



2016

Interim Report 中期報告

Sincere Watch

(Hong Kong) Limited

(Incorporated in the Cayman Islands with limited liability) Stock Code 股份代號 : 00444

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mrs. CHU Yuet Wah (*Chairman*)
Mr. ZHANG Xiaoliang (*Deputy Chairman*)
Mr. WU Ting Yuk, Anthony
(*Deputy Chairman*)
Mr. CHU, Kingston Chun Ho
(*Vice Chairman and Managing Director*)

Mr. YANG Guangqiang

Mr. AN Muzong

Independent Non-executive Directors

Mr. LAU Man Tak
Ms. LO Miu Sheung, Betty
Dr. WONG Yun Kuen
Mr. YU Zhenxin

AUDIT COMMITTEE

Mr. LAU Man Tak (*Chairman*)
Ms. LO Miu Sheung, Betty
Dr. WONG Yun Kuen
Mr. YU Zhenxin

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
Mr. YU Zhenxin

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
Bank of China (Hong Kong) Limited

STOCK CODE

00444

WEBSITE

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

FINANCIAL HIGHLIGHTS

- Turnover for the six months ended 30 September 2016 (“H1 FY2017”) increased by 22.7% from HK\$124,657,000 to HK\$152,949,000 when compared with the corresponding period of last year (“H1 FY2016”).
- Gross margin increased from 26.3% to 29.5%. Gross profit for the six months ended 30 September 2016 increased from HK\$32,834,000 to HK\$45,088,000.
- Loss for the six months ended 30 September 2016 was HK\$116,356,000 (H1 FY2016: HK\$59,749,000), mainly due to the impairment on the Group’s available-for-sale investments to reflect the decrease in fair value of the equity instruments.
- Loss per share was 2.7 HK cents in H1 FY2017 (H1 FY2016: 1.5 HK cents).
- The Board has resolved not to pay interim dividend for H1 FY2017 (H1 FY2016: 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 2016 together with the unaudited comparative figures for the corresponding six months ended 30 September 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group’s turnover for the six months ended 30 September 2016 increased from HK\$124.7 million to HK\$152.9 million by 22.7% over the same period last year.

Gross profit increased from HK\$32.8 million to HK\$45.1 million by 37.5% over the same period last year. The gross margin increased from 26.3% to 29.5% mainly due to the reduction in sales prices in H1 FY2016.

The increase in selling and distribution costs was mainly due to increase in rental expenses for two new boutiques in H1 FY2017. General and administrative expenses decreased over the same period last year mainly due to decrease in professional fees.

Realised foreign exchange loss of the Group decreased from HK\$2.7 million to HK\$0.4 million in H1 FY2017. The unrealised foreign exchange gain also decreased from HK\$1.7 million in the same period last year to HK\$1.1 million in the current period. There was an increase of HK\$6.8 million in fair value change of investment properties in H1 FY2017. A HK\$0.6 million gain on fair value change of derivative financial instruments was recorded in H1 FY2016 when compared to HK\$1.0 million loss in H1 FY2017.

Gain on disposal of available-for-sale investments in H1 FY2017 amounted to HK\$3.6 million compared to HK\$1.4 million loss in the same period last year, and there was HK\$82.6 million impairment loss on available-for-sale investments in H1 FY2017.

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, the increase in fair value of investment properties and gain/loss on fair value change of derivative financial instruments, the Group’s loss before taxation was HK\$121.5 million, against HK\$58.9 million for H1 FY2016.

Trade and other receivables at the end of H1 FY2017 was comparable to H1 FY2016.

Net loss for H1 FY2017 was HK\$116.4 million against HK\$59.7 million in the same period of the last financial year, mainly due to the impairment on the Group's available-for-sale investments to reflect the decrease in fair value of the equity instruments.

Loss per share was 2.7 HK cents in H1 FY2017 against 1.5 HK cents in H1 FY2016. Net asset value per share was 23.4 HK cents as at 30 September 2016 against 26.5 HK cents as at 31 March 2016.

Performance by business operations and geographical markets

Watch distribution and dining business

Hong Kong

Hong Kong continues to be the Group's major market, taking up 63.1% of the Group's revenue for the six months ended 30 September 2016. Sales in this market increased by 15.5% from HK\$83.6 million in the previous period to HK\$96.6 million.

Mainland China and Macau

Mainland China and Macau accounted for about 26.1% of the Group's revenue for H1 FY2017. Sales in this region showed an increase of 24.5% from HK\$32.2 million to HK\$40.0 million with two new boutiques opening, compared with the same period last year.

