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SINCERE WATCH (HONG KONG) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 444)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

		For the six months ended 30 September	
		2016	2015
		HK$'000	*HK$'000*
	Notes	**(unaudited)**	(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)
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

	Notes	30 September 2016 HK$'000 (unaudited)	31 March 2016 HK$'000 (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* *(Note)*	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 *(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**
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 *(note 14)*	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	2015
	HK$'000	*HK$'000*
	(unaudited)	(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 *(Note)*	**(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 year	**522,443**	460,403
Effect of foreign exchange rate changes	**1,153**	(1,181)
Cash and cash equivalents at end of the year, 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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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**	
	Hong Kong *HK$'000* **(unaudited)**	**Mainland China and Macau** *HK$'000* **(unaudited)**	**Other Asian locations** *HK$'000* **(unaudited)**	**Mainland China** *HK$'000* **(unaudited)**	**Consolidated** *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			
	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)

4. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(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	(1,354)
At 31 March 2016 (audited)	352,262
Change in fair value recognised in profit or loss	6,823
Exchange realignment	(10,575)
At 30 September 2016 (unaudited)	348,510

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	(1,354)
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	(10,575)
At 30 September 2016 (unaudited) (level 3 recurring fair value)	348,510

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	31 March 2016
	HK$'000	*HK$'000*
	(unaudited)	(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	(2,723)
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	14,400
At 30 September 2016 (unaudited)	295,470

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	31 March 2016
	HK$'000	*HK$'000*
	(unaudited)	(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	31 March 2016
	HK$'000	*HK$'000*
	(unaudited)	(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 *(Note i)*	692,000,000	13,840
At 1 April 2016	4,152,000,000	83,040
Placing of shares *(Note ii)*	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

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 jewelleries 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:

	At 30 September 2016	**For the six months ended 30 September 2016**	**At 30 September 2016**		
Listed securities	**Fair value**	**Impairment charged to profit or loss**	**Investment revaluation reserve**	**Approximate percentage of available-for-sale investments**	**Approximate percentage to the total assets**
	HK$'000 (unaudited)	*HK$'000*	*HK$'000*	*%*	*%*
Part I	20,943	(82,577)	–	7.1	1.6
Part II	274,527	–	51,986	92.9	20.9
Total	295,470	(82,577)	51,986	100	22.5

Part I details are as below:

Stock Code	Stock Name
938	Man Sang International Limited
3823	Tech Pro Technology Development Limited

Part II details are as below:

Stock Code	Stock Name
36	Far East Holdings International Limited
376	Yunfeng Financial Group Limited
627	U-Right International Holdings Limited
663	King Stone Energy Group Limited
1003	Huanxi Media Group Limited
1076	Imperial Pacific International Holdings Limited
2066	Shengjing Bank Co., Ltd.
3886	Town Health International Medical Group Limited
8172	Lajin Entertainment Network Group Limited

All available-for-sale investments were measured at fair value. As at 30 September 2016, available-for-sale investments of the Group amounted to HK$295.5 million. Part I impairment was charged to profit or loss directly during the period ended 30 September 2016 to reflect the decrease in fair value of the equity instruments. For Part II, investment revaluation reserve amounted to HK$52.0 million which reflected the increase in fair value of the portfolio. 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. In addition, the Directors observed that on 26 October 2016, Tech Pro Technology Development Limited 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 will continue to monitor the performance of the above investments.

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 13 of this announcement. 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 announcement.

The Group is constantly reviewing its staff remuneration to ensure that it stays competitive with market practice.

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 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 *(Note)*	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 *(Note 1)*	1,204,080,000	24.17%
Brilliant World Limited	Beneficial owner	550,960,000	11.06%
Bai Ning	Interest of controlled corporation *(Note 2)*	550,960,000	11.06%
Sincere Watch Limited	Beneficial owner	325,920,000	6.54%
Be Bright Limited	Interest of controlled corporation *(Note 3)*	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 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 report on review of condensed consolidated financial statements by the auditor will be included in the interim report for the six months ended 30 September 2016 of the Company.

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.

PUBLICATION OF THE INTERIM REPORT

The Company's interim report for the six months ended 30 September 2016 containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company respectively and will be dispatched to the shareholders of the Company in due course.

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

Hong Kong, 23 November 2016

As at the date of this announcement, the Executive Directors of the Company are 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 and Mr. An Muzong; and the Independent Non-executive Directors of the Company are Mr. Lau Man Tak, Ms. Lo Miu Sheung, Betty, Dr. Wong Yun Kuen and Mr. Yu Zhenxin.