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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 2017

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 September 2017 (“H1 FY2018”) increased by 5.2% from HK\$152,949,000 to HK\$160,862,000 when compared with the corresponding period of last year (“H1 FY2017”).
- Gross margin increased from 29.5% to 30.7%. Gross profit for the six months ended 30 September 2017 increased from HK\$45,088,000 to HK\$49,349,000.
- Loss for the six months ended 30 September 2017 decreased to HK\$51,955,000 (H1 FY2017: HK\$116,356,000), mainly due to the decrease in impairment on the Group’s available-for-sale investments to reflect the decrease in fair value of the equity instruments.
- Loss per share was 1.0 HK cents in H1 FY2018 (H1 FY2017: 2.7 HK cents).
- The Board has resolved not to pay interim dividend for H1 FY2018 (H1 FY2017: 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 2017 together with the unaudited comparative figures for the corresponding six months ended 30 September 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

		For the six months ended 30 September	
	<i>Notes</i>	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	3	160,862	152,949
Cost of sales		(111,513)	(107,861)
Gross profit		49,349	45,088
Other income		2,273	2,681
Gain on disposal of available-for-sale investments		3,648	3,623
Impairment on available-for-sale investments		(17,818)	(82,577)
Provision for impairment loss on property, plant and equipment		(486)	(861)
Selling and distribution costs		(42,832)	(51,178)
General and administrative expenses		(46,914)	(38,301)
Loss before taxation, exchange gain/(loss), fair value change of investment properties and gain/(loss) on fair value change of derivative financial instruments		(52,780)	(121,525)
Realised exchange loss		(2,670)	(433)
Unrealised exchange gain		2,061	1,114
Fair value change of investment properties	9	47	6,823
Gain/(loss) on fair value change of derivative financial instruments		1,813	(1,062)
Loss before taxation		(51,529)	(115,083)
Income tax expense	4	(426)	(1,273)
Loss for the period	5	(51,955)	(116,356)
Other comprehensive income/(expenses), net of tax			
Items that may be subsequently reclassified to profit or loss			
— Exchange differences on translation of foreign operations		11,607	(8,494)
— Fair value (loss)/gain on available-for-sale investments		(2,287)	18,441
— Release of investments revaluation reserve to profit or loss upon disposal of available-for-sale investments		(3,648)	(3,623)
— Release of investments revaluation reserve to profit or loss for impairment loss on available-for-sale investments		8,080	14,400
Other comprehensive income for the period		13,752	20,724
Total comprehensive expenses for the period		(38,203)	(95,632)
Loss per share — basic and diluted	7	(1.0) HK cents	(2.7) HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	8	9,559	12,282
Investment properties	9	352,216	338,489
Available-for-sale investments	10	71,400	69,300
Other long term investment		45,860	–
		479,035	420,071
Current assets			
Inventories		328,221	353,409
Trade and other receivables	11	78,152	61,962
Amount due from a related party	13	157	1,362
Available-for-sale investments	10	144,282	198,535
Bank balances and cash		199,701	238,807
Tax recoverable		84	68
		750,597	854,143
Current liabilities			
Trade and other payables	12	163,712	169,359
Amount due to a related party	13	248	–
Derivative financial instruments		412	1,472
		164,372	170,831
Net current assets		586,225	683,312
Total assets less current liabilities		1,065,260	1,103,383
Deferred tax liabilities		1,772	1,692
Net assets		1,063,488	1,101,691
Capital and reserves			
Share capital	14	99,640	99,640
Reserves		963,848	1,002,051
Total equity		1,063,488	1,101,691

