



Sincere Watch (Hong Kong) Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code 股份編號 : 00444

Interim Report 2012 中期報告

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mrs. CHU Yuet Wah (*Chairman*)

Mr. CHU, Kingston Chun Ho

(*Vice Chairman and Managing Director*)

Independent Non-executive Directors

Mr. LAU Man Tak

Ms. LO Miu Sheung, Betty

Dr. WONG Yun Kuen

AUDIT COMMITTEE

Mr. LAU Man Tak (*Chairman*)

Ms. LO Miu Sheung, Betty

Dr. WONG Yun Kuen

REMUNERATION COMMITTEE

Dr. WONG Yun Kuen (*Chairman*)

Mr. LAU Man Tak

Ms. LO Miu Sheung, Betty

NOMINATION COMMITTEE

Ms. LO Miu Sheung, Betty (*Chairman*)

Mr. LAU Man Tak

Dr. WONG Yun Kuen

COMPANY SECRETARY

Mr. CHAN Kwong Leung, Eric *ACIS*

AUTHORISED REPRESENTATIVES

Mr. CHU, Kingston Chun Ho

Mr. CHAN Kwong Leung, Eric

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 5402-03, Central Plaza

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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

Standard Chartered Bank

(Hong Kong) Limited

FINANCIAL HIGHLIGHTS

- Turnover for the six months ended 30 September 2012 (H1 FY2013) decreased from HK\$637,125,000 to HK\$349,681,000 when compared with the corresponding period of last year (H1 FY2012).
- Gross margin increased from 30.9% to 38.4%. Gross profit for the six months ended 30 September 2012 decreased from HK\$197,159,000 to HK\$134,143,000.
- Profit after taxation for the six months ended 30 September 2012 decreased by 25.3% from HK\$60,934,000 to HK\$45,525,000.
- Earnings per share decreased from 14.9 HK cents in H1 FY2012 to 11.2 HK cents in H1 FY2013.
- Net asset value increased to 118.14 HK cents per share as at 30 September 2012 vs 106.92 HK cents per share as at 31 March 2012.

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 2012 (the “Period”), together with the unaudited comparative figures for the corresponding six months ended 30 September 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group’s sales for the six months ended 30 September 2012 decreased from HK\$637.1 million to HK\$349.7 million by 45.1% over the same period last year mainly attributable to the slowdown in the luxury retail market for fine watches during the review period.

Gross profit decreased from HK\$197.2 million to HK\$134.1 million by 32.0% over the same period last year. The gross margin improved from 30.9% to 38.4%.

The Group’s profit before tax decreased from HK\$73.8 million in the same period last year to HK\$52.7 million by 28.7%. The Group reported a realised foreign exchange loss of HK\$4.2 million and the loss was HK\$21.4 million in the same period last year.

The realised foreign exchange loss was offset partially by the unrealised foreign exchange gain of HK\$6.6 million in the current period, against an unrealised foreign exchange gain of HK\$6.0 million in the corresponding period last year. The loss on fair value change of derivative financial instruments for this period is HK\$1.3 million and it was HK\$16.6 million in the corresponding period last year.

The Group reported an interim net profit dropped 25.3% from HK\$60.9 million in the same period of the last financial year to HK\$45.5 million this year.

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 decreased mainly due to lower commission and decreased promotional and marketing activities during the Period. General and administrative expenses increased mainly due to increased depreciation and staff costs.

The Group's Net Asset Value ("NAV") per share rose from 87.44 HK cents as at 30 September 2011 to 118.14 HK cents as at 30 September 2012 by about 35.1%. The NAV per share as at 31 March 2012 was 106.92 HK cents.

The Group's earnings per share ("EPS") also dropped by 24.8% from 14.9 HK cents in the same period last year to 11.2 HK cents a share for the first six months ended 30 September 2012.

