



**Sincere Watch**  
(Hong Kong) Limited

Stock Code 股份代號： 00444

(Incorporated in the Cayman Islands with limited liability)

# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mrs. CHU Yuet Wah (*Chairman*)  
Mr. WU Ting Yuk, Anthony (*Co-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

## INVESTMENT COMMITTEE

Mrs. CHU Yuet Wah (*Chairman*)  
Mr. CHU, Kingston Chun Ho  
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  
Lee Garden Two  
28 Yun Ping Road  
Causeway Bay  
Hong Kong

## AUDITOR

BDO Limited  
25th Floor, Wing On Centre  
111 Connaught Road Central  
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  
Hopewell Centre  
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 2015 ("H1 FY2016") decreased by 60.3% from HK\$314,062,000 to HK\$124,657,000 when compared with the corresponding period of last year ("H1 FY2015").
- Gross margin decreased from 38.2% to 26.3%. Gross profit for the six months ended 30 September 2015 decreased from HK\$119,919,000 to HK\$32,834,000.
- Loss for the six months ended 30 September 2015 was HK\$59,749,000 (H1 FY2015: HK\$25,683,000 Profit), mainly due to the decrease in sales and gross profit.
- Loss per share was 1.5 HK cents in H1 FY2016 (H1 FY2015: earnings per share 0.8 HK cents).
- The Board has resolved not to pay interim dividend for H1 FY2016 (H1 FY2015: 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 2015 together with the unaudited comparative figures for the corresponding six months ended 30 September 2014.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

The Group’s sales for the six months ended 30 September 2015 decreased from HK\$314.1 million to HK\$124.7 million by 60.3% over the same period last year.

Gross profit decreased from HK\$119.9 million to HK\$32.8 million by 72.6% over the same period last year. The gross margin decreased from 38.2% to 26.3% mainly due to the reduction in sales prices which was, in turn, partly caused by the weakening of Swiss Francs vs Hong Kong dollars.

The decrease in selling and distribution costs was mainly due to the reduced advertising and commission spending during the period under review. General and administrative expenses increased mainly because of the professional fees associated with a major transaction for which the Subscription lapsed. Details of such lapse are set out in the announcement of the Company dated 27 July 2015. Loss on disposal of available-for-sale investments represents the loss on sale of some listed equity securities.

The Group reported a realised foreign exchange loss of HK\$2.7 million against a realised foreign exchange gain of HK\$3.4 million in the same period last year. The unrealised foreign exchange gain was HK\$1.7 million in the current period, against the gain of HK\$12.9 million in the same period last year. Besides, HK\$0.6 million gain on fair value change of derivative financial instruments was recorded in H1 FY2016 while HK\$11.9 million loss on fair value change of derivative financial instruments was booked in H1 FY2015.

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 gain/loss on fair value change of derivative financial instruments, the Group’s loss before tax was HK\$58.9 million, against the profit before tax of HK\$27.2 million for H1 FY2015.

The decrease in trade receivables at the end of H1 FY2016 against H1 FY2015 was mainly due to lower sales and reduction in sales prices during H1 FY2016.

Net loss for H1 FY2016 was HK\$59.7 million against HK\$25.7 million profit in the same period of the last financial year, mainly due to the decrease in turnover and gross profit.

The Group's net asset value per share was 28.3 HK cents as at 30 September 2015 against 23.2 HK cents as at 31 March 2015.

## **Performance by geographical markets**

### ***Hong Kong***

Hong Kong continues to be the Group's major market, taking up 67.0% of the Group's revenue for the six months ended 30 September 2015. Sales in this market decreased from HK\$241.4 million in the previous period to HK\$83.6 million by 65.4%.

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

Mainland China and Macau accounted for about 25.8% of the Group's revenue for H1 FY2016. Sales in this region showed a decrease of 39.7% from HK\$53.3 million to HK\$32.2 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\$19.3 million in the previous corresponding period to HK\$8.9 million.

Meanwhile, this region's contribution to the Group's overall revenue increased from 6.1% for H1 FY2015 to 7.2% of the Group's total revenue for H1 FY2016.

## **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 luxury brands — de Grisogono, CVSTOS, Pierre Kunz, European Company Watch and Backes & Strauss.

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

The Group has established its distribution network with 57 retail points of sales and 13 boutiques, making a total of 70 points (72 as at the end of March 2015).