Other Asian locations

Revenue from other Asian territories (i.e. Taiwan and Singapore) remained steady from HK\$8.9 million in the previous corresponding period to HK\$8.2 million in H1 FY2017.

Meanwhile, this region's contribution to the Group's overall revenue decreased from 7.2% for H1 FY2016 to 5.4% of the Group's total revenue for H1 FY2017.

Property investment

Mainland China

Rental income of HK\$8.1 million was recognised for H1 FY2017 after the Group acquired investment properties on 31 March 2016.

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 (71 as at the end of March 2016).

Other than the 11 boutiques run by the Group, the remaining 59 watch retail outlets in the region are run by 25 independent watch dealers throughout our key markets in Hong Kong, Macau, Taiwan and Mainland China.

During the period under review, the Group has opened two new boutiques at Wynn Cotai Resort in Macau and also at Peninsula Shanghai in Mainland China respectively.

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 the 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 as one of the leading international watch brands. This included several unique events in our key markets with the aims of increasing brand exposure and extending brand networking.

In April 2016, the Group co-hosted a private luncheon with FWD at the Group's flagship boutique's restaurant in Causeway Bay, Hong Kong. Guests enjoyed an exclusive menu designed by the chef, while revelled in a "touch and feel" session of the luxury timepieces highlighting the latest FRANCK MULLER Vanguard collection. FWD invited a guest of honor, Mr. Simon Shia, a well-known watch collector, hosted a sharing session to introduce guests on a few high-end watch complications such as the tourbillon, perpetual calendar, 3 time zones, etc., to further enforce FRANCK MULLER's acclaimed title as "Master of Complications".

To launch the latest Vanguard Lady collection and to highlight the boutique exclusive jewellery in May 2016, media and VIP guests were invited to enjoy a pleasurable afternoon served with high tea from the Group's flagship boutique's restaurant in Causeway Bay, Hong Kong, followed by an exclusive floral workshop illustrated by the renowned floral artisan, Mr. Kirk Cheng.

In June 2016, the Group participated the Peninsula Legendary Artisans dedicated to the finest craftsmanship from the residents of the Peninsula Arcade. A private in-boutique cocktail was arranged alongside with an exclusive 1 week of window façade highlighting the Vanguard Lady collection, a new feminine interpretation adorned with the signature Vanguard applique relief index combined with sport elements.

In coincide with the new opening of the Group's Peninsula Shanghai boutique in Mainland China in June 2016, the brand was honored to be invited to be part of the Peninsula Legendary Artisans event in Shanghai. A private in-boutique cocktail was arranged alongside with an exclusive 1 week of window façade highlighting the first to be seen of Vanguard Lady Collection. Arranged specially by the Peninsula hotel, a celebrity guest, Mr. Tong Dai Wei visited the new boutique and was introduced to the latest novelties highlighting the Vanguard Gravity, a true symbol of technological avant-garde combined with the master of watchmaking craftsmanship.

In September 2016, Prince Jewellery & Watch Company successfully hosted the 7th 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. A dedicated exhibition area was honoured to FRANCK MULLER, displayed the latest Vanguard collection to highlight the Vanguard Skeleton, a meticulous skeletonized design showcases the watchmaking know-how and art of FRANCK MULLER manufacture.

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. Two new boutiques located respectively at the Peninsula Shanghai in the Mainland China and Wynn Cotai Resort in Macau were opened in June 2016 and August 2016 respectively.

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 2016, the Group maintained a cash and bank balance of HK\$220.6 million, decreased by 57.8% when compared with its cash and bank balance of HK\$522.4 million as at 31 March 2016 as the consideration of HK\$351.4 million for the acquisition of investment properties on 31 March 2016 were settled during the period ended 30 September 2016. The Group has no outstanding bank loans.

At 30 September 2016, the Group's available-for-sale investments details were as below:

| Stock Code | Stock Name | At 30 September 2016 | | For the six months ended 30 September 2016 | | At 30 September 2016 | |
|------------|---|----------------------|---------------------------------|---|---|--|--|
| | | No. of shares held | Fair value HK\$'000 (unaudited) | Impairment charged to profit or loss HK\$'000 | Investment revaluation reserve HK\$'000 | Approximate percentage of available-for-sale investments % | Approximate percentage to the total assets % |
| 938 | Man Sang International Limited | 20,000,000 | 14,400 | (15,600) | - | 4.9 | 1.1 |
| 3823 | Tech Pro Technology Development Limited | 36,760,000 | 6,543 | (66,977) | - | 2.2 | 0.5 |
| Part I | | | 20,943 | (82,577) | - | 7.1 | 1.6 |
| 36 | Far East Holdings International Limited | 30,666,000 | 43,239 | - | 19,320 | 14.6 | 3.3 |
| 376 | Yunfeng Financial Group Limited | 1,196,000 | 7,356 | - | 191 | 2.5 | 0.6 |
| 627 | U-Right International Holdings Limited | 27,360,000 | 16,142 | - | 4,788 | 5.5 | 1.2 |
| 663 | King Stone Energy Group Limited | 350,000,000 | 70,700 | - | 22,050 | 23.9 | 5.4 |
| 1003 | Huanxi Media Group Limited | 32,000,000 | 64,960 | - | 960 | 22.0 | 4.9 |
| 1076 | Imperial Pacific International Holdings Limited | 359,980,000 | 49,677 | - | 14,804 | 16.8 | 3.8 |
| 2066 | Shengjing Bank Co., Ltd. | 500,000 | 3,995 | - | (2,005) | 1.4 | 0.3 |
| 3886 | Town Health International Medical Group Limited | 6,600,000 | 8,118 | - | (3,422) | 2.7 | 0.6 |
| 8172 | Lajin Entertainment Network Group Limited | 18,800,000 | 10,340 | - | (4,700) | 3.5 | 0.8 |
| Part II | | | 274,527 | - | 51,986 | 92.9 | 20.9 |
| Total | | | 295,470 | (82,577) | 51,986 | 100.0 | 22.5 |

All available-for-sale investments were listed securities which were measured at fair value. As at 30 September 2016, available-for-sale investments of the Group amounted to HK\$295.5 million.

Impairment on the listed securities of HK\$82.6 million was already charged to profit or loss directly during the period ended 30 September 2016 to reflect the unrealized decrease in fair value of the equity instruments. As of 30 September 2016, Part I represented only approximately 1.6% of the total assets of the Group.

For Part II, unrealized gain in securities value was credited to the investment revaluation reserve instead of charged to profit or loss account directly in accordance with accounting standards with the amount of HK\$52.0 million which reflected the increase in fair value of the portfolio. Therefore, Part II above with the unrealized gain towards the investment revaluation reserve represented approximately 20.9% of the total assets of the Group as at 30 September 2016 which was a more significant portion of the portfolio and also in terms of total assets of the Group.

During the period under review, the Hong Kong equity market experienced fluctuations and the performance of the available-for-sale investments had been in line with the market performance and the Group disposed of few securities in the portfolio with realized gain on disposal of available-for-sale investments in the total of HK\$3.6 million to contribute towards our income statements. Nevertheless, the Directors observed that on 26 October 2016, Tech Pro Technology Development Limited (“Tech Pro”) issued an announcement to refute the allegations against it as raised in the report issued by Glaucus Research Group California, LLC on 28 July 2016. The Directors considered that were the available-for-sale investment in Tech Pro taken out, the impairment charged to profit and loss accounts for the unrealized loss was HK\$15.6 million only against the unrealized gain of HK\$52.0 million when the investment portfolio of the Group was assessed on a pro forma basis. The Directors will continue to monitor the performance of the above investments, and will assess and then adjust the investment strategies in the future so as to minimize the negative impact of any under-performing investment on the overall return of the investment portfolio of the Group. The performance of the available-for-sale investments of the Group will be affected by the degree of volatility in the Hong Kong stock market and subject to other external factors that may affect their values.

The Group’s net current assets remain stable of HK\$735.8 million as at 31 March 2016 and HK\$734.9 million as at 30 September 2016. 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 6 August 2015 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 note 14 to the Condensed Consolidated Financial Statements on page 30 of this interim report. The full details of the aforesaid transaction can also be referred to in the announcements of the Company dated 9 August 2016 and 2 September 2016.

The Group recorded a realised exchange loss of HK\$0.4 million in H1 FY2017 compared with HK\$2.7 million in H1 FY2016. In addition, the Group booked an unrealised exchange gain of HK\$1.1 million in H1 FY2017 against HK\$1.7 million in H1 FY2016. There was a HK\$0.6 million gain on fair value change of derivative financial instruments recorded in H1 FY2016 while HK\$1.1 million loss on fair value change of derivative financial instruments was booked in H1 FY2017.

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 2016 (31 March 2016: Nil).

SIGNIFICANT ACQUISITION OF SUBSIDIARY

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

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2016 (31 March 2016: Nil).

STAFF AND EMPLOYMENT

As at 30 September 2016, the Group’s work force stood at 145 including Directors (31 March 2016: 138). Employees were paid at market rates with discretionary bonus and medical benefits and covered under the mandatory provident fund scheme. To provide incentive or rewards to staff, the Group has adopted a share option scheme, particulars of which are set out in the section headed “Share Option Scheme” below of this interim report.