Performance by geographical markets

Hong Kong

Hong Kong continues to be the Group's major market, taking up 60.7% of the Group's revenue in the six months ended 30 September 2012. Performance in this market recorded a drop in revenue. Sales dropped from HK\$457.0 million in the previous period to HK\$212.3 million by 53.6%.

Mainland China and Macau

Mainland China and Macau accounted for about 31.1% of the Group's revenue in the first six months of the year ended 31 March 2013. Sales in this region also showed a decrease of 27.9% from HK\$150.9 million to HK\$108.8 million, compared with the same period last year.

Other Asian locations

Revenue from other Asian territories (i.e. Taiwan and Singapore) recorded a slight drop from HK\$29.2 million in the previous corresponding period to HK\$28.7 million.

Meanwhile, this region's contribution to the Group's overall revenue has increased from 4.6% to about 8.2% of the Group's total revenue in the same period last year.

BUSINESS REVIEW

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

The Group has consistently embarked on niche marketing initiatives to build the image and desirability of its global watch brands. This included several unique events in our key markets — which continue to 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 60 retail points of sales and 14 boutiques making a total of 74 points (up from 66 as at the end of March 2012). We increased presence in our distribution network in all markets — The PRC, Hong Kong, Macau, and Taiwan.

The 67 watch retail outlets in the region are run by 30 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, Macau, Taiwan and the PRC. These include the opening of the Franck Muller Boutique in Shenyang located at the new retail complex of Forum 66. New points of sales were added in Hong Kong through Canopus Asia Limited, Dickson Watch & Jewellery Co. Ltd. and DFS Hong Kong Limited, in Macau through Chow Tai Fook Jewellery Co. Ltd, in China through Hengdeli International Company Limited and Paragon Technology Development (Ningbo) Co., Ltd. and in Taiwan through Zong Chong Watch Co., Ltd.

In China, closer ties with Hengdeli Holdings Ltd. and Chow Tai Fook Jewellery Co. Ltd. will lead to the opening of prime retail locations throughout Mainland China.

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.

In July 2012, the Franck Muller Wynn Macau VIP Gala Dinner was hosted at the grand ballroom of the Wynn Macau with over 500 guests attending from all over Asia. The latest and most brilliant collections from the brand were displayed during the evening.

In what has become one of the most highly acknowledged watch exhibitions in the industry, WPHH Monaco 2012 was a resounding success to our Franck Muller partners and media alike. Other than Franck Muller, our other brands CVSTOS, Backes & Strauss and Pierre Kunz all displayed and exhibited their latest novelties. Partners of our brands were invited into the world of Swiss watch making excellence.

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 Phoenix Infinity collection;
- The Gold Croco collection;
- The Giga Tourbillon Round Skeleton.

PROSPECTS

Looking forward, the global markets are expected to continue to stabilise with the improving economic situation in Europe. With the leadership handover at the 18th Party Congress in China, happening in November 2012, the luxury retail outlook for the greater China region will also look to stabilise and recover from the recent slowdown.

The Group continues to pursue aggressive marketing and retail activities in the region, by working with strategic partners in each market. The Group is currently exploring options to open multiple locations within the large networks of Chow Tai Fook Jewellery Co. Ltd. and Hengdeli Int'l Co. Ltd. amongst others. This will give key brands within the Group prime locations, high visibility and strong retail networking. In Macau, the Group is in the process of opening new retail points within key retailers and malls throughout the city, and the Macau market will become a greater focus for the Group in the next period.

We anticipate the Group's performance to improve in the next six months with a rebound in the Hong Kong and Macau markets, and with the opening of new points of sale in China. The Group also remains debt free and will continue to exercise prudence in expenditure, to maximize the returns on capital, and improve the profit margins of the Group. With the continued strength of our brands, our established reputation and our proficient management team, we look 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 2012, the Group maintained a cash and bank balance of HK\$305.1 million. Compared to its cash balance of HK\$414.3 million as at 31 March 2012, the decrease was 26.4%. The Group remains debt free, with no outstanding bank loans.