Other than the 9 boutiques run by the Group, the remaining 61 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.

During the period under review, the Group has opened a new boutique at Galaxy Macau.

## **Brand enhancement activities**

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

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 June 2015, the Group co-hosted a private dinner with a prestige finance institute, Sun Hung Kai Club Prive, at the Group's flagship boutique's restaurant in Causeway Bay, Hong Kong. Guests first gathered for a cocktail reception at the boutique to admire the latest novelties. They were being introduced to the latest Vanguard Collection, the finest jewellery timepiece collections, namely the Double Mystery, Sunrise, and Infinity Ronde during the dinner, while delighted by the exquisite dining experience.

In Mainland China, the Group unveiled the latest Vanguard collection highlighting the Vanguard Gravity, together with the Vanguard Tourbillion Limited Edition. The exclusive luncheon of media guests was held in Shanghai, followed by Beijing the next day in August 2015. The media guests were introduced to the brand's latest novelties, as well as the announcement of the launch of Franck Muller official Weibo and WeChat accounts.

In September 2015, Prince Jewellery & Watch Company successfully hosted the 6th edition of World Brand Piazza at the Hong Kong Watch & Clock Fair. Watch aficionados were able to exclusively view the luxury timepieces from 13 notable watch brands. Franck Muller once again honored to participate in the occasion. A dedicated exhibition area displayed the latest Vanguard collection to highlight the Vanguard Gravity, a symbol of technological avant-garde which houses the world's largest tourbillion.

Also in September 2015, the 3rd World Presentation of Haute Horlogerie (WPHH) Hong Kong was once again successfully held at the Group's flagship boutique in Causeway Bay. The 5-days exhibition began with an opening cocktail, followed by the exclusive VIP dinners hosted every night. The Co-Founder of the brand, Mr. Franck Muller, alongside with the CEO of CVSTOS, Mr. Sassoun Sirmakes and the CEO of Backes & Strauss, Mr. Vartkess Knadjian, travelled all the way from Switzerland to unveil the latest creations, with an exclusive display of remarkable Franck Muller know-how demonstrated by our watchmaker.

In supporting Po Leung Kuk as one of the most committed charitable organizations in Hong Kong, the Group was the title sponsor for one of their most significant annual events — 2015 Po Leung Kuk Gala Spectacular held in September 2015. Together with Franck Muller Asia Pacific brand ambassador, Mr. Julian Chi-lam Cheung appeared with the Vanguard Gravity with diamonds on his wrist, along with many other renowned singers, and socialites' guests to put together a marvelous evening performance for charity. Mrs. Chu Yuet Wah is the Chairman of Po Leung Kuk.

## **PROSPECTS**

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

The Group will continue to strengthen and pursue marketing and brand enhancement activities in the territory. In Macau, the Group opened a new boutique at Galaxy Macau in May 2015.

Besides, two new boutiques located respectively at Wynn Cotai Resort in Macau and the Peninsula Shanghai in the People's Republic of China (the "PRC") are expected to commence business within the first half of year 2016.

The Group will continue to exercise prudence in managing its expenditures so as 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 in order to deliver better returns to our shareholders.

In addition to the existing business, the Group is actively exploring other business and investment opportunities with the objective of broadening the Group's income sources and shareholders' return. The Group is actively looking for investment projects in healthcare and medical tourist industry in the PRC.

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

As at 30 September 2015, the Group maintained a cash and bank balance of HK\$674.4 million, increased by 46.5% when compared with its cash and bank balance of HK\$460.4 million as at 31 March 2015. The Group has no outstanding bank loans.

The Group's net current assets rose 31.5% from HK\$713.2 million as at 31 March 2015 to HK\$937.8 million as at 30 September 2015. This also represented a 26.3% improvement when compared with HK\$742.6 million recorded as at 30 September 2014. 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 placing of new shares under the general mandate granted on 22 August 2014 to increase the capital base of the Company. The effects of the placing of new shares on the capital structure of the Company are more particularly depicted in the note 14 to the Condensed Consolidated Financial Statements on page 27 of this report. The full details of the aforesaid transaction can also be referred to in the announcements of the Company dated 29 March 2015 and 16 April 2015.