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	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 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 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)
As 30 September 2016 (unaudited)	99,640	800,932	51,986	801	(10,318)	222,741	1,165,782
At 1 April 2017 (audited)	99,640	800,932	36,489	801	(16,333)	180,162	1,101,691
Exchange difference arising from translation of foreign operations	–	–	–	–	11,607	–	11,607
Fair value loss on available-for-sale investments	–	–	(2,287)	–	–	–	(2,287)
Release to profit or loss upon disposal of available-for-sale investments	–	–	(3,648)	–	–	–	(3,648)
Release to profit or loss for impairment loss on available-for-sale investments	–	–	8,080	–	–	–	8,080
Loss for the period	–	–	–	–	–	(51,955)	(51,955)
Total comprehensive income/ (expenses) for the period	–	–	2,145	–	11,607	(51,955)	(38,203)
At 30 September 2017 (unaudited)	99,640	800,932	38,634	801	(4,726)	128,207	1,063,488

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 2017

	For the six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	<u>(35,475)</u>	<u>(83,672)</u>
Investing activities		
Purchase of property, plant and equipment	(886)	(3,679)
Purchase of available-for-sale investments	–	(48,650)
Purchase of investment properties (<i>Note</i>)	–	(351,422)
Other long term investment	(45,313)	–
Interest received	1,375	198
Proceeds from disposal of available-for-sale investments	<u>40,128</u>	<u>21,531</u>
Net cash used in investing activities	<u>(4,696)</u>	<u>(382,022)</u>
Financing activities		
Proceeds from placing of shares	–	166,000
Transaction costs on placing of shares	<u>–</u>	<u>(3,337)</u>
Net cash from financing activities	<u>–</u>	<u>162,663</u>
Net decrease in cash and cash equivalents	(40,171)	(303,031)
Cash and cash equivalents at beginning of the period	238,807	522,443
Effect of foreign exchange rate changes	<u>1,065</u>	<u>1,153</u>
Cash and cash equivalents at end of the period, represented by bank balances and cash	<u><u>199,701</u></u>	<u><u>220,565</u></u>

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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

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

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments, available-for-sale investments, financial assets at fair value through profit or loss and investment properties which are measured at fair value.

Except as described below, the accounting policies and methods of computation used in the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2017.

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 unaudited interim condensed consolidated financial statements:

- Amendments to HKAS 7, Disclosure Initiative
- Amendments to HKAS 12, Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to HKAS 7, Disclosure Initiative

Amendments to HKAS 7 requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12, Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value.

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

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

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 two 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 2017

	Watch distribution and dinning business			Property investment	
	Hong Kong	Mainland China and Macau	Other Asian locations	Mainland China	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
REVENUE					
External sales	96,771	49,521	6,394	8,176	160,862
RESULT					
Segment results	13,677	25,139	2,357	8,176	49,349
Realised exchange loss					(2,670)
Unrealised exchange gain					2,061
Fair value change of investment properties					47
Gain on fair value change of derivative financial instruments					1,813
Unallocated expenses					(108,050)
Unallocated income					5,921
Loss before taxation					(51,529)

For the six months ended 30 September 2016

	Watch distribution and dinning business			Property investment	
	Hong Kong	Mainland China and Macau	Other Asian locations	Mainland China	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(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					<u>(115,083)</u>

4. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The charge comprises:		
Current tax		
Hong Kong profits tax	–	(411)
Other jurisdictions	(415)	(862)
	<u>(415)</u>	<u>(1,273)</u>
Deferred tax		
Current period	(11)	–
Reversal	–	–
	<u>(11)</u>	<u>–</u>
	<u><u>(426)</u></u>	<u><u>(1,273)</u></u>

Hong Kong Profits Tax is calculated at 16.5% (30 September 2016: 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	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Directors' remuneration	9,556	6,920
Other staff costs	17,905	17,272
Other staff's retirement benefits scheme contributions	450	457
Total staff costs	27,911	24,649
Depreciation of property, plant and equipment	3,225	2,430
Minimum lease payments in respect of rented premises	35,702	44,544
Cost of inventories recognised as an expense (including write-down of inventories HK\$15,931,000 (2016: HK\$20,721,000))	111,513	107,861
and after crediting:		
Interest income	1,922	198

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 2017 (30 September 2016: Nil).