The Group finances its operations and investing activities with internally generated cash flows. The Group's net current asset rose 10.1% from HK\$395.4 million as at 31 March 2012 to HK\$435.2 million as at 30 September 2012. This is also a 36.1% improvement compared to HK\$319.8 million recorded on 30 September 2011. 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\$4.2 million in H1 FY2013 compared with a realised exchange loss of HK\$21.4 million in H1 FY2012. In addition, the Group registered an unrealised exchange gain of about HK\$6.6 million in H1 FY2013 against HK\$6.0 million gain for H1 FY2012. Besides, in H1 FY2013 the Group recorded HK\$1.3 million loss on fair value change of derivative financial instruments, which represents the "mark-to-market" loss on foreign currency forward contract against HK\$16.6 million loss for H1 FY2012.

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 2012 (31 March 2012: 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 immediate plan for material investments and acquisition of material capital assets as at 30 September 2012.

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 September 2012 (31 March 2012: Nil).

STAFF AND EMPLOYMENT

As at 30 September 2012, the Group’s work force stood at 90 including Directors (31 March 2012: 86). The increase was mainly due to the need for more staff to better support the operations. 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.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES

At 30 September 2012, the interests or short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Name of director	Capacity	Number of shares held <i>(Note 1)</i>	Percentage of shareholding in the Company
Chu Yuet Wah	Interest of a controlled corporation <i>(Note 2)</i>	306,000,000 (L)	75%

Notes:

1. The letter "L" denotes the person's long position in the shares.
2. These shares were held by Sincere Watch Limited, which was wholly-owned by Be Bright Limited and Be Bright Limited was wholly-owned by Mrs. Chu Yuet Wah. Accordingly, Mrs. Chu Yuet Wah was deemed to be interested in these 306,000,000 shares of the Company by virtue of the SFO.

Save as disclosed above, none of the directors nor chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code and none of the directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the Period.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2012, 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 of shareholder	Capacity	Number of shares held <i>(Note 1)</i>	Percentage of shareholding in the Company
Sincere Watch Limited	Beneficial owner <i>(Note 2)</i>	306,000,000 (L)	75%
Be Bright Limited	Interest of a controlled corporation <i>(Note 3)</i>	306,000,000 (L)	75%

Notes:

1. The letter "L" denotes the person's long position in the shares.
2. These 306,000,000 shares of the Company were registered in the name of and beneficially owned by Sincere Watch Limited.
3. Be Bright Limited was deemed to be interested in the 306,000,000 shares of the Company as referred to in Note 2 above as it held the entire issued share capital of the Sincere Watch Limited.

Save 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 2012.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the Period, save for the following deviations.

In respect of code provision A.6.7 of the Corporate Governance Code, Mr. Chang Hoi Nam, an Independent Non-executive Director, had not attended the annual general meeting of the Company held on 18 September 2012 due to his other business engagement. Mr. Chang retired and had not offered himself for re-election as an Independent Non-executive Director at the aforesaid annual general meeting.

During the period from 19 June 2012 to 12 July 2012, the Company did not have a chairman and a chief executive. Due to the change in control of the Company after the Completion (as defined in the composite document of the Company dated 28 May 2012), the Board of the Company appointed three new members to the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee on 19 June 2012 to fill the vacancies left by then resigned Directors. Following their appointments, the new Nomination Committee members spent time to have the structure, size and composition of the Board reviewed. On 13 July 2012, the Board resolved to appoint Mrs. Chu Yuet Wah as the Chairman and Mr. Chu, Kingston Chun Ho as the Vice Chairman and Managing Director of the Company on the recommendations of the Nomination Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 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 2012.

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 2012.