The Group recorded a realised exchange loss of HK\$2.7 million in H1 FY2016 compared with a realised exchange gain of HK\$3.4 million in H1 FY2015. In addition, the Group booked an unrealised exchange gain of about HK\$1.7 million in H1 FY2016 against the gain of HK\$12.9 million for H1 FY2015. Besides, HK\$0.6 million gain on fair value change of derivative financial instruments was recorded in H1 FY2016 while HK\$11.9 million loss on fair value change of derivative financial instruments was booked in H1 FY2015.

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 2015 (31 March 2015: Nil).

## **SIGNIFICANT ACQUISITION OF SUBSIDIARY**

No significant acquisition of subsidiary was made for the period under review.

## **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 2015.

## **CONTINGENT LIABILITIES**

The Group did not have any contingent liabilities as at 30 September 2015 (31 March 2015: Nil).

## **STAFF AND EMPLOYMENT**

As at 30 September 2015, the Group's work force stood at 136 including Directors (31 March 2015: 143). 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 that it stays competitive with market practice.



## OTHER INFORMATION

### DIRECTORS' INTERESTS IN SHARES

At 30 September 2015, 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:

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of shares held (long position)</b>	<b>Approximate percentage of the Company's issued share capital</b>
Chu Yuet Wah	Beneficial owner	265,000,000	6.38%
	Interest of controlled corporation (Note)	325,920,000	7.85%

Note: These 325,920,000 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 325,920,000 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 2015.

## SUBSTANTIAL SHAREHOLDERS

At 30 September 2015, 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
嘉實基金管理有限公司	Investment manager	1,204,080,000	29.00%
China Credit Trust Co., Ltd.	Interest of controlled corporation (Note 1)	1,204,080,000	29.00%
Sincere Watch Limited	Beneficial owner (Note 2)	325,920,000	7.85%
Be Bright Limited	Interest of controlled corporation (Note 3)	325,920,000	7.85%

### Notes:

1. These 1,204,080,000 shares were held by 嘉實基金管理有限公司, which was 40% owned by China Credit Trust Co., Ltd.. Accordingly, China Credit Trust Co., Ltd. was deemed to be interested in these 1,204,080,000 shares of the Company by virtue of the SFO.
2. These 325,920,000 shares of the Company are registered in the name of and beneficially owned by Sincere Watch Limited.
3. These 325,920,000 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 325,920,000 shares of the Company by virtue of the SFO.

Save as disclosed above, as at 30 September 2015, 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 as 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 contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30 September 2015.

## **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 2015.

## **AUDITOR AND AUDIT COMMITTEE**

Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants, resigned and BDO Limited was appointed as auditor of the Group with effect from 27 October 2015.

The interim results of the Group for the six months ended 30 September 2015 have been reviewed by BDO Limited 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 2015.

## **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 shares of the Company during the six months ended 30 September 2015.

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to the disclosure requirements under Rule 13.51B(1) of the Listing Rules, the changes in information of Directors since the date of the Company's 2015 Annual Report are set out below:

<b>Name of Director</b>	<b>Details of changes</b>
Mrs. Chu Yuet Wah	<ul style="list-style-type: none"><li>Appointed as Permanent Honorary President of 12th Executive Council of Hong Kong Southern District Community Association with effect from 8 July 2015.</li></ul>
Mr. Wu Ting Yuk, Anthony	<ul style="list-style-type: none"><li>In view of the lapse of the Subscription Agreement (details of which were disclosed in the announcements dated 27 March 2015 and 27 July 2015), Mr. Wu did not receive any remuneration since his appointment up to the date of this Interim Report. Mr. Wu will not receive any remuneration from the Group until otherwise recommended by the Remuneration Committee of the Company.</li></ul>
Mr. Chu, Kingston Chun Ho	<ul style="list-style-type: none"><li>The monthly salary has been adjusted from HK\$165,000 to HK\$171,000 with effect from 1 July 2015.</li><li>Appointed as an executive director of Kingston Financial Group Limited, a company listed on the Main Board of the Stock Exchange, with effect from 21 August 2015.</li></ul>
Mr. Lau Man Tak	<ul style="list-style-type: none"><li>Retired as an independent non-executive director of AMCO United Holding Limited, a company listed on the Main Board of the Stock Exchange, with effect from 30 June 2015.</li><li>Appointed on 7 March 2014 as the chairman and non-executive director of REF Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange on 25 September 2015.</li><li>Resigned as an independent non-executive director of KuangChi Science Limited, a company listed on the Main Board of the Stock Exchange, with effect from 30 September 2015.</li></ul>

Save as disclosed above, there is no other information in respect of Directors which is 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, 27 November 2015

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



**TO THE MEMBERS OF SINCERE WATCH (HONG KONG) LIMITED**  
*(incorporated in the 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 30, which comprise the condensed consolidated statement of financial position as of 30 September 2015 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.

