

Sincere Watch (Hong Kong) Limited

Interim Report 中期報告

2014



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

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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

Codan Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 22

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183 Queen's Road East

Hong Kong

PRINCIPAL BANKERS

The Hongkong 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 2014 ("H1 FY2015") decreased by 3.6% from HK\$325,823,000 to HK\$314,062,000 when compared with the corresponding period of last year ("H1 FY2014").
- Gross margin decreased from 39.7% to 38.2%. Gross profit for the six months ended 30 September 2014 decreased from HK\$129,218,000 to HK\$119,919,000.
- Profit for the six months ended 30 September 2014 decreased by 23.6% from HK\$33,616,000 to HK\$25,683,000, mainly due to the increase in general and administrative expenses.
- Earnings per share decreased from 1.3 HK cents (restated) in H1 FY2014 to 0.8 HK cents in H1 FY2015.
- The Board has resolved not to pay interim dividend for H1 FY2015 (H1 FY2014: Nil).

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") 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 2014, together with the unaudited comparative figures for the corresponding six months ended 30 September 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's sales for the six months ended 30 September 2014 ("H1 FY2015") decreased from HK\$325.8 million to HK\$314.1 million by 3.6% over the same period last year ("H1 FY2014").

Gross profit decreased from HK\$129.2 million to HK\$119.9 million by 7.2% over the same period last year. The gross margin decreased from 39.7% to 38.2%.

The Group reported a realised foreign exchange gain of HK\$3.4 million against a realised foreign exchange loss of HK\$4.5 million in the same period last year. The unrealised foreign exchange gain was HK\$12.9 million in the current period, against an unrealised foreign exchange loss of HK\$6.0 million in the corresponding period last year. Besides, in H1 FY2015, HK\$11.9 million loss on fair value change of derivative financial instruments was recorded while no gain or loss on fair value change of derivative financial instruments was booked in H1 FY2014.

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\$27.2 million, 44.5% down from HK\$49.0 million for H1 FY2014.

Net profit dropped 23.6% from HK\$33.6 million in the same period of the last financial year to HK\$25.7 million this year, mainly due to the increase in general and administrative expenses from HK\$58.5 million for H1 FY2014 to HK\$75.2 million for H1 FY2015. The increase in general and administrative expenses was, in turn, primarily due to increases in rental, depreciation and staff costs while the reduction in selling and distribution expenses was mainly due to decreased commission during the review period.

The Group's net asset value per share increased from 16.6 HK cents (restated) as at 31 March 2014 to 23 HK cents as at 30 September 2014 by about 38.6%.

The Group's earnings per share dropped by 38.5% from 1.3 HK cents (restated) in the same period last year to 0.8 HK cents for H1 FY2015.

Performance by geographical markets

Hong Kong

Hong Kong continues to be the Group's major market, taking up 76.9% of the Group's revenue for the six months ended 30 September 2014. Sales in this market increased from HK\$212.8 million in the previous period to HK\$241.4 million by 13.4%.

Mainland China and Macau

Mainland China and Macau accounted for about 17.0% of the Group's revenue for H1 FY2015. Sales in this region showed a decrease of 41.4% from HK\$90.9 million to HK\$53.3 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\$22.0 million in the previous corresponding period to HK\$19.3 million.

Meanwhile, this region's contribution to the Group's overall revenue decreased from 6.8% for H1 FY2014 to 6.1% of the Group's total revenue for H1 FY2015.

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 enhanced its position in North Asia with a strong focus on China through its two subsidiaries' commencement of business in the PRC (one in Shanghai and the other in Beijing) during the last financial year. The Group has also consistently embarked on niche marketing initiatives to build its image and desirability of its global watch brands. This included several unique events in our key markets with the aims of increasing brand exposure and extending brand networking.

In Hong Kong, the Group has opened its four-storey flagship boutique in Causeway Bay which comprises a two-storey shop and two restaurants on each of the other two floors respectively.

Distribution network and market penetration

The Group has established its distribution network with 62 retail points of sales and 13 boutiques, making a total of 75 points (76 as at the end of March 2014).

Other than the 8 boutiques run by the Group, the remaining 67 watch retail outlets in the region are run by 28 independent watch dealers throughout our key markets in Hong Kong, Macau, Taiwan and Mainland China.