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 2016, 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 total number of issued shares |
|-------------------------|--|--|--|
| Chu Yuet Wah | Beneficial owner | 265,000,000 | 5.32% |
| | Interest of controlled corporation (<i>Note</i>) | 325,920,000 | 6.54% |

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 2016.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 26 August 2016 (the “Share Option Scheme”). The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution or potential contribution to the Group. Details of the Share Option Scheme are set out in the Company's circular dated 27 July 2016.

During the period from 26 August 2016 to 30 September 2016, no share option was granted under the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2016, 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 total number of issued shares |
|------------------------------|--|--|--|
| 嘉實基金管理有限公司 | Investment manager | 1,204,080,000 | 24.17% |
| China Credit Trust Co., Ltd. | Interest of controlled corporation (<i>Note 1</i>) | 1,204,080,000 | 24.17% |
| Brilliant World Limited | Beneficial owner | 550,960,000 | 11.06% |
| Bai Ning | Interest of controlled corporation (<i>Note 2</i>) | 550,960,000 | 11.06% |
| Sincere Watch Limited | Beneficial owner | 325,920,000 | 6.54% |
| Be Bright Limited | Interest of controlled corporation (<i>Note 3</i>) | 325,920,000 | 6.54% |

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 550,960,000 shares were held by Brilliant World Limited, which was wholly-owned by Bai Ning. Accordingly, Bai Ning was deemed to be interested in these 550,960,000 shares of the Company by virtue of the SFO.
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 2016, 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 2016.

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 2016.

AUDIT COMMITTEE

The interim results of the Group for the six months ended 30 September 2016 have been reviewed by the Group’s independent auditor, 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 2016.

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 2016.

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 2016 Annual Report are set out below:

| Name of Director | Details of changes |
|-------------------------|--|
| Mr. Zhang Xiaoliang | <ul style="list-style-type: none">Entered into a service agreement with the Company for an initial term of one year commencing from 1 June 2016 and is entitled to receive an annual salary of HK\$5,040,000 plus discretionary bonus.Re-designated from Co-Chairman to Deputy Chairman of the Company with effect from 1 October 2016. |

| Name of Director | Details of changes |
|---------------------------|---|
| Mr. Wu Ting Yuk, Anthony | <ul style="list-style-type: none"> • Entered into a service agreement with the Company for an initial term of one year commencing from 1 June 2016 and is entitled to receive an annual salary of HK\$5,040,000 plus discretionary bonus. • Re-designated from Co-Chairman to Deputy Chairman of the Company with effect from 1 October 2016. |
| Mr. Chu, Kingston Chun Ho | <ul style="list-style-type: none"> • Appointed as a non-executive director of New Concepts Holdings Limited, a company listed on the Main Board of the Stock Exchange, with effect from 8 September 2016. |
| Mr. Yang Guangqiang | <ul style="list-style-type: none"> • Entered into a service agreement with the Company for an initial term of one year commencing from 1 June 2016 and is entitled to receive an annual salary of HK\$600,000 plus discretionary bonus. |
| Ms. Lo Miu Sheung, Betty | <ul style="list-style-type: none"> • Appointed as an independent non-executive director of Kingston Financial Group Limited, a company listed on the Main Board of the Stock Exchange, with effect from 1 September 2016. |
| Dr. Wong Yun Kuen | <ul style="list-style-type: none"> • Appointed as an executive director of Ngai Shun Holdings Limited, a company listed on the Main Board of the Stock Exchange, with effect from 5 July 2016. • Re-designated from independent non-executive director to non-executive director of China Sandi Holdings Limited, a company listed on the Main Board of the Stock Exchange, with effect from 15 September 2016. |

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, 23 November 2016

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS 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 16 to 32, which comprise the condensed consolidated statement of financial position as of 30 September 2016 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, 23 November 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

| | NOTES | For the six months ended 30 September | |
|---|-------|--|---------------------------------|
| | | 2016 HK\$'000 (unaudited) | 2015 HK\$'000 (unaudited) |
| Turnover | 3 | 152,949 | 124,657 |
| Cost of sales | | (107,861) | (91,823) |
| Gross profit | | 45,088 | 32,834 |
| Other income | | 2,681 | 5,388 |
| Gain/(loss) on disposal of available-for-sale investments | | 3,623 | (1,431) |
| Impairment on available-for-sale investments | | (82,577) | – |
| Provision for impairment loss on property, plant and equipment | | (861) | (615) |
| Selling and distribution costs | | (51,178) | (48,534) |
| General and administrative expenses | | (38,301) | (46,523) |
| Loss before taxation, exchange gain/(loss), fair value change of investment properties and (loss)/gain on fair value change of derivative financial instruments | | (121,525) | (58,881) |
| Realised exchange loss | | (433) | (2,673) |
| Unrealised exchange gain | | 1,114 | 1,659 |
| Fair value change of investment properties | 9 | 6,823 | – |
| (Loss)/gain on fair value change of derivative financial instruments | | (1,062) | 582 |
| Loss before taxation | | (115,083) | (59,313) |
| Income tax expense | 4 | (1,273) | (436) |

