade receivables that are past due at the end of each reporting period and the Group has not provided for impairment loss are subsequently recovered.

10. TRADE AND OTHER PAYABLES

	30 September 2011 (Unaudited) *HK$'000*	31 March 2011 (Audited) *HK$'000*
Trade payables	**442,921**	352,053
Other payables and accrued charges	**109,331**	79,683
	552,252	431,736
The following is an aged analysis of trade payables:		
Within 90 days	**170,916**	155,556
91-365 days	**237,217**	159,730
Over 365 days	**34,788**	36,767
	442,921	352,053

The amount of trade payables above includes HK$442,231,000 (31 March 2011: HK$351,810,000), HK$463,000 (31 March 2011: HK$231,000) and HK$86,000 (31 March 2011: nil) which are denominated in Swiss Franc, Euro and SGD respectively.

11. RELATED PARTY TRANSACTIONS

(a) Transaction

During the Period, the Group had HK$2,904,000 (30 September 2010: HK$4,065,000) purchases from a fellow subsidiary and nil (30 September 2010: 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	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Directors' Remuneration	**14,359**	10,242

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 mainly due to higher commission and increased 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 increase in general and administrative expenses was mainly due to the increased Directors' remuneration, other staff costs and rents.