In Mainland China, the Group has established close ties with Chow Tai Fook Jewellery Company Limited which aims at the opening of more prime retail locations throughout the territory.

Brand enhancement activities

Creating and sustaining brand value among our discerning customers is the Group's main priority. As such, to reinforce our brand leadership with product imagery and focused product placements in relevant media, we have conducted a number of brand enhancement activities, including the following.

In June 2014, the Group held a grand opening of its flagship boutique Franck Muller Maison in Causeway Bay. To celebrate such remarkable moment, the award-winning actress Ms. Carina Lau was invited to join the brand's Asia-Pacific Ambassador Mr. Julian Cheung Chi-lam, together with the senior management to unveil the grand opening of Maison Franck Muller by a ribbon cutting ceremony. This was followed by a grand opening party at night. The star-studded evening saw the glamorous presence of renowned guests, including Mr. Vanness Wu, Ms. Chrissie Chau, Ms. Bernice Liu and many more. Guests were mesmerized by the enchanting magical performance as they explored the four-storey flagship boutique accompanied by upbeat music. A silhouette artist interacted with guests as precious souvenirs were created onsite to capture this spectacular occasion.

In September 2014, the 2nd edition of the World Presentation of Haute Horlogerie (WPHH) — Hong Kong, was successfully held at Franck Muller Maison from 15 to 26 September, offering amateurs and watch connoisseurs an immersion into its watchmaking universe. To mark the significant moment, an opening cocktail was held on 15th September, VIP and media guests were invited to unveil the latest novelties of the Vanguard Tourbillon Edition Sincere 60th Anniversary and the new lady line of elegant and refined Opera collection.

Also in September 2014, the following two events were held for Backes & Strauss and CVSTOS respectively.

With the presence of the Brand CEO, Mr. Varkess Knadjian, Backes & Strauss hosted a media luncheon and VIP dinner at the flagship boutique's restaurant with esteemed guests. Mr. Varkess Knadjian introduced the brand, the world's oldest diamond company, and its bejeweled watch collections to the delighted patrons who had the exclusive opportunity to try on the "one and only" unique piece, Piccadilly Princess Royal Colors, the finest jewellery timepiece created to celebrate the 225th anniversary of the brand.

Together with the Co-Founder and Chief Designer, Mr. Antonio Terranova, CVSTOS held a cocktail reception at the 1/F of CVSTOS shop in shop to greet media guests, followed by a VIP dinner at the flagship boutique's restaurant in the evening. Mr. Antonio Terranova, introduced the brand philosophy of its distinctive high-tech approach to luxury watchmaking, alongside with its latest 2014 novelties such as the Challenge Gustave Eiffel, Chrono II. Guests admired the timepieces while delighted by the exquisite dining experience.

PROSPECTS

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

The Group will continue to pursue marketing and brand enhancement activities in the territory. To increase its distribution network with high visibility and strong retail networking, the Group has been working on opening up more locations within the extensive network of Chow Tai Fook Jewellery Company Limited. This will enable our brands to have access to prime locations in the region.

The Group will continue 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 extend our leadership position in our core markets so as to further deliver positive returns to our shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 September 2014, the Group maintained a cash and bank balance of HK\$512.1 million, increased by 62.0% when compared with its cash balance of HK\$316.1 million as at 31 March 2014. The Group has no outstanding bank loans.

The Group finances its operations and investing activities with internally generated cash flows. The Group's net current assets rose 43.3% from HK\$518.3 million as at 31 March 2014 to HK\$742.6 million as at 30 September 2014. This also represented a 38.2% improvement when compared with HK\$537.4 million recorded as at 30 September 2013. 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

During the period under review, the Company completed a rights issue and placing of new shares to increase the capital base of the Company. The Company also underwent capital reorganization by way of subdivision of shares, changed its board lot size of trading in the shares and increased its authorised share capital. The Directors believed that the subdivision of shares would decrease the trading spread and thus result in the improved liquidity in trading of the Company's subdivided shares and thereby would attract more investors and widen the shareholder base. The Board also considered that the change of board lot size would result in the subdivided shares being traded in a more reasonable board lot size and value. The effects of these rights issue, placing of new shares and subdivision of shares on the capital structure of the Company are more particularly depicted in the note 12 to the Condensed Consolidated Financial Statements on pages 25 and 26 of this interim report. The full details of the aforesaid transactions can also be referred to in the announcements of the Company dated 4 March 2014, 11 April 2014, 6 August 2014 and 20 August 2014, the prospectus of the Company dated 20 March 2014 and the circular of the Company dated 14 August 2014 respectively.