| | | For the six months ended 30 September | |
|---|---|--|----------------|
| | | 2016 | 2015 |
| | | HK\$'000 | HK\$'000 |
| NOTES | | (unaudited) | (unaudited) |
| Loss for the period | 5 | (116,356) | (59,749) |
| Other comprehensive income/(expenses), net of tax items that may be subsequently reclassified to profit or loss: | | | |
| — Exchange differences on translation of foreign operations | | (8,494) | (1,356) |
| — Fair value gain on available-for-sale investments | | 18,441 | 19,065 |
| — Release of investments revaluation reserve to profit or loss upon disposal of available-for-sale investments | | (3,623) | – |
| — Release of investments revaluation reserve to profit or loss for impairment loss on available-for-sale investments | | 14,400 | – |
| Other comprehensive income for the period | | 20,724 | 17,709 |
| Total comprehensive expenses for the period | | (95,632) | (42,040) |
| Loss per share — basic and diluted | 7 | (2.7) HK cents | (1.5) HK cents |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | 30 September | 31 March |
|---|-------|---------------------|-----------|
| | | 2016 | 2016 |
| | NOTES | HK\$'000 | HK\$'000 |
| | | (unaudited) | (audited) |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 11,649 | 6,678 |
| Investment properties | 9 | 348,510 | 352,262 |
| Available-for-sale investments | 10 | 70,700 | – |
| Deposit paid for acquisition of property, plant and equipment | | – | 4,023 |
| | | 430,859 | 362,963 |
| Current assets | | | |
| Inventories | | 372,756 | 412,685 |
| Trade and other receivables | 11 | 62,507 | 61,622 |
| Amount due from a related party | 13 | 67 | 67 |
| Derivative financial instruments | | – | 324 |
| Available-for-sale investments | 10 | 224,770 | 318,087 |
| Bank balances and cash | | 220,565 | 522,443 |
| | | 880,665 | 1,315,228 |
| Current liabilities | | | |
| Trade and other payables | 12 | 138,857 | 575,629 |
| Amount due to a related party | 13 | 5,240 | 2,331 |
| Derivative financial instruments | | 738 | – |
| Taxation payable | | 907 | 1,480 |
| | | 145,742 | 579,440 |
| Net current assets | | 734,923 | 735,788 |
| Total assets less current liabilities | | 1,165,782 | 1,098,751 |
| Net assets | | 1,165,782 | 1,098,751 |
| Capital and reserves | | | |
| Share capital | 14 | 99,640 | 83,040 |
| Reserves | | 1,066,142 | 1,015,711 |
| Total equity | | 1,165,782 | 1,098,751 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

| | Share capital HK\$'000 | Share premium HK\$'000 | Investments revaluation reserve HK\$'000 | Special reserve HK\$'000 <i>(Note)</i> | Translation reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|---|---------------------------|---------------------------|---|---|------------------------------------|---------------------------------|-------------------|
| 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/ (expenses) for the period | - | - | 19,065 | - | (1,356) | (59,749) | (42,040) |
| Placing of shares <i>(note 14)</i> | 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 |
| At 1 April 2016 (audited) | 83,040 | 654,869 | 22,768 | 801 | (1,824) | 339,097 | 1,098,751 |
| Exchange difference arising from translation of foreign operations | - | - | - | - | (8,494) | - | (8,494) |
| Fair value gain on available-for-sale investments | - | - | 18,441 | - | - | - | 18,441 |
| Release to profit or loss upon disposal of available-for-sale investments | - | - | (3,623) | - | - | - | (3,623) |
| Release to profit or loss for impairment loss on available-for-sale investments | - | - | 14,400 | - | - | - | 14,400 |
| Loss for the period | - | - | - | - | - | (116,356) | (116,356) |
| Total comprehensive income/ (expenses) for the period | - | - | 29,218 | - | (8,494) | (116,356) | (95,632) |
| Placing of shares <i>(note 14)</i> | 16,600 | 149,400 | - | - | - | - | 166,000 |
| Transaction costs on placing of shares | - | (3,337) | - | - | - | - | (3,337) |
| At 30 September 2016 (unaudited) | 99,640 | 800,932 | 51,986 | 801 | (10,318) | 222,741 | 1,165,782 |