MANDATORY CASH OFFER, PLACING AND PUBLIC FLOAT

On 21 February 2012, Sincere Holdings Limited as vendor, Be Bright Limited as offeror and Mrs. Chu Yuet Wah as guarantor entered into a Share Purchase Agreement ("SPA"), pursuant to which Be Bright Limited agreed to purchase and Sincere Holdings Limited agreed to sell and/or procure the sale of 100% of the issued share capital of the Company's immediate holding company, Sincere Watch Limited, subject to conditions and completion as more particularly disclosed in the joint announcement of the Company and Be Bright Limited dated 29 March 2012. Should the SPA be completed, Be Bright Limited will be obliged to make a mandatory cash offer for all the issued shares in the Company (other than those shares already owned by or agreed to be acquired by Be Bright Limited and parties acting in concert with it). The SPA was completed on 21 May 2012. Subsequent to the completion of the SPA, the mandatory cash offer ("Offer") commenced on 28 May 2012 and closed on 18 June 2012. Upon the close of the Offer, 41,440,900 shares, representing approximately 10.16% of the entire issued share capital of the Company, remain in public hands. On 27 June 2012, Be Bright Limited completed a placing of 60,559,100 shares ("Placing"), representing approximately 14.84% of the entire issued share capital of the Company to not less than six independent investors. Immediately after completion of the Placing, a total of 102,000,000 shares, representing 25% of the entire issued share capital of the Company, are held by the public. As such, the public float of the Company was restored to 25% of the issued share capital of the Company in compliance with Rule 8.08(1)(a) of the Listing Rules with effect from the completion of the Placing. Further details in relation to the above transactions are referred to, respectively, in the relevant announcements and circular of the Company published on the websites of the Stock Exchange and the Company.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to disclosure requirement under Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are set out below:

Name of Directors	Details of changes
Mrs. Chu Yuet Wah	Appointed as an Executive Director and the Chairman of the Company with effect from 29 May 2012 and 13 July 2012 respectively; appointed as the chairman and an executive director of Sincere Watch Limited (“SWL”), the immediate holding company of the Company, with effect from 21 May 2012; and appointed as the chairman/director of a number of subsidiaries of the Company.
Mr. Chu, Kingston Chun Ho	Appointed as an Executive Director and an Authorised Representative of the Company with effect from 29 May 2012 and 19 June 2012 respectively; appointed as the Vice Chairman and Managing Director of the Company with effect from 13 July 2012; appointed as the executive director of SWL with effect from 21 May 2012 and the vice chairman and managing director of SWL with effect from 25 October 2012; and appointed as the vice chairman/managing director/director of a number of subsidiaries of the Company.
Mr. Lau Man Tak	Appointed as an Independent Non-executive Director, the Chairman of the Audit Committee, Member of the Remuneration Committee and Member of the Nomination Committee of the Company with effect from 19 June 2012; appointed as an executive director and the chairman of Aurum Pacific (China) Group Limited, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange, with effect from 1 June 2012; retired as an executive director of China Grand Forestry Green Resources Group Limited, the shares of which are listed on the Main Board of the Stock Exchange, on 28 September 2012; and admitted as a fellow member of Hong Kong Institute of Directors in August 2012.
Ms. Lo Miu Sheung, Betty	Appointed as an Independent Non-executive Director, the Chairman of the Nomination Committee, Member of the Audit Committee and Member of the Remuneration Committee of the Company with effect from 19 June 2012.