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 gain of HK\$3.4 million in H1 FY2015 compared with a realised exchange loss of HK\$4.5 million in H1 FY2014. In addition, the Group booked an unrealised exchange gain of about HK\$12.9 million in H1 FY2015 against HK\$6.0 million loss for H1 FY2014. Besides, in H1 FY2015, HK\$11.9 million loss on fair value change of derivative financial instruments was recorded while no gain or loss on fair value change of derivative financial instruments was booked in H1 FY2014.

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 2014 (31 March 2014: 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 2014.

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 September 2014 (31 March 2014: Nil).

STAFF AND EMPLOYMENT

As at 30 September 2014, the Group's work force stood at 142 including Directors (31 March 2014: 116). 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 2014, 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 (long position)	Approximate percentage of the Company's issued share capital
Chu Yuet Wah	Beneficial owner	265,000,000	7.66%
	Interest of controlled corporation (Note)	1,530,000,000	44.22%

Note: 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 1,530,000,000 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 six months ended 30 September 2014.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2014, the following persons (other than the interests disclosed above in respect of Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company were as follows:

Name of shareholder	Capacity	Number of shares held (long position)	Approximate percentage of the Company's issued share capital
Sincere Watch Limited	Beneficial owner (Note 1)	1,530,000,000	44.22%
Be Bright Limited	Interest of controlled corporation (Note 2)	1,530,000,000	44.22%

Notes:

1. These 1,530,000,000 shares of the Company are registered in the name of and beneficially owned by Sincere Watch Limited.
2. 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 1,530,000,000 shares of the Company by virtue of the SFO.

Save as disclosed above, as at 30 September 2014, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or otherwise notified to the Company.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code (“CG Code”) contained in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2014, save as disclosed as follows.

In respect of code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Lau Man Tak, an independent non-executive Director, was unable to attend the extraordinary general meeting of the Company held on 1 September 2014 due to his other business engagement.

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 2014.

AUDIT COMMITTEE

The Interim Results of the Group for the six months ended 30 September 2014 have been reviewed by the Group’s independent auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee has reviewed the Group’s unaudited financial statements for the six months ended 30 September 2014.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 September 2014.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to disclosure requirement under Rule 13.51B(1) of the Listing Rules, the changes in information of Directors since the date of Company's Annual Report 2014 are set out below:

Name of Director	Details of changes
Mrs. Chu Yuet Wah	Re-designated from Vice Chairman to Honorary Chairman of The Chamber of Hong Kong Listed Companies on 30 June 2014 and re-designated from Chairman to Standing Chairman of Federation of Hong Kong Guangdong Community Organisations since July 2014.
Mr. Chu, Kingston Chun Ho	<p>Appointed as a Member of General Committee of The Chamber of Hong Kong Listed Companies on 9 October 2014.</p> <p>As from 1 April 2014, Mr. Chu's salary was adjusted from HK\$158,000 per month to HK\$165,000 per month. In addition, Mr. Chu was entitled to a fixed housing allowance of HK\$50,000 per month and as from 1 July 2014, his fixed housing allowance was changed to reimbursement basis.</p>
Mr. Lau Man Tak	Resigned as an executive director, the chairman, authorised representative and compliance officer of Aurum Pacific (China) Group Limited with effect from 10 September 2014, which is a company listed on the Growth Enterprise Market of the Stock Exchange.
Dr. Wong Yun Kuen	Resigned as an independent non-executive director of KuangChi Science Limited (formerly known as Climax International Company Limited) with effect from 23 August 2014, New Island Development Holdings Limited with effect from 25 September 2014 and Kong Sun Holdings Limited with effect from 7 November 2014, which are companies listed on the Main Board of the Stock Exchange.

