



# Sincere Watch (Hong Kong) Limited

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

INTERIM REPORT 2013 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

## 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

Room 602, 6/F.  
Caroline Centre  
Lee Gardens Two  
28 Yun Ping Road  
Causeway Bay  
Hong Kong

## AUDITOR

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

## PRINCIPAL SHARE 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

## STOCK CODE

00444

## WEBSITE

<http://www.sincerewatch.com.hk>

## FINANCIAL HIGHLIGHTS

- Turnover for the six months ended 30 September 2013 (H1 FY2014) decreased from HK\$349,681,000 to HK\$325,823,000 when compared with the corresponding period of last year (H1 FY2013).
- Gross margin increased from 38.4% to 39.7%. Gross profit for the six months ended 30 September 2013 decreased from HK\$134,143,000 to HK\$129,218,000.
- Profit after tax for the six months ended 30 September 2013 decreased by 26.2% from HK\$45,525,000 to HK\$33,616,000, mainly due to the HK\$6.0 million unrealised exchange loss for H1 FY2014 against the HK\$6.6 million unrealised exchange gain for H1 FY2013.
- Earnings per share decreased from 11.2 HK cents in H1 FY2013 to 8.2 HK cents in H1 FY2014.
- Net asset value increased to 144.3 HK cents per share as at 30 September 2013 vs 135.9 HK cents per share as at 31 March 2013.

## 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 2013 (the “Period”), together with the unaudited comparative figures for the corresponding six months ended 30 September 2012.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The Group’s sales for the six months ended 30 September 2013 (H1 FY2014) decreased from HK\$349.7 million to HK\$325.8 million by 6.8% over the same period last year (H1 FY2013).

Gross profit decreased from HK\$134.1 million to HK\$129.2 million by 3.7% over the same period last year. The gross margin improved from 38.4% to 39.7%.

The Group reported a realised foreign exchange loss of HK\$4.5 million and the loss was HK\$4.2 million in the same period last year. The unrealised foreign exchange loss was HK\$6.0 million in the current period, against an unrealised foreign exchange gain of HK\$6.6 million in the corresponding period last 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.

Excluding the realised and unrealised exchange differences and loss on fair value change of derivative financial instruments, the Group’s profit before tax was HK\$49.0 million, 5.0% down from HK\$51.6 million for H1 FY2013.

Net profit dropped 26.2% from HK\$45.5 million in the same period of the last financial year to HK\$33.6 million this year, mainly due to the HK\$6.0 million unrealised exchange loss for H1 FY2014 against the HK\$6.6 million unrealised exchange gain for H1 FY2013.

Selling and distribution expenses increased mainly due to increased advertising and marketing activities during the Period. General and administrative expenses decreased mainly due to reduced directors’ remuneration.

The Group’s Net Asset Value (“NAV”) per share rose from 118.1 HK cents as at 30 September 2012 to 144.3 HK cents as at 30 September 2013 by about 22.2%. The NAV per share as at 31 March 2013 was 135.9 HK cents.

The Group's earnings per share dropped by 26.8% from 11.2 HK cents in the same period last year to 8.2 HK cents a share for H1 FY2014.

## **Performance by geographical markets**

### ***Hong Kong***

Hong Kong continues to be the Group's major market, taking up 65.3% of the Group's revenue for the six months ended 30 September 2013. Sales in this market increased from HK\$212.3 million in the previous period to HK\$212.8 million by 0.3%.

### ***Mainland China and Macau***

Mainland China and Macau accounted for about 27.9% of the Group's revenue for H1 FY2014. Sales in this region showed a decrease of 16.4% from HK\$108.8 million to HK\$90.9 million, compared with the same period last year.

### ***Other Asian locations***

Revenue from other Asian territories (i.e. Taiwan and Singapore) recorded a reduction from HK\$28.7 million in the previous corresponding period to HK\$22.0 million.

Meanwhile, this region's contribution to the Group's overall revenue decreased from 8.2% for H1 FY2013 to 6.8% of the Group's total revenue for H1 FY2014.