Name of Directors	Details of changes
Dr. Wong Yun Kuen	Appointed as an Independent Non-executive Director, the Chairman of the Remuneration Committee, Member of the Audit Committee and Member of the Nomination Committee of the Company with effect from 18 September 2012 and resigned as an independent non-executive director of ZMAY Holdings Limited, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange, with effect from 21 September 2012.
Mr. Chang Hoi Nam	Appointed as an Independent Non-executive Director, the Chairman of the Remuneration Committee, Member of the Audit Committee and Member of the Nomination Committee of the Company with effect from 19 June 2012 and retired as an Independent Non-executive Director of the Company on 18 September 2012. Following his retirement, Mr. Chang ceased to act as the Chairman of the Remuneration Committee, Member of the Audit Committee and Member of the Nomination Committee of the Company with effect from 18 September 2012.
Mr. Tay Liam Wee	Resigned as an Executive Director and the Executive Chairman of the Company with effect from 19 June 2012.
Mr. Chau Kwok Fun, Kevin	Resigned as an Executive Director, the Executive Vice Chairman and an Authorised Representative of the Company with effect from 19 June 2012.
Ms. Tay Liam Wuan	Resigned as an Executive Director, the Chief Executive Officer and an Authorised Representative of the Company with effect from 19 June 2012.
Mr. John Howard Batchelor	Resigned as a Non-executive Director of the Company with effect from 19 June 2012.
Mr. Lew, Victor Robert	Resigned as an Independent Non-executive Director, the Chairman of the Audit Committee, Member of the Remuneration Committee and Member of the Nomination Committee of the Company with effect from 19 June 2012.

Name of Directors	Details of changes
Dr. King Roger	Resigned as an Independent Non-executive Director, the Chairman of the Remuneration Committee, Member of the Audit Committee and Member of the Nomination Committee of the Company with effect from 19 June 2012.
Mr. Lam Man Bun, Alan	Resigned as an Independent Non-executive Director, the Chairman of the Nomination Committee, Member of the Audit Committee and Member of the Remuneration Committee of the Company with effect from 19 June 2012.

Save as disclosed above, there is no other information in respect of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Main Board Listing Rules.

By order of the Board
Sincere Watch (Hong Kong) Limited
Chu Yuet Wah
Chairman

22 November 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

		For the six months ended	
		30 September	
		2012	2011
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Turnover	3	349,681	637,125
Cost of sales		(215,538)	(439,966)
Gross profit		134,143	197,159
Other income		538	17
Selling and distribution costs	12	(19,330)	(28,088)
General and administrative expenses	13	(63,787)	(63,233)
Profit before taxation, exchange (losses) gains and loss on fair value change of derivative financial instruments		51,564	105,855
Realised exchange loss		(4,213)	(21,429)
Unrealised exchange gain		6,621	6,012
Loss on fair value change of derivative financial instruments		(1,312)	(16,591)
Profit before taxation		52,660	73,847
Income tax expense	4	(7,135)	(12,913)
Profit for the Period attributable to owners of the Company	5	45,525	60,934
Other comprehensive income			
Exchange differences on translation of foreign operations		227	(1,515)
Total comprehensive income for the Period, attributable to owners of the Company		45,752	59,419
Earnings per share — basic	7	11.2 HK cents	14.9 HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
	<i>Notes</i>		
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Non-current assets			
Property, plant and equipment	8	24,897	20,600
Intangible assets		8,092	8,092
Deferred tax assets		13,851	12,180
		46,840	40,872
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Current assets			
Inventories		371,838	386,245
Trade and other receivables	9	104,154	105,283
Amounts due from fellow subsidiaries		9,310	–
Bank balances and cash		305,113	414,279
		790,415	905,807
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Current liabilities			
Trade and other payables	10	335,686	491,509
Amount due to immediate holding company		265	28
Amount due to a fellow subsidiary		71	27
Derivative financial instruments		1,312	4,859
Taxation payable		17,925	14,012
		355,259	510,435
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Net current assets		435,156	395,372
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Total assets less current liabilities		481,996	436,244
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Net assets		481,996	436,244
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Capital and reserves			
Share capital		40,800	40,800
Reserves		441,196	395,444
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Equity attributable to owners of the Company		481,996	436,244
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	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 2012	40,800	59,546	801	3,348	331,749	436,244
Exchange difference arising from translation of financial statements of foreign operations recognised directly in equity	-	-	-	227	-	227
Profit for the period	-	-	-	-	45,525	45,525
At 30 September 2012 (unaudited)	40,800	59,546	801	3,575	377,274	481,996
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

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 2012

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (outflow)/inflow from operating activities	(99,051)	135,975
Net cash used in investing activities	(10,115)	(8,333)
Net cash used in financing activities	–	(24,480)
Net (decrease)/increase in cash and cash equivalents	(109,166)	103,162
Cash and cash equivalents at the beginning of the period	414,279	293,414
Cash and cash equivalents at the end of the period	305,113	396,576

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 Be Bright Limited, a company incorporated in the British Virgin Islands. 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 2012.