No final dividend for the year ended 31 March 2017 was declared and paid during the period (30 September 2016: 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	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the purpose of basic and diluted earnings per share	(51,955)	(116,356)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	4,982,000,000	4,283,530,055

Diluted loss per share for the six months ended 30 September 2017 and 2016 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\$886,000 (30 September 2016: HK\$7,702,000) which mainly included the additions to leasehold improvements amounting to approximately HK\$632,000 (30 September 2016: HK\$7,251,000) for renovation of shops.

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 segments, in accordance with the accounting policy on impairment of non-financial assets. Based on the assessment, an impairment loss of HK\$486,000 (2016: HK\$861,000) was recognised and charged to the unaudited interim condensed consolidated statement of profit or loss and other comprehensive income for the 6 months period ended 30 September 2017. 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

	<i>HK\$'000</i>
At 1 April 2016	352,262
Fair value change	6,769
Exchange realignment	(20,542)
At 31 March 2017 (audited)	338,489
Fair value change	47
Exchange realignment	13,680
At 30 September 2017 (unaudited)	<u>352,216</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 2017 has been arrived at on the basis of valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL") on 21 November 2017. 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 2017 is determined by using the Income Approach (31 March 2017: 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 2017 and 31 March 2017.

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:

	<i>HK\$'000</i>
At 1 April 2016 (level 3 recurring fair value)	352,262
Increase in fair value recognised in profit or loss	6,769
Exchange realignment	<u>(20,542)</u>
At 31 March 2017 (audited) (level 3 recurring fair value)	338,489
Change in fair value recognised in profit or loss	47
Exchange realignment	<u>13,680</u>
At 30 September 2017 (unaudited) (level 3 recurring fair value)	<u><u>352,216</u></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\$8,176,000 was recognized during the period ended 30 September 2017 (30 September 2016: HK\$8,109,000).

10. AVAILABLE-FOR-SALE INVESTMENTS

	30 September 2017 <i>HK\$'000</i> (unaudited)	31 March 2017 <i>HK\$'000</i> (audited)
Listed equity securities in Hong Kong	<u>215,682</u>	<u>267,835</u>
Classified as		
Non-current asset	71,400	69,300
Current asset	<u>144,282</u>	<u>198,535</u>
	<u>215,682</u>	<u>267,835</u>

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

	<i>HK\$'000</i>
At 1 April 2016	318,087
Acquired during the year	48,650
Disposal during the year	(20,039)
Impairment on available-for-sales investments	(92,584)
Net change in fair value recognised in other comprehensive income	2,307
Release of investment revaluation reserve to profit or loss upon disposal of available-for-sale investments	(4,890)
Release of investment revaluation reserve to profit or loss for impairment loss on available-for-sale investments	<u>16,304</u>
As at 31 March 2017 (audited)	267,835

	<i>HK\$'000</i>
Acquired during the period ended 30 September 2017	–
Disposal during the period ended 30 September 2017	(36,480)
Impairment on available-for-sale investments	(17,818)
Net change in fair value recognised in other comprehensive income	(2,287)
Release of investment revaluation reserve to profit or loss upon disposal of available-for-sale investments	(3,648)
Release of investment revaluation reserve to profit or loss for impairment loss on available-for-sale investments	8,080
	<u>215,682</u>
At 30 September 2017 (unaudited)	<u>215,682</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 2017, HK\$17,818,000 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 2016: HK\$82,577,000).

11. TRADE AND OTHER RECEIVABLES

	30 September 2017 <i>HK\$'000</i> (unaudited)	31 March 2017 <i>HK\$'000</i> (audited)
Trade receivables	41,979	27,372
Other receivables, deposits and prepayments	36,173	34,590
	<u>78,152</u>	<u>61,962</u>

The following is an aged analysis of trade receivables based on the invoice dates at the end of the reporting period:

	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	34,161	14,572
31–90 days	6,804	8,227
91–120 days	889	4,573
Over 120 days	125	–
	<u>41,979</u>	<u>27,372</u>

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\$1,014,000 (31 March 2017: HK\$4,573,000) 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.