## **BUSINESS REVIEW**

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

The Group has continued to strengthen its position in North Asia with a prime focus on China by growing its distribution network of independent watch retailers. The new subsidiary in Shanghai which was established during the last financial year formally started its business operations in April 2013. Besides, another subsidiary in Beijing has been set up and will be expected to commence its business in December 2013. The Group has also consistently embarked on niche marketing initiatives to build its image, brand awareness and desirability of its global watch brands. This included several unique events in our major markets with a view to enhancing brand exposure and extending brand networking.

### **Distribution network and market penetration**

The Group has extended its distribution network during the period under review to 66 retail points of sales and 14 boutiques, making a total of 80 points (up from 76 as at the end of March 2013). We increased presence in our distribution network in our major markets.

The 73 watch retail outlets in the region are run by 29 independent watch dealers throughout our key markets in North Asia.

During the period under review, the Group actively explored every opportunity to open up new retail points of sales in our major markets. New points of sales were added in Hong Kong through Chow Tai Fook Jewellery Company Limited and Prince Jewellery & Watch Company, in China through Chow Tai Fook Jewellery Company Limited and Dalian Dashang Jinhua Watch Company Limited, and in Taiwan through Yung Hsin Watch Company Limited.

In Mainland China, the Group has established closer ties with Hengdeli International Company Limited and Chow Tai Fook Jewellery Company Limited which aim at the opening of more prime retail locations throughout the territory.

### **Brand enhancement activities**

The Group aims not only to create but also sustain brand value among our discerning customers. As such, we have undertaken several brand enhancement activities to reinforce our brand leadership with product imagery and focused product placements in relevant media.

In June 2013, the Group held the event at Franck Muller boutique in Shenyang luxury landmark Forum 66 with special appearance of the renowned celebrity Ms. Charmaine Shi as one of the officiating guests. There were around 40 VIPs and 43 media attending the event.

In July and August 2013, in-store cocktail events were also organised at Shenyang Forum 66 boutique on 3 consecutive weekends. Clients had the chance to preview the latest Franck Muller collections while enjoying a glass of champagne on a relaxing afternoon.

In Hong Kong, in early September 2013, the Group held a media luncheon at The Principal which 36 journalists attended to appreciate Franck Muller's launch of the world's fastest tourbillon — Thunderbolt Tourbillon. During the event, the Group announced Mr. Cheung Chi Lam as Franck Muller's Brand Ambassador for Asia-Pacific as well as presenting him with the Thunderbolt Tourbillon.

Also in September 2013, the Group hosted the first World Presentation of Haute Horlogerie ("WPHH") in Hong Kong at the 75/F of Central Plaza. Together with the magnificent view of Hong Kong, the latest novelties were introduced to journalists and trade professionals from all over Asia. At the exhibition, WPHH Hong Kong created an atmosphere of Swiss watch-making, allowing the opportunity for the guests to meet the craftsmen behind fine watch-making, and a chance to experience watch-making technicality at the workshop. There were 165 journalists, 65 VIPs and 129 trade partners, who had visited the 4 days exhibition.

To celebrate the 10th anniversary of Franck Muller's Crazy Hours collection, the "The Crazy Hours 10th Anniversary" gala dinner was hosted by Mr. Franck Muller at The Ritz-Carlton in late September 2013. Over 300 distinctive guests, journalists and trade partners from the region came to witness the celebration. The star-studded evening saw the presence of Mr. Cheung Chi Lam, Brand Ambassador for Asia Pacific, Korean superstar Mr. Lee Byung Hun, Ms. Michele Reis, Mr. Donnie Yen and his wife Ms. Cissy Wang, and Ms. Linda Wong. The evening was filled with entertainment and kicked off by the singer Ms. Genevieve Marentette, followed by a model show featuring Franck Muller's distinctive timepiece collections. Last but not least, a New York Broadway-style dance performance put the perfect final note to the night.

## **PROSPECTS**

Looking forward, although the economic outlook for the Greater China region is not anticipated to achieve a tremendous growth, Asia should continue to power ahead in the global luxury retail industry.

The Group will continue to strengthen and pursue marketing and brand enhancement activities in the region. To increase its market share and extend its distribution network, the Group has been working on opening up more locations within the extensive network of Chow Tai Fook Jewellery Company Limited and Hengdeli International Company Limited. This will enable access to prime locations, high visibility and strong retail networking. Besides, the Group will open another boutique in Causeway Bay which will become our flagship boutique in Hong Kong and will be expected to commence its business in early 2014.