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 Listing Rules.

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

Hong Kong, 21 November 2014

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE MEMBERS OF SINCERE WATCH (HONG KONG) LIMITED

(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Sincere Watch (Hong Kong) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 14 to 26, which comprise the condensed consolidated statement of financial position as of 30 September 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 September 2013 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

21 November 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2014

	Notes	For the six months ended 30 September	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Turnover	3	314,062	325,823
Cost of sales		(194,143)	(196,605)
Gross profit		119,919	129,218
Other income		3,416	1,565
Selling and distribution costs		(20,918)	(23,269)
General and administrative expenses		(75,247)	(58,549)
Profit before taxation, exchange gain (loss) and loss on fair value change of derivative financial instruments		27,170	48,965
Realised exchange gain (loss)		3,433	(4,476)
Unrealised exchange gain (loss)		12,945	(6,045)
Loss on fair value change of derivative financial instruments		(11,940)	–
Profit before taxation		31,608	38,444
Income tax expense	4	(5,925)	(4,828)
Profit for the period attributable to owners of the Company	5	25,683	33,616
Other comprehensive (expense) income <i>Item that may be subsequently reclassified to profit or loss:</i> — Exchange differences on translation of foreign operations		(46)	361
Total comprehensive income for the period, attributable to owners of the Company		25,637	33,977
Earnings per share — basic	7	0.8 HK cents	(restated) 1.3 HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2014 HK\$'000 (unaudited)	31 March 2014 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	36,499	40,637
Deferred tax assets	11	16,032	14,225
		52,531	54,862
Current assets			
Inventories		423,127	436,339
Trade and other receivables	9	98,720	92,376
Amount due from immediate holding company		778	572
Derivative financial instruments		–	722
Taxation recoverable		3,944	10,129
Bank balances and cash		512,063	316,115
		1,038,632	856,253
Current liabilities			
Trade and other payables	10	276,969	330,474
Amount due to a fellow subsidiary		2,633	1,334
Derivative financial instruments		11,218	–
Taxation payable		5,218	6,157
		296,038	337,965
Net current assets		742,594	518,288
Total assets less current liabilities		795,125	573,150
Net assets		795,125	573,150
Capital and reserves			
Share capital	12	69,200	40,800
Reserves		725,925	532,350
Equity attributable to owners of the Company		795,125	573,150

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	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 (audited)	40,800	59,546	801	2,822	450,602	554,571
Profit for the period	-	-	-	-	33,616	33,616
Exchange difference arising from translation of foreign operations	-	-	-	361	-	361
Total comprehensive income for the period	-	-	-	361	33,616	33,977
At 30 September 2013 (unaudited)	40,800	59,546	801	3,183	484,218	588,548
At 1 April 2014 (audited)	40,800	59,546	801	1,967	470,036	573,150
Profit for the period	-	-	-	-	25,683	25,683
Exchange difference arising from translation of foreign operations	-	-	-	(46)	-	(46)
Total comprehensive income for the period	-	-	-	(46)	25,683	25,637
2014 final dividend paid	-	-	-	-	(27,680)	(27,680)
Issue of shares upon rights issue (note 12)	20,400	102,000	-	-	-	122,400
Transaction costs on rights issue (note 12)	-	(3,438)	-	-	-	(3,438)
Placing of shares (note 12)	8,000	99,200	-	-	-	107,200
Transaction costs on placing of shares (note 12)	-	(2,144)	-	-	-	(2,144)
At 30 September 2014 (unaudited)	69,200	255,164	801	1,921	468,039	795,125

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 FLOWS

For the six months ended 30 September 2014

	For the six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Net cash from (used in) operating activities	4,444	(14,259)
Investing activities		
Purchase of property, plant and equipment	(7,757)	(6,764)
Interest received	2,719	1,425
Proceeds from disposal of property, plant and equipment	–	140
Net cash used in investing activities	(5,038)	(5,199)
Financing activities		
Proceeds from issue of shares upon rights issue	122,400	–
Proceeds from placing of shares	107,200	–
Dividends paid	(27,680)	–
Transaction costs on rights issue	(3,438)	–
Transaction costs on placing of shares	(2,144)	–
Net cash from financing activities	196,338	–
Net increase (decrease) in cash and cash equivalents	195,744	(19,458)
Cash and cash equivalents at beginning of the period	316,115	333,281
Effect of foreign exchange rate changes	204	–
Cash and cash equivalents at end of the period, represented by bank balances and cash	512,063	313,823

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The condensed consolidated financial statements for the period have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as 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. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments which are measured at fair value.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2014.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities*;
- Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities*;
- Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*;
- Amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*; and
- HK(IFRIC)-Int 21 *Levies*.