12. TRADE AND OTHER PAYABLES

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
Trade payables	77,027	79,344
Other payables and accrued charges	86,685	90,015
	<u>163,712</u>	<u>169,359</u>

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

	HK\$'000	HK\$'000
Within 90 days	39,586	23,380
91–365 days	37,404	55,559
Over 365 days	37	405
	<u>77,027</u>	<u>79,344</u>

13. AMOUNT DUE FROM/TO A RELATED PARTY

As at 30 September 2017, 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 2016		
— Ordinary shares of HK\$0.02 each	4,152,000,000	83,040
Placing of shares (<i>Note</i>)	830,000,000	16,600
At 1 April 2017 and 30 September 2017	<u>4,982,000,000</u>	<u>99,640</u>

Note: 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. RELATED PARTY TRANSACTIONS

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

	For the six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales to a related company	170	1,681
Regional branding support income from a related company	68	69
Purchases from a related company	5,723	13,027
Placing commission paid to a related company	–	3,320
Brokerage fee paid to a related company	100	54
Administrative services fee paid to related companies	120	120
Printing fees paid to a related company	196	298

16. APPROVAL OF UNAUDITED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorized for issue by the Board on 21 November 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue for the six months ended 30 September 2017 increased from HK\$152.9 million to HK\$160.9 million by 5.2% over the same period last year.

Gross profit increased from HK\$45.1 million to HK\$49.3 million by 9.5% over the same period last year. The gross margin increased from 29.5% to 30.7% mainly due to the better inventory management in H1 FY2018.

The decrease in selling and distribution costs was mainly due to the decrease in rental expenses for boutiques in H1 FY2018. General and administrative expenses increased over the same period last year as expenses included Directors' remuneration, salaries and office rental expenses increased.

Realised foreign exchange loss of the Group increased from HK\$0.4 million to HK\$2.7 million in H1 FY2018. The unrealised foreign exchange gain also increased from HK\$1.1 million in the same period last year to HK\$2.1 million in the current period. HK\$1.1 million loss on fair value change of derivative financial instruments was recorded in H1 FY2017 when compared to HK\$1.8 million gain in H1 FY2018.

Gain on disposal of available-for-sale investments in H1 FY2018 was comparable to H1 FY2017 which amounted to HK\$3.6 million. The impairment loss on available-for-sale investments in H1 FY2018 reduced to HK\$17.8 million when compared to HK\$82.6 million in the same period last year.

Unrealised exchange difference arose from trade payables denominated in foreign currencies, which were translated at the exchange rates prevailing at the balance sheet dates and any differences in valuation were then recognised in the income statement as unrealised gains or losses.

Excluding the realised and unrealised exchange differences, 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\$52.8 million, against HK\$121.5 million for H1 FY2017.

Net loss for H1 FY2018 was HK\$52.0 million against HK\$116.4 million in the same period of the last financial year, mainly due to the decrease in impairment on the Group's available-for-sale investments to reflect the decrease in fair value of the equity instruments.

Loss per share was 1.0 HK cents in H1 FY2018 against 2.7 HK cents in H1 FY2017. Net asset value per share was 21.3 HK cents as at 30 September 2017 against 22.1 HK cents as at 31 March 2017.

Trade and other receivables at the end of H1 FY2018 increased by 25.0% to HK\$78.2 million from HK\$62.5 million in H1 FY2017.

Performance by business operations and geographical markets

Watch distribution and dining business

Hong Kong, Mainland China and Macau remained the key revenue drivers, contributing together HK\$146.3 million which accounted for 90.9% of the Group's total revenue in H1 FY2018.

Hong Kong

Hong Kong continues to be the Group's major market, taking up 60.2% of the Group's revenue for the six months ended 30 September 2017. Sales in this market was comparable to H1 FY2017 and H1 FY2018 amounted to HK\$96.8 million.