The Group remains gearing-free and will pursue to exercise prudence in managing its expenditures in order to maximise its return on capital. With its continued brand strength and established reputation, the Group will strive to leverage every opportunity for business expansion in our core markets so as to further extend our leadership position and deliver positive returns to our shareholders.

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

As at 30 September 2013, the Group maintained a cash and bank balance of HK\$313.8 million, slightly decreasing by 5.8% when compared with its cash balance of HK\$333.3 million as at 31 March 2013. 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 7.0% from HK\$502.3 million as at 31 March 2013 to HK\$537.4 million as at 30 September 2013. This also represented a 23.5% improvement when compared with HK\$435.2 million recorded as at 30 September 2012. The Directors believe that 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\$4.5 million in H1 FY2014 compared with a realised loss of HK\$4.2 million in H1 FY2013. In addition, the Group booked an unrealised exchange loss of about HK\$6.0 million in H1 FY2014 against HK\$6.6 million gain for H1 FY2013. Besides, in H1 FY2014, no loss or gain on fair value change of derivative financial instruments was recorded while HK\$1.3 million loss on fair value change of derivative financial instruments was booked in H1 FY2013.

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 2013 (31 March 2013: 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 2013.

## **CONTINGENT LIABILITIES**

The Group did not have any contingent liabilities as at 30 September 2013 (31 March 2013: Nil).

## **STAFF AND EMPLOYMENT**

As at 30 September 2013, the Group's work force stood at 111 including Directors (31 March 2013: 95). The increase was mainly due to the need for more staff to better support the business 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 2013, 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 (Note 1)	Percentage of shareholding in the Company
Chu Yuet Wah	Interest of a controlled corporation (Note 2)	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 2013, 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 (Note 1)	Percentage of shareholding in the Company
Sincere Watch Limited	Beneficial owner (Note 2)	306,000,000 (L)	75%
Be Bright Limited	Interest of a controlled corporation (Note 3)	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. These shares were held by Sincere Watch Limited, which was wholly-owned by Be Bright Limited. Accordingly, Be Bright Limited was deemed to be interested in these 306,000,000 shares of the Company by virtue of the SFO.

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 2013.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the six months ended 30 September 2013.

## **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. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2013.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed the Group's unaudited financial statements for the six months ended 30 September 2013.

## **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 2013.

## **DIRECTORS' INFORMATION**

The following are the updated Directors' information as at the date of this report:

### **Mrs. CHU Yuet Wah**

#### ***Chairman and Executive Director***

Mrs. CHU Yuet Wah, aged 55, is an Executive Director and the Chairman of the Company since 29 May 2012 and 13 July 2012, respectively. Mrs. Chu has been a director of Sincere Watch Limited, the immediate holding company of the Company since 21 May 2012 and is also a director of a number of the Company's subsidiaries. Mrs. Chu is a business woman and possesses over 20 years of experience in finance in Hong Kong. Mrs. Chu is the chief executive officer, an executive director and the ultimate controlling shareholder of Kingston Financial Group Limited, which is a company listed on the Main Board of the Stock Exchange.

Mrs. Chu is the Member of National Committee of Chinese People's Political Consultative Conference, Vice Chairman of Hong Kong Committee of the Chinese People's Political Consultative Conference (Provincial) Member Association Foundation, Vice Chairman of The Chamber of Hong Kong Listed Companies, Chairman of The Institute of Securities Dealers Limited, Director of Jet Li One Foundation, Vice Chairman of Po Leung Kuk, Chairman of Aplichau Promotion of Tourism Association, School Manager of Aplichau KaiFong Primary School, Chairman of The Aplichau KaiFong Welfare Association, Honorary President of Hong Kong Federation of Women, Honorary Vice President of the Hong Kong Girl Guides Association, Vice President of The Tung Koon District General Association and 10th World Outstanding Chinese. She received an Honorary Doctorate of Philosophy in Business Management degree from York University, the U.S.A. and holds a Bachelor of Science in Management degree from Golden Gate University, the U.S.A. Mrs. Chu is the mother of Mr. Chu, Kingston Chun Ho, the Vice Chairman, the Managing Director and an Executive Director of the Company.