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 2016

| | For the six months ended 30 September | |
|--|--|---------------------------------|
| | 2016 HK\$'000 (unaudited) | 2015 HK\$'000 (unaudited) |
| Net cash used in operating activities | (83,672) | (59,531) |
| Investing activities | | |
| Purchase of property, plant and equipment | (3,679) | (4,993) |
| Purchase of available-for-sale investments | (48,650) | (172,465) |
| Purchase of investment properties (<i>Note</i>) | (351,422) | – |
| Interest received | 198 | 4,773 |
| Proceeds from disposal of property, plant and equipment | – | 603 |
| Proceeds from disposal of available-for-sale investments | 21,531 | 33,178 |
| Net cash used in investing activities | (382,022) | (138,904) |
| Financing activities | | |
| Proceeds from placing of shares | 166,000 | 422,120 |
| Transaction costs on placing of shares | (3,337) | (8,503) |
| Net cash from financing activities | 162,663 | 413,617 |
| Net (decrease)/increase in cash and cash equivalents | (303,031) | 215,182 |
| Cash and cash equivalents at beginning of the period | 522,443 | 460,403 |
| Effect of foreign exchange rate changes | 1,153 | (1,181) |
| Cash and cash equivalents at end of the period, represented by bank balance and cash | 220,565 | 674,404 |

Note: The Group acquired investment properties on 31 March 2016 and the settlement of other payable was made during the period ended 30 September 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 condensed consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments, available-for-sale investments and investment properties 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 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2016.

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 HKAS 1 Disclosure Initiative
- Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
- HKFRSs (Amendments) Annual Improvements 2012-2014 Cycle

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 business and geographic locations of the revenue. The Group has three business operations, which are the distribution of branded luxury watches, timepieces and accessories, dining business and property investment.

Segment results represent 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, commissions paid to staff and suppliers, advertising and promotion expenses, impairment losses and other centralised administrative cost. This is the measure reported to the Executive Directors for the purpose of resource allocation and assessment of segment performance.

The following tables set out information about the business and geographical locations of the Group's revenue from external customers.

For the six months ended 30 September 2016

| | Watch distribution and dining business | | | Property investment | Consolidated HK\$'000 (unaudited) |
|---|--|---|--|--|---|
| | Hong Kong HK\$'000 (unaudited) | Mainland China and Macau HK\$'000 (unaudited) | Other Asian locations HK\$'000 (unaudited) | Mainland China HK\$'000 (unaudited) | |
| REVENUE | | | | | |
| External sales | 96,561 | 40,040 | 8,239 | 8,109 | 152,949 |
| RESULT | | | | | |
| Segment results | 16,295 | 20,034 | 650 | 8,109 | 45,088 |
| Realised exchange loss | | | | | (433) |
| Unrealised exchange gain | | | | | 1,114 |
| Fair value change of investment properties | | | | | 6,823 |
| Loss on fair value change of derivative financial instruments | | | | | (1,062) |
| Unallocated expenses | | | | | (172,917) |
| Unallocated income | | | | | 6,304 |
| Loss before taxation | | | | | (115,083) |

For the six months ended 30 September 2015

| | Watch distribution and dining business | | | Consolidated HK\$'000 (unaudited) |
|--|--|---|--|---|
| | Hong Kong HK\$'000 (unaudited) | Mainland China and Macau HK\$'000 (unaudited) | Other Asian locations 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) |

4. INCOME TAX EXPENSE

| | For the six months ended 30 September | |
|-----------------------|--|---------------------------------|
| | 2016 HK\$'000 (unaudited) | 2015 HK\$'000 (unaudited) |
| The charge comprises: | | |
| Current tax | | |
| Hong Kong profit tax | (411) | (432) |
| Other jurisdictions | (862) | (598) |
| | (1,273) | (1,030) |
| Deferred tax | | |
| Current period | – | 2,502 |
| Reversal | – | (1,908) |
| | (1,273) | (436) |