The application of the above new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported 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 two business operations, which are the distribution of branded luxury watches, timepieces and accessories, and dining business.

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 2014

	Hong Kong (unaudited) HK\$'000	Mainland China and Macau (unaudited) HK\$'000	Other Asian locations (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
REVENUE				
External sales	241,402	53,336	19,324	314,062
RESULT				
Segment results	88,066	26,408	5,445	119,919
Realised exchange gain				3,433
Unrealised exchange gain				12,945
Loss on fair value change of derivative financial instruments				(11,940)
Unallocated expenses				(96,165)
Unallocated income				3,416
Profit before taxation				31,608

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
REVENUE				
External sales	212,842	90,947	22,034	325,823
RESULT				
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

4. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The charge comprises:		
Current tax		
Hong Kong	(5,953)	(2,860)
Other jurisdictions	(1,773)	(2,974)
Deferred tax	(7,726)	(5,834)
	1,801	1,006
	(5,925)	(4,828)

Hong Kong Profits Tax is calculated at 16.5% (30 September 2013: 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	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Directors' remuneration	3,918	3,705
Other staff costs	16,071	14,494
Other staff's retirement benefits scheme contributions	366	333
Total staff costs	20,355	18,532
Depreciation of property, plant and equipment	11,646	8,908
Minimum lease payments in respect of rented premises	34,751	25,750

6. DIVIDEND

The directors of the Company have determined not to declare the payment of any interim dividend for the six months ended 30 September 2014 (30 September 2013: Nil).

During the period, a final dividend of 0.8 HK cents per share (after the effect of the share subdivision that took place on 2 September 2014, details of which are described in note 12) amounting to HK\$27,680,000 in respect of the year ended 31 March 2014 was declared and paid to the shareholders of the Company (30 September 2013: a final dividend of 8 HK cents per share amounting to HK\$32,640,000 in respect of the year ended 31 March 2013 was declared to the shareholders of the Company).

7. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	For the six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the purpose of basic earnings per share	25,683	33,616
Number of shares:		(Restated)
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,117,480,587	2,576,842,105

For the six months ended 30 September 2013, the weighted average number of ordinary shares has been adjusted for the bonus element of the rights issue of shares of the Company that was completed on 14 April 2014 and the effect of the share subdivision that took place on 2 September 2014, details of which are described in note 12.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, additions to the Group's property, plant and equipment amounted to approximately HK\$7,757,000 (30 September 2013: HK\$6,764,000) which mainly included the additions to leasehold improvements amounting to approximately HK\$5,882,000 (30 September 2013: HK\$5,511,000) for the opening of a new shop and renovation for the Group.

9. TRADE AND OTHER RECEIVABLES

	30 September 2014 HK\$'000 (unaudited)	31 March 2014 HK\$'000 (audited)
Trade receivables	74,467	52,462
Other receivables, deposits and prepayments	24,253	39,914
	98,720	92,376

The following is an aged analysis of trade receivables based on the invoice date, which approximated to the respective revenue recognition date:

	30 September 2014 HK\$'000 (unaudited)	31 March 2014 HK\$'000 (audited)
Within 30 days	61,691	29,058
31–90 days	11,452	23,404
91–120 days	1,324	–
	74,467	52,462

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

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$1,324,000 (31 March 2014: Nil) which are past due at the end of the reporting period for which the Group has not provided for impairment loss because the amount is subsequently recovered.