### **Mr. CHU, Kingston Chun Ho**

#### ***Vice Chairman, Managing Director and Executive Director***

Mr. CHU, Kingston Chun Ho, aged 28, is an Executive Director of the Company since 29 May 2012, and the Vice Chairman and Managing Director of the Company since 13 July 2012. Mr. Chu has been a director of Sincere Watch Limited, the immediate holding company of the Company since 21 May 2012 and is also a director of a number of the Company's subsidiaries. Mr. Chu is currently a senior manager of Kingston Corporate Finance Limited, and is responsible for the execution of corporate finance projects, such as private placements, secondary market placements, mergers and acquisitions, reverse takeovers and financial advisory on corporate reorganisation. Mr. Chu is also currently a director of KingSBI Investment Management Limited, an investment fund with a focus on private equities in the Greater China region. Mr. Chu is a licensed person under the SFO permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Chu holds a Bachelor Degree of Business from the University of Southern California in the U.S.A. Mr. Chu is the son of Mrs. Chu Yuet Wah, the Chairman and an Executive Director of the Company.

### **Mr. LAU Man Tak**

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

Mr. LAU Man Tak, aged 44, is an Independent Non-executive Director of the Company since 19 June 2012. Mr. Lau holds a Bachelor Degree in Accountancy from the Hong Kong Polytechnic University. He has more than 15 years of experience in corporate finance, accounting and auditing. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants, a member of the Hong Kong Securities Institute and a fellow member of Hong Kong Institute of Directors. He is currently an executive director, the chairman, compliance officer and substantial shareholder of Aurum Pacific (China) Group Limited, which is a company listed on the Growth Enterprise Market of the Stock Exchange, an independent non-executive director of Kingston Financial Group Limited, Climax International Company Limited, Kong Sun Holdings Limited and AMCO United Holdings Limited, which are companies listed on the Main Board of the Stock Exchange. He was also an executive director of China Sandi Holdings Limited from April 2010 to September 2012, which is a company listed on the Main Board of the Stock Exchange.

**Ms. LO Miu Sheung, Betty**

***Independent Non-executive Director***

Ms. LO Miu Sheung, Betty, aged 51, is an Independent Non-executive Director of the Company since 19 June 2012. Ms. Lo is a qualified solicitor in Hong Kong and has over 24 years of experience in general legal practice, with specialisation in conveyancing, commercial and probate laws. Ms. Lo has been in active practice since qualification and is currently a consultant of Messrs. K.C. Ho & Fong, Solicitors. She graduated from The University of Hong Kong with a Bachelor Degree in Laws (LL.B.) in 1985. She also holds a Postgraduate Certificate in Laws (PCLL). She is currently an independent non-executive director of Eagle Legend Asia Limited and AEON Stores (Hong Kong) Co., Limited, which are companies listed on the Main Board of the Stock Exchange.

**Dr. WONG Yun Kuen**

***Independent Non-executive Director***

Dr. WONG Yun Kuen, aged 56, is an Independent Non-executive Director of the Company since 18 September 2012. Dr. Wong received a Ph.D. Degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. He has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is a member of Hong Kong Securities and Investment Institute. Dr. Wong is an Adjunct Professor of Syracuse University, USA, an executive director of UBA Investments Limited, and an independent non-executive director of Bauhaus International (Holdings) Limited, Kingston Financial Group Limited, China Sandi Holdings Limited, Climax International Company Limited, Harmony Asset Limited, Guocang Group Limited, Kaisun Energy Group Limited, Kong Sun Holdings Limited, China Yunnan Tin Minerals Group Company Limited and New Island Printing Holdings Limited. Dr. Wong was also an independent non-executive director of Hong Kong Life Sciences and Technologies Group Limited from November 2009 to September 2012. All the companies mentioned above are listed companies in Hong Kong.

**CHANGE IN DIRECTOR'S EMOLUMENTS**

The change in Director's emoluments since the last financial year ended 31 March 2013 is set out below:

<b>Name of director</b>	<b>Details of change</b>
Mr. Chu, Kingston Chun Ho	As from 1 April 2013, the salary, allowance and benefits (excluding performance bonus) amount to approximately HK\$2,490,000 per annum.