Hong Kong Profits Tax is calculated at 16.5% (30 September 2015: 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. LOSS FOR THE PERIOD

| | For the six months ended | |
|--|---------------------------------|-------------|
| | 30 September | |
| | 2016 | 2015 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Loss for the period has been arrived at after charging: | | |
| Directors' remuneration | 6,920 | 4,478 |
| Other staff costs | 17,272 | 17,328 |
| Other staff's retirement benefits scheme contributions | 457 | 400 |
| Total staff costs | 24,649 | 22,206 |
| Depreciation of property, plant and equipment | 2,430 | 10,034 |
| Minimum lease payments in respect of rented premises | 44,544 | 37,363 |
| Cost of inventories recognised as an expense (including write-down of inventories HK\$20,721,000 (2015: HK\$11,963,000)) | 107,861 | 91,823 |
| and after crediting: | | |
| Interest income | 198 | 4,773 |
| Gain on disposal of property, plant and equipment | – | 517 |

6. DIVIDEND

The directors of the Company have decided not to declare the payment of any interim dividend for the six months ended 30 September 2016 (30 September 2015: Nil).

No final dividend for the year ended 31 March 2016 was declared and paid during the period (30 September 2015: Nil).

7. LOSS PER SHARE

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

| | For the six months ended 30 September | |
|---|--|---------------|
| | 2016 | 2015 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Loss for the purpose of basic and diluted loss per share | (116,356) | (59,749) |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | 4,283,530,055 | 4,095,278,689 |

Diluted loss per share for the six months ended 30 September 2016 and 2015 are the same as the basic loss 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\$7,702,000 (30 September 2015: HK\$4,993,000) which mainly included the additions to leasehold improvements amounting to approximately HK\$7,251,000 (30 September 2015: HK\$4,482,000) 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 watches and dining business segments, in accordance with the accounting policy on impairment of non-financial assets. Based on the assessment, an impairment loss of approximately HK\$861,000 (2015: HK\$615,000) was recognised and charged to the condensed consolidated statement of profit or loss and other comprehensive income for the 6 months ended 30 September 2016. 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. INVESTMENT PROPERTIES

| | HK\$'000 |
|---|-----------------|
| At 1 April 2015 | – |
| Additions | 353,616 |
| Fair value change | <u>(1,354)</u> |
| At 31 March 2016 (audited) | 352,262 |
| Change in fair value recognised in profit or loss | 6,823 |
| Exchange realignment | <u>(10,575)</u> |
| At 30 September 2016 (unaudited) | <u>348,510</u> |

The Group's investment properties are measured using the fair value model and are leased to third parties under operating leases to earn rental income.

The fair value of the Group's investment properties as at 30 September 2016 have been arrived at on the basis of valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL") on 21 November 2016. JLL is an independent qualified professional valuer to the Group. It has appropriate qualifications and recent experiences in the valuation of properties in the PRC.

The valuation of the investment properties as at 30 September 2016 is determined by using the Income Approach, by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties.

The fair value of acquired investment properties of the Group is Level 3 recurring fair value measurement as at 30 September 2016 and 31 March 2016.

There were no transfer into or out of level 3 during the period. A reconciliation of the opening and closing level 3 fair value balance is provided below:

| | HK\$'000 |
|---|-----------------|
| At 1 April 2015 (level 3 recurring fair value) | – |
| Addition | 353,616 |
| Decrease in fair value recognised in profit or loss | <u>(1,354)</u> |
| At 31 March 2016 (audited) (level 3 recurring fair value) | 352,262 |
| Change in fair value recognised in profit or loss | 6,823 |
| Exchange realignment | <u>(10,575)</u> |
| At 30 September 2016 (unaudited) (level 3 recurring fair value) | <u>348,510</u> |

The fair value measurement is based on the highest and best use of the investment properties, which does not differ from their actual use.

Rental income of HK\$8,109,000 was recognized during the period ended 30 September 2016 (30 September 2015: Nil).

The outstanding total consideration amounted to HK\$351,422,000 as at 31 March 2016 was settled during the current period. The charge on the investment properties under two guarantee arrangements as at 31 March 2016 were released during the current period.

10. AVAILABLE-FOR-SALE INVESTMENTS

| | 30 September 2016 HK\$'000 (unaudited) | 31 March 2016 HK\$'000 (audited) |
|---------------------------------------|---|---|
| Listed equity securities in Hong Kong | 295,470 | 318,087 |
| Classified as | | |
| — Non current asset | 70,700 | – |
| — Current asset | 224,770 | 318,087 |
| | 295,470 | 318,087 |