## **SCOPES 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.

### **BDO Limited**

*Certified Public Accountants*

Hong Kong, 27 November 2015

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

For the six months ended 30 September 2015

	Notes	For the six months ended 30 September	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited) (restated)
Turnover	3	124,657	314,062
Cost of sales		(91,823)	(194,143)
Gross profit		32,834	119,919
Other income		5,388	3,416
Loss on disposal of available-for-sale investments		(1,431)	–
Provision for impairment loss on property, plant and equipment		(615)	–
Selling and distribution costs		(48,534)	(52,760)
General and administrative expenses		(46,523)	(43,405)
(Loss)/Profit before taxation, exchange gain/ (loss) and gain/(loss) on fair value change of derivative financial instruments		(58,881)	27,170
Realised exchange (loss)/gain		(2,673)	3,433
Unrealised exchange gain		1,659	12,945
Gain/(loss) on fair value change of derivative financial instruments		582	(11,940)
(Loss)/Profit before taxation		(59,313)	31,608
Income tax expenses	4	(436)	(5,925)
(Loss)/Profit for the period	5	(59,749)	25,683
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
— Exchange differences on translation of foreign operations		(1,356)	(46)
— Fair value gain on available-for-sale investments		19,065	–
Total comprehensive income for the period		(42,040)	25,637
(Loss)/Earnings per share — basic and diluted	7	(1.5) HK cents	0.8 HK cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment	8	22,030	27,853
Available-for-sale investments	9	197,721	40,800
Deposit paid for acquisition of property, plant and equipment		–	4,654
Deferred tax assets	12	16,920	16,430
		<b>236,671</b>	<b>89,737</b>
<b>Current assets</b>			
Inventories		431,006	401,092
Trade and other receivables	10	68,378	141,498
Amount due from immediate holding company	13	–	30
Amount due from a fellow subsidiary	13	–	5
Derivative financial instruments		–	653
Taxation recoverable		1	–
Cash and bank		674,404	460,403
		<b>1,173,789</b>	<b>1,003,681</b>
<b>Current liabilities</b>			
Trade and other payables	11	225,445	270,891
Amount due to a fellow subsidiary	13	–	9,624
Amount due to a related company	13	3,152	812
Derivative financial instruments		2,346	3,581
Taxation payable		5,036	5,606
		<b>235,979</b>	<b>290,514</b>
Net current assets		<b>937,810</b>	<b>713,167</b>
Total assets less current liabilities		<b>1,174,481</b>	<b>802,904</b>
Net assets		<b>1,174,481</b>	<b>802,904</b>
<b>Capital and reserves</b>			
Share capital	14	83,040	69,200
Reserves		1,091,441	733,704
Total equity		<b>1,174,481</b>	<b>802,904</b>



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

	Share capital HK\$'000	Share premium HK\$'000	Investments revaluation reserve HK\$'000	Special reserve HK\$'000 (Note)	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2014 (audited)	40,800	59,546	-	801	1,967	470,036	573,150
Exchange difference arising from translation of foreign operations	-	-	-	-	(46)	-	(46)
Profit for the period	-	-	-	-	-	25,683	25,683
Total comprehensive income for the period	-	-	-	-	(46)	25,683	25,637
Dividend paid for 2014	-	-	-	-	-	(27,680)	(27,680)
Issue of shares upon rights issue (note 14)	20,400	102,000	-	-	-	-	122,400
Transaction costs on rights issue	-	(3,438)	-	-	-	-	(3,438)
Placing of shares (note 14)	8,000	99,200	-	-	-	-	107,200
Transaction costs on placing of shares	-	(2,144)	-	-	-	-	(2,144)
At 30 September 2014 (unaudited)	69,200	255,164	-	801	1,921	468,039	795,125
At 1 April 2015 (audited)	69,200	255,092	(5,700)	801	923	482,588	802,904
Exchange difference arising from translation of foreign operations	-	-	-	-	(1,356)	-	(1,356)
Fair value gain on available-for-sale investments	-	-	19,065	-	-	-	19,065
Loss for the period	-	-	-	-	-	(59,749)	(59,749)
Total comprehensive income for the period	-	-	19,065	-	(1,356)	(59,749)	(42,040)
Placing of shares (note 14)	13,840	408,280	-	-	-	-	422,120
Transaction costs on placing of shares	-	(8,503)	-	-	-	-	(8,503)
At 30 September 2015 (unaudited)	83,040	654,869	13,365	801	(433)	422,839	1,174,481