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

Hong Kong, 21 November 2013

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2013

	Notes	For the six months ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Turnover	3	325,823	349,681
Cost of sales		(196,605)	(215,538)
Gross profit		129,218	134,143
Other income		1,565	538
Selling and distribution costs		(23,269)	(19,330)
General and administrative expenses		(58,549)	(63,787)
Profit before taxation, exchange (losses) gains and loss on fair value change of derivative financial instruments		48,965	51,564
Realised exchange loss		(4,476)	(4,213)
Unrealised exchange (loss) gain		(6,045)	6,621
Loss on fair value change of derivative financial instruments		—	(1,312)
Profit before taxation		38,444	52,660
Income tax expense	4	(4,828)	(7,135)
Profit for the Period attributable to owners of the Company	5	33,616	45,525
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of foreign operations		361	227
Total comprehensive income for the Period, attributable to owners of the Company		33,977	45,752
Earnings per share — basic	7	8.2 HK cents	11.2 HK cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	8	29,421	31,539
Intangible assets		8,092	8,092
Deferred tax assets		13,686	12,657
		<b>51,199</b>	52,288
Current assets			
Inventories		418,872	423,747
Trade and other receivables	9	100,574	123,984
Amount due from immediate holding company		410	–
Amounts due from a fellow subsidiary		536	5,754
Taxation Recoverable		–	699
Bank balances and cash		313,823	333,281
		<b>834,215</b>	887,465
Current liabilities			
Trade and other payables	10	288,038	378,303
Amount due to immediate holding company		–	55
Derivative financial instruments		–	195
Taxation payable		8,819	6,629
		<b>296,857</b>	385,182
Net current assets		<b>537,358</b>	502,283
Total assets less current liabilities		<b>588,557</b>	554,571
Deferred tax liability		9	–
Net assets		<b>588,548</b>	554,571
Capital and reserves			
Share capital		40,800	40,800
Reserves		547,748	513,771
Equity attributable to owners of the Company		<b>588,548</b>	554,571

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	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 2013	40,800	59,546	801	2,822	450,602	554,571
Exchange difference arising from translation of foreign operations	-	-	-	361	-	361
Profit for the period	-	-	-	-	33,616	33,616
<b>At 30 September 2013 (unaudited)</b>	<b>40,800</b>	<b>59,546</b>	<b>801</b>	<b>3,183</b>	<b>484,218</b>	<b>588,548</b>
At 1 April 2012	40,800	59,546	801	3,348	331,749	436,244
Exchange difference arising from translation of foreign operations	-	-	-	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

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 2013

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Net cash outflow from operating activities	(14,259)	(99,051)
Net cash used in investing activities	(5,199)	(10,115)
Net cash used in financing activities	–	–
Net decrease in cash and cash equivalents	(19,458)	(109,166)
Cash and cash equivalents at the beginning of the period	333,281	414,279
Cash and cash equivalents at the end of the period	313,823	305,113



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements for the Period have been prepared in accordance with 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 and wholly owned by Mrs. Chu Yuet Wah. The Company’s immediate holding company is Sincere Watch Limited, a company incorporated in the Republic of Singapore.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. The principal accounting policies used in the preparation of the unaudited condensed consolidated financial statements are consistent with those applied in the Group’s audited financial statements for the year ended 31 March 2013.

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 condensed consolidated financial statements.

### **New and revised Standards on consolidation, joint arrangements, associates and disclosures**

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

HKFRS 10 replaces the parts of HKAS 27 “Consolidated and separate financial statements” that deal with consolidated financial statements and HK(SIC)-INT 12 “Consolidation — Special purpose entities”. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company reviewed and assessed the application of these five standards in the current interim period and concluded that it has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

### **Amendments to HKAS 1 Presentation of items of other comprehensive income**

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

### **Amendments to HKAS 34 Interim financial reporting (as part of the annual improvements to HKFRSs 2009–2011 cycle)**

The Group has applied the amendments to HKAS 34 “Interim financial reporting as part of the annual improvements to HKFRSs 2009–2011 cycle” for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (“CODM”) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since there has been no material change from the amounts disclosed in the last annual financial statements for all reportable segments, the Group has not included total assets and total liabilities information as part of segment information.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed 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 expenses such as central administration costs, selling and distribution costs 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:

**For the six months ended 30 September 2013**

	Hong Kong (Unaudited) HK\$'000	Mainland China and Macau (Unaudited) HK\$'000	Other Asian locations (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
<b>REVENUE</b>				
External Sales	212,842	90,947	22,034	325,823
<b>RESULT</b>				
Segment results	81,037	41,494	6,687	129,218
Realised exchange loss				(4,476)
Unrealised exchange loss				(6,045)
Unallocated expenses				(81,818)
Unallocated income				1,565
Profit before taxation				38,444

**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	Consolidated (Unaudited) HK\$'000
<b>REVENUE</b>				
External Sales	212,270	108,761	28,650	349,681
<b>RESULT</b>				
Segment results	75,505	50,286	8,352	134,143
Realised exchange loss				(4,213)
Unrealised exchange gain				6,621
Loss on fair value change of derivative financial instruments				(1,312)
Unallocated expenses				(83,117)
Unallocated income				538
Profit before taxation				52,660

#### 4. INCOME TAX EXPENSE

	For the six months ended	
	30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
Hong Kong	(2,860)	(5,250)
Other jurisdictions	(2,974)	(3,548)
	(5,834)	(8,798)
Deferred tax	1,006	1,663
	(4,828)	(7,135)

Hong Kong Profits Tax is calculated at 16.5% (30 September 2012: 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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the Period has been arrived at after charging:		
Directors' remuneration	3,705	12,403
Other staff costs	14,494	15,027
Other staff's retirement benefits scheme contributions	333	284
Total staff costs	18,532	27,714
Depreciation of property, plant and equipment	8,908	6,370
Minimum lease payments in respect of rented Premises	25,750	22,368

## 6. DIVIDEND

The Board has resolved not to declare the payment of any interim dividend for the six months ended 30 September 2013 (30 September 2012: nil).

Final dividend for the year ended 31 March 2013 amounting to HK\$32,640,000 was approved by the shareholders at the annual general meeting held on 13 September 2013 (2012: No final dividend was paid in respect of the year ended 31 March 2012).

## 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\$33,616,000 (30 September 2012: HK\$45,525,000) and on the number of 408,000,000 shares (30 September 2012: 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\$6,764,000 (30 September 2012: HK\$10,653,000) mainly on leasehold improvement.

## 9. TRADE AND OTHER RECEIVABLES

	<b>30 September 2013 (Unaudited) HK\$'000</b>	31 March 2013 (Audited) HK\$'000
Trade receivables	<b>72,471</b>	98,863
Other receivables, deposits and prepayments	<b>28,103</b>	25,121
	<b>100,574</b>	123,984
The following is an aged analysis of trade receivables based on the invoice dates:		
Within 30 days	<b>38,363</b>	60,571
31–90 days	<b>34,108</b>	34,763
91–120 days	–	194
Over 120 days	–	3,335
	<b>72,471</b>	98,863

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

## 10. TRADE AND OTHER PAYABLES

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Trade payables	203,872	291,647
Other payables and accrued charges	84,166	86,656
	<b>288,038</b>	378,303
The following is an aged analysis of trade payables based on the invoice dates:		
Within 90 days	76,509	146,254
91–365 days	127,363	145,393
Over 365 days	–	–
	<b>203,872</b>	291,647

The amount of trade payables above includes HK\$202,777,000 (31 March 2013: HK\$291,238,000) and HK\$964,000 (31 March 2013: HK\$409,000) which are denominated in Swiss Franc and Euro respectively.

## 11. RELATED PARTY TRANSACTIONS

During the Period, the Group had HK\$274,000 (30 September 2012: HK\$1,236,000) purchases from a fellow subsidiary and HK\$1,635,000 (30 September 2012: HK\$6,933,000) sales to a fellow subsidiary. Besides, during the Period, the Group paid HK\$300,000 (30 September 2012: HK\$150,000) administrative services fee to a related company.