Mainland China and Macau

Mainland China and Macau accounted for about 30.8% of the Group's revenue for H1 FY2018. Sales in this region showed an increase of 23.8% from HK\$40.0 million to HK\$49.5 million compared with the same period last year.

Other Asian locations

Revenue from other Asian territories (i.e. Taiwan and Singapore) reduced from HK\$8.2 million in the previous corresponding period to HK\$6.4 million in H1 FY2018.

Property investment

Mainland China

Rental income of HK\$8.2 million was recognised for H1 FY2018 from the Group's investment properties located in the PRC.

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 51 retail points of sales and 13 boutiques, making a total of 64 points (66 as at the end of March 2017).

Other than the 11 boutiques run by the Group, the remaining 53 watch retail outlets in the regions 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 actively explored every opportunity to open up new retail points of sales in the regions. New points of sales were added in Hong Kong through Elegant Watch & Jewellery and King Fook Jewellery.

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 August 2017, FRANCK MULLER hosted a private dinner in Shanghai exclusively for the VIPs at the Rosamonde Aviation Lounge, The Peninsula Shanghai. Guests first gathered for a cocktail reception to admire the latest novelties. They were introduced to the latest Vanguard ladies collection and the finest jewellery timepiece collections, namely Double Mystery and Infinity Ronde during the dinner, while delighted by the exquisite dining experience.

Exclusive media luncheons were held in Shanghai and Beijing in August 2017 and September 2017 respectively. FRANCK MULLER unveiled some first to be seen novelties highlighting the Vanguard ICON Asia Exclusive, Gravity Skeleton and the Vanguard Skeleton 7 Days Power Reserve in China. The exclusive luncheon of 26 to 28 media guests was held in Shanghai on 25 August 2017, followed by Beijing on 1 September 2017. The media guests were introduced to the brand's latest novelties, enjoyed a fine dining menu while reveled in a "touch and feel" session of the luxury timepieces.

In September 2017, Prince Jewellery & Watch gathered 13 notable watch brands and successfully hosted the 8th edition of World Brand Piazza at the Hong Kong Watch & Clock Fair. A dedicated exhibition area was honoured to FRANCK MULLER displaying the latest Vanguard collection to highlight the Gravity Skeleton, a meticulous skeletonized design showcases the watchmaking know-how and art of FRANCK MULLER manufacture.

FRANCK MULLER launched a five-day exhibition at Hong Kong's Harbour City to mark its 25th anniversary. Dubbed "The Legend of Time", the showcase kicked off with an exclusive star-studded cocktail party well attended by industry insiders, local celebrities and discerning collectors. Brand ambassador actor Julian Cheung and actress Myolie Wu were also on hand to celebrate the special occasion. Guests were treated to watch-making demonstrations that highlighted the intricacy and beauty of haute horology culture. The exhibition showcased the brand's most iconic watches from its 25-year history. The night ended on a high note with the unveiling of FRANCK MULLER's latest collection of timepieces flown in from Switzerland exclusively for the event.

The 4th World Presentation of Haute Horlogerie (WPHH) Hong Kong was once again successfully held at the Maison FRANCK MULLER. The 5-day exhibition began on 25 September 2017, followed by the exclusive VIP dinners hosted every night. The Chief Executive Officer of CVSTOS, Mr. Sassoun Sirmakes together with Mr. Nicholas Rudaz, the Chief Operating Officer of FRANCK MULLER travelled all the way from Switzerland to unveil the latest creations of the Group, with an exclusive display of remarkable FRANCK MULLER know-how demonstrated by our watchmaker.