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 in 2005.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

	For the six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Net cash (used in)/from operating activities	(59,531)	4,444
Investing activities		
Purchase of property, plant and equipment	(4,993)	(7,757)
Purchase of available-for-sale investments	(172,465)	–
Interest received	4,773	2,719
Proceeds from disposal of property, plant and equipment	603	–
Proceeds from sales of available-for-sale investments	33,178	–
Net cash used in investing activities	(138,904)	(5,038)
Financing activities		
Proceeds from issue of shares upon rights issue	–	122,400
Proceeds from placing of shares	422,120	107,200
Dividends paid	–	(27,680)
Transaction costs on rights issue	–	(3,438)
Transaction costs on placing of shares	(8,503)	(2,144)
Net cash from financing activities	413,617	196,338
Net increase in cash and cash equivalents	215,182	195,744
Cash and cash equivalents at beginning of the period	460,403	316,115
Effect of foreign exchange rate changes	(1,181)	204
Cash and cash equivalents at end of the period, represented by cash and bank	674,404	512,063

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

## 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 Listing Rules. The financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

As at 31 March 2015, the Company's ultimate holding company was Be Bright Limited, a company incorporated in the British Virgin Islands and wholly owned by Mrs. Chu Yuet Wah ("Mrs. Chu"), the ultimate controlling shareholder. The Company's immediate holding company was Sincere Watch Limited ("SW"), a company incorporated in the Republic of Singapore.

In September 2015, SW has disposed 1,204.08 million Shares, representing 29.00% of the issued share capital of the Company to 嘉實基金管理有限公司 (Harvest Fund Management Co., Ltd.\*), a company incorporated in the PRC. Following the completion of the disposal, SW holds approximately 7.85% of the issued share capital of the Company. In addition, Mrs. Chu, the ultimate beneficial owner of SW is directly interested in approximately 6.38% of the issued shares of the Company. Mrs. Chu, directly and indirectly through SW, hold approximately 14.23% of the issued share capital of the Company. Accordingly, SW and Be Bright Limited ceased to be the immediate holding company and the ultimate holding company respectively.

\* *The English name is a translation of its Chinese name and is included for identification purposes only.*

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments and available-for-sale investments 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 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2015.

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:

- HKFRSs (Amendments) *Annual Improvements 2010–2012 Cycle*
- HKFRSs (Amendments) *Annual Improvements 2011–2013 Cycle*
- Amendments to HKAS 19 (2011) *Defined Benefit Plans: Employee Contributions*

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. Unallocated expenses mainly included directors' salaries, staff costs, depreciation, rental expenses, freight charges, credit card charges, commissions paid to staff and suppliers, advertising and promotion expenses, entertainment, exclusivity and royalty fees, legal and professional fees, repair and maintenance, insurance, travelling, printing and utility expenses. This is the measure reported to the Executive Directors for the purpose of resource allocation and assessment of segment performance.

The following is an analysis of the Group's turnover and results by geographical location. The following tables set out information about the geographical locations of the Group's revenue from external customers determined based on locations of customers.

### For the six months ended 30 September 2015

	Hong Kong HK\$'000 (unaudited)	Mainland China and Macau HK\$'000 (unaudited)	Other Asian locations HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
REVENUE				
External sales	83,569	32,165	8,923	124,657
RESULT				
Segment results	16,313	14,934	1,587	32,834
Realised exchange loss				(2,673)
Unrealised exchange gain				1,659
Gain on fair value change of derivative financial instruments				582
Unallocated expenses				(97,103)
Unallocated income				5,388
Loss before taxation				(59,313)

For the six months ended 30 September 2014

	Hong Kong HK\$'000 (unaudited)	Mainland China and Macau HK\$'000 (unaudited)	Other Asian locations HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
<b>REVENUE</b>				
External sales	241,402	53,336	19,324	314,062
<b>RESULT</b>				
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