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

| | HK\$'000 |
|---|----------------|
| At 1 April 2015 (audited) | 40,800 |
| Acquired during the year | 301,094 |
| Disposal during the year | (43,293) |
| Impairment on available-for-sales investments | (8,982) |
| Net change in fair value recognised in other comprehensive income | 31,191 |
| Release of investment revaluation reserve to profit of loss upon disposal of available-for-sale investments | <u>(2,723)</u> |
| As at 31 March 2016 (audited) | 318,087 |
| Acquired during the period ended 30 September 2016 | 48,650 |
| Disposal during the period ended 30 September 2016 | (17,908) |
| Impairment on available-for-sale investments | (82,577) |
| Net change in fair value recognised in other comprehensive income | 18,441 |
| Release of investment revaluation reserve to profit or loss upon disposal of available-for-sale investments | (3,623) |
| Release of investment revaluation reserve to profit or loss for impairment loss on available-for-sale investments | <u>14,400</u> |
| At 30 September 2016 (unaudited) | <u>295,470</u> |

All available-for-sale investments were measured at fair value. When impairment of an available-for-sale investment measured at fair value occurs, any impairment loss recognised is deducted from the carrying amount directly. During the period ended 30 September 2016, HK\$82,577,000 of impairment on available-for-sale investments was charged to profit or loss directly as the decline in fair value was significant or prolonged (30 September 2015: Nil).

11. TRADE AND OTHER RECEIVABLES

| | 30 September 2016 HK\$'000 (unaudited) | 31 March 2016 HK\$'000 (audited) |
|---|---|---|
| Trade receivables | 30,388 | 27,252 |
| Other receivables, deposits and prepayments | 32,119 | 34,370 |
| | 62,507 | 61,622 |

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

| | HK\$'000 | HK\$'000 |
|----------------|-----------------|----------|
| Within 30 days | 20,538 | 15,752 |
| 31–90 days | 9,552 | 11,486 |
| 91–120 days | 204 | 14 |
| Over 120 days | 94 | – |
| | 30,388 | 27,252 |

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\$298,000 (31 March 2016: HK\$14,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. These relate to a number of customers and based on historical information, default risk of these trade receivables is insignificant. Accordingly, no impairment provision is necessary in respect of these receivables.

During the period ended 30 September 2016, an amount of HK\$2,000,000 bad debt previously written off was recovered as a result of the management's strong efforts in chasing the balance.

12. TRADE AND OTHER PAYABLES

| | 30 September 2016 HK\$'000 (unaudited) | 31 March 2016 HK\$'000 (audited) |
|---|---|---|
| Trade payables | 72,492 | 146,492 |
| Other payables and accrued charges | 66,365 | 429,137 |
| | 138,857 | 575,629 |
| The following is an aged analysis of trade payables based on the invoice dates: | | |
| Within 90 days | 14,956 | 36,969 |
| 91–365 days | 56,181 | 107,599 |
| Over 365 days | 1,355 | 1,924 |
| | 72,492 | 146,492 |

13. AMOUNT DUE FROM/TO A RELATED PARTY

As at 30 September 2016, amounts due from/to a related party were unsecured, non-interest bearing and repayable within 1 year.

14. SHARE CAPITAL

| | Number of Shares | Share capital HK\$'000 |
|--------------------------------------|-----------------------------|---------------------------------------|
| Authorised: | | |
| — Ordinary shares of HK\$0.02 each | 20,000,000,000 | 400,000 |
| Issued and fully paid: | | |
| At 1 April 2015 | | |
| — Ordinary shares of HK\$0.02 each | 3,460,000,000 | 69,200 |
| Placing of shares (<i>Note i</i>) | 692,000,000 | 13,840 |
| At 1 April 2016 | 4,152,000,000 | 83,040 |
| Placing of shares (<i>Note ii</i>) | 830,000,000 | 16,600 |
| At 30 September 2016 | 4,982,000,000 | 99,640 |

Notes:

- (i) 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.
- (ii) On 9 August 2016, the Company entered into the placing agreement, pursuant to which 830,000,000 new shares of the Company would be placed to independent investors at the placing price of HK\$0.20 per share. The completion of the placing took place on 2 September 2016.

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 2016 and 31 March 2016 using the fair value hierarchy were Level 2.

There were no transfer 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 2016 and 31 March 2016 using the fair value hierarchy were Level 1.

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

16. RELATED PARTY TRANSACTIONS

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

| | For the six months ended | |
|--|---------------------------------|-------------|
| | 30 September | |
| | 2016 | 2015 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Sales to a related company | 1,681 | 1,019 |
| Regional branding support income from a related company | 69 | 69 |
| Purchases from a related company | 13,027 | 5,428 |
| Placing commission paid to a related company | 3,320 | 8,442 |
| Brokerage fee paid to a related company | 54 | 140 |
| Administrative services fee paid to a related company | 120 | 120 |
| Printing fees paid to a related company | 298 | 299 |

17. APPROVAL OF UNAUDITED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board on 23 November 2016.