10. TRADE AND OTHER PAYABLES

	30 September 2014 HK\$'000 (unaudited)	31 March 2014 HK\$'000 (audited)
Trade payables	193,043	229,578
Other payables and accrued charges	83,926	100,896
	276,969	330,474
The following is an aged analysis of trade payables based on the invoice date:		
Within 90 days	72,125	63,803
91–365 days	120,918	165,775
	193,043	229,578

11. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior periods:

	Accelerated accounting depreciation HK\$'000	Allowance for inventories HK\$'000	Others HK\$'000	Total HK\$'000
At 1 April 2013 (audited)	2,594	10,074	(11)	12,657
Currency realignment	1	13	–	14
Credit (charge) to profit or loss for the period	917	98	(9)	1,006
At 30 September 2013 (unaudited)	3,512	10,185	(20)	13,677
Currency realignment	(3)	(29)	–	(32)
Credit to profit or loss for the period	180	374	26	580
At 31 March 2014 (audited)	3,689	10,530	6	14,225
Currency realignment	–	6	–	6
Credit to profit or loss for the period	1,096	705	–	1,801
At 30 September 2014 (unaudited)	4,785	11,241	6	16,032

12. SHARE CAPITAL

	Number of Shares	Share capital HK\$'000
Authorised:		
At 1 April 2013, 30 September 2013 and 31 March 2014		
— Ordinary shares of HK\$0.10 each	2,000,000,000	200,000
At 30 September 2014		
— Ordinary shares of HK\$0.02 each (<i>Note iii</i>)	20,000,000,000	400,000
Issued and fully paid:		
At 1 April 2013, 30 September 2013 and 31 March 2014		
— Ordinary shares of HK\$0.10 each	408,000,000	40,800
Shares issued upon rights issue (<i>Note i</i>)	204,000,000	20,400
Placing of shares (<i>Note ii</i>)	80,000,000	8,000
Share subdivision (<i>Note iii</i>)	2,768,000,000	—
At 30 September 2014		
— Ordinary shares of HK\$0.02 each	3,460,000,000	69,200

Notes:

- (i) On 4 March 2014, the Company proposed to raise approximately HK\$122.4 million (before expenses) by way of the rights issue of 204,000,000 rights shares at a subscription price of HK\$0.60 per rights share on the basis of one rights share for every two shares held on the record date, which is 18 March 2014. The share certificates for the rights shares in respect of the valid acceptances of the rights shares and successful applications for excess rights shares were dispatched to the allottees on 14 April 2014. Details of the rights issue and the results of rights issue are set out in the announcements of the Company dated 4 March 2014 and 11 April 2014 and the prospectus of the Company dated 20 March 2014 respectively.
- (ii) On 5 August 2014, the Company entered into the placing agreement, pursuant to which 80,000,000 new shares of the Company would be placed to independent investors at the placing price of HK\$1.34 per share. The completion of the placing took place on 20 August 2014.

- (iii) Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 1 September 2014, each of the existing issued and unissued shares of HK\$0.10 each in the share capital of the Company would be subdivided into 5 subdivided shares of HK\$0.02 each with effect from 2 September 2014. The subdivided shares rank *pari passu* in all respects with each other with the shares in issue prior to the share subdivision and the share subdivision will not result in any changes in the relative rights of the shareholders.

Furthermore, immediately upon the share subdivision becoming effective, the authorised share capital of the Company has increased from HK\$200,000,000 divided into 10,000,000,000 subdivided shares to HK\$400,000,000 divided into 20,000,000,000 subdivided shares by the creation of an additional 10,000,000,000 unissued subdivided shares, which rank *pari passu* in all respects with each other in all respects.

13. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The fair value of derivative financial instruments is calculated using quoted foreign exchange rate where it is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optimal derivatives.

The classification of the measurement of the derivative financial instruments at 30 September 2014 and 31 March 2014 using the fair value hierarchy were Level 2.

The Group's derivative financial instruments represent foreign currency forward contracts. The key input to the valuation model includes forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates.

There were no transfers between Level 1 and 2 in the current and prior periods.

14. RELATED PARTY TRANSACTIONS

During the period, the Group had the following major transactions with the following related parties:

	For the six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales to a fellow subsidiary	854	1,635
Purchases from a fellow subsidiary	2,574	274
Underwriting fee paid to a related company	3,060	–
Placing commission paid to a related company	2,144	–
Administrative services fee paid to a related company	300	300