#### 4. INCOME TAX EXPENSES

	<b>For the six months ended 30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
The charge comprises:		
Current tax		
Hong Kong	<b>(432)</b>	(5,953)
Other jurisdictions	<b>(598)</b>	(1,773)
	<b>(1,030)</b>	(7,726)
Deferred tax (note 12)		
Current period	<b>2,502</b>	1,801
Reversal	<b>(1,908)</b>	–
	<b>(436)</b>	(5,925)

Hong Kong Profits Tax is calculated at 16.5% (30 September 2014: 16.5%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

During the period ended 30 September 2015, the Group reduced the carrying amount of deferred tax assets by HK\$1,908,000 as it is uncertain when will sufficient taxable profit be available to allow the benefit of part of that deferred tax asset to be utilized.

## 5. (LOSS)/PROFIT FOR THE PERIOD

	For the six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss)/Profit for the period has been arrived at after charging:		
Directors' remuneration	4,478	3,918
Other staff costs	17,328	16,071
Other staff's retirement benefits scheme contributions	400	366
Total staff costs	22,206	20,355
Depreciation of property, plant and equipment	10,034	11,646
Operation lease charges	37,363	34,751
Cost of inventories recognised as an expense (including write-down of inventories HK\$11,963,000 (2014: HK\$5,866,000))	91,823	194,143
and after crediting:		
Interest income	4,773	2,719
Gain on disposal of property, plant and equipment	517	–

## 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 2015 (30 September 2014: Nil).

No final dividend for the year ended 31 March 2015 was declared and paid during the period. (30 September 2014: 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 14) 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).

## 7. (LOSS)/EARNINGS PER SHARE

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

	For the six months ended	
	30 September	2014
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss)/Profit for the purpose of basic and diluted earnings per share	(59,749)	25,683
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	4,095,278,689	3,117,480,587

Diluted earnings per share for the six months ended 30 September 2015 and 2014 are the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the period.



## 8. PROPERTY, PLANT AND EQUIPMENT

During the period, additions to the Group's property, plant and equipment amounted to approximately HK\$4,993,000 (30 September 2014: HK\$7,757,000) which mainly included the additions to leasehold improvements amounting to approximately HK\$4,482,000 (30 September 2014: HK\$5,882,000) for the opening of a new shop and renovation for the Group.

The Hong Kong luxury watch market showed a general decline in the period under review and yet to recover. The Group performed an impairment assessment on property, plant and equipment of the Group's geographical segments, in accordance with the accounting policy on impairment of non-financial assets. Based on the assessment, an impairment loss of approximately HK\$615,000 (2014: Nil) was recognised and charged to the condensed consolidated statement of profit or loss and other comprehensive income for the 6 months period ended 30 September 2015. The recoverable amounts of these property, plant and equipment using value in use calculation were determined by the discounted cash flows generated from each segment based on a management budget plan and a pre-tax discount rate of 10%.

## 9. AVAILABLE-FOR-SALE INVESTMENTS

	<b>30 September 2015 HK\$'000 (unaudited)</b>	31 March 2015 HK\$'000 (audited)
Listed equity securities in Hong Kong	<b>197,721</b>	40,800

The movements in available-for-sale investments are summarised as follows:

	HK\$'000
Acquired during the year ended 31 March 2015	46,500
Net change in fair value recognised in other comprehensive income	<u>(5,700)</u>
As at 31 March 2015 (audited)	<u>40,800</u>
Acquired during the period ended 30 September 2015	172,465
Disposal during the period ended 30 September 2015	(33,178)
Net change in fair value recognised in other comprehensive income	19,065
Loss on disposal of available-for-sale investments	<u>(1,431)</u>
As at 30 September 2015 (unaudited)	<u>197,721</u>

## 10. TRADE AND OTHER RECEIVABLES

	<b>30 September 2015 HK\$'000 (unaudited)</b>	31 March 2015 HK\$'000 (audited)
Trade receivables	<b>17,188</b>	101,232
Other receivables, deposits and prepayments	<b>51,190</b>	40,266
	<b>68,378</b>	141,498

The following is an aged analysis of trade receivables based on the invoice dates at the end of the reporting period, which approximated to the respective revenue recognition dates:

Within 30 days	<b>12,028</b>	68,721
31–90 days	<b>5,057</b>	19,136
91–120 days	<b>103</b>	13,375
	<b>17,188</b>	101,232

Normally, the Group allows a credit period ranging from 30 to 90 days to its trade customers.