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 of the Company, who are the chief operating decision maker, 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 operation, which is the distribution of branded luxury watches, timepieces and accessories.

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.

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

For the six months ended 30 September 2012

	Hong Kong (Unaudited) HK\$'000	Mainland China and Macau (Unaudited) HK\$'000	Other Asian locations (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Revenue				
External Sales	212,270	108,761	28,650	349,681
RESULT				
Segment results	75,505	50,286	8,352	134,143
Unallocated expenses				(82,021)
Unallocated income				538
Profit before taxation				52,660

For the six months ended 30 September 2011

	Hong Kong (Unaudited) HK\$'000	Mainland China and Macau (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

4. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
Hong Kong	(5,250)	(6,234)
Other jurisdictions	(3,548)	(3,503)
	(8,798)	(9,737)
Deferred tax	1,663	(3,176)
	(7,135)	(12,913)

Hong Kong Profits Tax is calculated at 16.5% (30 September 2011: 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	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the Period has been arrived at after charging:		
Directors' remuneration	12,403	14,359
Other staff costs	15,027	12,373
Other staff's retirement benefits scheme contributions	284	222
Total staff costs	27,714	26,954
Depreciation of property, plant and equipment	6,370	3,469
Minimum lease payments in respect of rented Premises	22,368	24,044

6. DIVIDEND

The Board has resolved not to declare the payment of any interim dividend for the six months ended 30 September 2012 (30 September 2011: nil).

No final dividend for the year ended 31 March 2012 was declared and paid during the period. (2011: HK\$24,480,000 was paid in respect of the year ended 31 March 2011.)

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\$45,525,000 (30 September 2011: HK\$60,934,000) and on the number of 408,000,000 shares (30 September 2011: 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\$10,653,000 (30 September 2011: HK\$9,101,000) on acquisition of property, plant and equipment.

9. TRADE AND OTHER RECEIVABLES

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Trade receivables	66,294	68,358
Other receivables, deposits and prepayments	37,860	36,925
	104,154	105,283
The following is an aged analysis of trade receivables:		
Within 30 days	39,444	34,950
31–90 days	26,850	33,056
91–120 days	–	352
Over 120 days	–	484
	66,294	68,842
Allowance for doubtful debts	–	(484)
	66,294	68,358

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

10. TRADE AND OTHER PAYABLES

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Trade payables	271,194	394,504
Other payables and accrued charges	64,492	97,005
	335,686	491,509
The following is an aged analysis of trade payables:		
Within 90 days	79,523	155,847
91–365 days	191,541	237,770
Over 365 days	130	887
	271,194	394,504

The amount of trade payables above includes HK\$270,007,000 (31 March 2012: HK\$394,378,000), HK\$597,000 (31 March 2012: HK\$171,000) and HK\$412,000 (31 March 2012: nil) which are denominated in Swiss Franc, Euro and SGD respectively.

The amount of other payables and accrued charges above includes HK\$150,000 (31 March 2012: nil) administrative services fee due to a related company.

11. RELATED PARTY TRANSACTIONS

(a) Transaction

During the Period, the Group had HK\$1,236,000 (30 September 2011: HK\$2,904,000) purchases from a fellow subsidiary and HK\$6,933,000 (30 September 2011: nil) sales to a fellow subsidiary. Besides, during the Period, the Group paid HK\$150,000 (30 September 2011: nil) administrative services fee to a related company.

(b) Compensation of key management personnel

The remuneration of Directors during the Period was as follows:

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Directors' Remuneration	12,403	14,359

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 mainly due to lower commission and decreased 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 increased depreciation and staff costs.