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK\$103,000 (31 March 2015: HK\$13,375,000) 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.

## 11. TRADE AND OTHER PAYABLES

	30 September 2015 HK\$'000 (unaudited)	31 March 2015 HK\$'000 (audited)
Trade payables	145,845	171,120
Other payables and accrued charges	79,600	99,771
	<b>225,445</b>	<b>270,891</b>

The following is an aged analysis of trade payables based on the invoice dates:

Within 90 days	48,364	55,173
91–365 days	97,481	115,947
	<b>145,845</b>	<b>171,120</b>

## 12. 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 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
Currency realignment	(4)	(62)	6	(60)
Credit/(charge) to profit or loss for the period	1,135	(659)	(18)	458
At 31 March 2015 (audited)	5,916	10,520	(6)	16,430
Currency realignment	(9)	(95)	–	(104)
Credit to profit or loss for the period	880	1,622	–	2,502
Reversal and charged to profit or loss for the period	(156)	(1,752)	–	(1,908)
At 30 September 2015 (unaudited)	6,631	10,295	(6)	16,920

### 13. AMOUNT DUE FROM IMMEDIATE HOLDING COMPANY/A FELLOW SUBSIDIARY AND DUE TO A FELLOW SUBSIDIARY/A RELATED COMPANY

As at 31 March 2015, SW was the immediate holding company. The amount due from immediate holding company was unsecured, non-interest bearing and repayable within 1 year.

As at 31 March 2015, amounts due from/to a fellow subsidiary and a related company were unsecured, non-interest bearing and repayable within 1 year. The classification of amount due from/to immediate holding company, a fellow subsidiary and a related company as at 30 September 2015 has reflected the change of shareholders of the Company mentioned in note 1.

### 14. SHARE CAPITAL

	Number of Shares	Share capital HK\$'000
Authorised:		
At 1 April 2014		
— Ordinary shares of HK\$0.10 each	2,000,000,000	200,000
At 30 September 2014, 31 March 2015 and 30 September 2015		
— Ordinary shares of HK\$0.02 each (Note iii)	20,000,000,000	400,000
Issued and fully paid:		
At 1 April 2014		
— Ordinary shares of HK\$0.10 each	408,000,000	40,800
Shares issued upon rights issue (Note i)	204,000,000	20,400
Placing of shares (Note ii)	80,000,000	8,000
Share subdivision (Note iii)	2,768,000,000	—
At 31 March 2015		
— Ordinary shares of HK\$0.02 each	3,460,000,000	69,200
Placing of shares (Note iv)	692,000,000	13,840
At 30 September 2015	4,152,000,000	83,040

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 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* with each other in all respects.

- (iv) On 29 March 2015, the Company entered into the placing agreement, pursuant to which 692,000,000 new shares of the Company would be placed to independent investors at the placing price of HK\$0.61 per share. The completion of the placing took place on 16 April 2015.

**15. 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**

***Derivative financial instruments:***

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.

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-optional derivatives.

The classification of the measurement of the derivative financial instruments at 30 September 2015 and 31 March 2015 using the fair value hierarchy were Level 2.

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

***Available-for-sale investments:***

The fair values of available-for-sale investments are determined with reference of quoted market prices.

The classification of the measurement of the available-for-sale investments as at 30 September 2015 and 31 March 2015 using the fair value hierarchy were Level 1.

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

## 16. 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	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales to a fellow subsidiary	–	854
Sales to a related company	1,019	–
Purchases from a fellow subsidiary	–	2,574
Purchases from a related company	5,428	–
Underwriting fee paid to a related company	–	3,060
Placing commission paid to a related company	8,442	2,144
Administrative services fee paid to a related company	120	300
Printing fees paid to a related company	299	N/A

## 17. COMPARATIVE FIGURES

Boutique rental expenses were included in general and administrative expenses in the 2014 interim financial statements. To better reflect the nature of boutique rental expenses were mainly incurred for sales purposes, such expenses are included in selling and distribution costs in the 2015 interim financial statements. The 2014 figures were restated to be consistent with 2015 presentation.

The impact of the reclassification of boutique rental expenses is shown below:

	2014	Reclassification	2015
	HK\$'000	HK\$'000	HK\$'000
	(as originally stated)		(restated)
Selling and distribution costs	20,918	31,842	52,760
General and administrative expenses	75,247	(31,842)	43,405