In October 2017, with the promotion of Haute Horlogerie at heart, Elegant Watch & Jewellery gathered 13 international watch brands and held a four-day exhibition “La Maison d’Elegant 3rd Anniversary Exhibition” at the Ocean Terminal Main Concourse, Harbour City to showcase the latest luxury fine watch creations. FRANCK MULLER exhibited the latest innovations including the Vanguard Gravity Skeleton, Vanguard 7 Days Power Reserve Skeleton and the Lady Moonphase. Following the opening cocktail on the 1st day of the exhibition, a private VIP dinner was co-hosted at the Pacific Club to offer watch aficionados a chance to “touch and feel” the exclusive FRANCK MULLER timepieces.

Together with 8 renowned luxury watch brands, FRANCK MULLER participated a joint annual event “Oriental Watch Sha Tin Trophy “Gentlemen’s Bow Tie Raceday”” with Oriental Watch Company at Sha Tin Racecourse. A catwalk show was staged at the Jockey Club Box, carried out by celebrity guests and models showcasing the Vanguard Automatic and Vanguard Chronograph with fully paved diamonds. To enrich the partnership, FRANCK MULLER sponsored a classic Liberty timepiece as a prize of the Best Dressed Award to renowned Hong Kong singer, Mr. Ken Hung.

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. To increase its distribution network with high visibility and strong retail network, the Group expects to open a new boutique at Jeju Shinhwa World in Korea in December 2017.

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 May 2017, the Group entered into a cooperation agreement to invest in a film project. The Group will continue to explore other business and investment opportunities with the objective of broadening the Group’s income sources and shareholders’ return.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30 September 2017, the Group maintained a cash and bank balance of HK\$199.7 million when compared with its cash and bank balances of HK\$238.8 million as at 31 March 2017. In May 2017, the Group entered into a cooperation agreement to invest HK\$45.0 million in a film project and the consideration was settled during the period ended 30 September 2017. The Group has no outstanding bank loan.

At 30 September 2017, details of the Group's available-for-sale investments were as below:

Stock Code	Stock Name	At 30 September 2017		For the period ended 30 September 2017	At 30 September 2017		
		No. of shares held	Fair value HK\$'000	Impairment charged to profit or loss HK\$'000	Investment revaluation reserve HK\$'000	Approximate percentage of available- for-sale investments %	Approximate percentage of total assets %
8172	Lajin Entertainment Network Group Ltd	18,800,000	7,426	(7,614)	–	3.4	0.6
3886	Town Health International Medical Group Ltd	6,600,000	4,620	(3,564)	–	2.1	0.4
2066	Shengjing Bank Co Ltd — H Shares	500,000	3,080	(2,920)	–	1.4	0.3
3823	Tech Pro Technology Development Ltd	36,760,000	2,500	(2,720)	–	1.2	0.2
938	Man Sang International Ltd	20,000,000	9,400	(1,000)	–	4.4	0.8
Part I			27,026	(17,818)	–	12.5	2.2
1076	Imperial Pacific International Holdings Ltd	337,980,000	39,206	–	6,464	18.2	3.2
376	Yunfeng Financial Group Ltd	1,196,000	8,300	–	2,464	3.8	0.7
36	Far East Holdings International Ltd	30,666,000	21,160	–	(2,760)	9.8	1.7
627	U-RIGHT International Holdings Ltd	27,360,000	20,520	–	9,166	9.5	1.7
1003	Huanxi Media Group Ltd	13,760,000	28,070	–	550	13.0	2.3
663	King Stone Energy Group Ltd	350,000,000	71,400	–	22,750	33.1	5.8
Part II			188,656	–	38,634	87.5	15.4
Total			215,682	(17,818)	38,634	100.0	17.6

All available-for-sale investments were listed securities which were measured at fair value. As at 30 September 2017, available-for-sale investments of the Group amounted to HK\$215.7 million.

Impairment on the listed securities of HK\$17.8 million was already charged to profit or loss directly in H1 FY2018 to reflect the unrealised decrease in fair value of the equity instruments. As of 30 September 2017, Part I represented only approximately 2.2% of the total assets of the Group.

For Part II, unrealised gain in securities value has been accumulated in the investment revaluation reserve instead of charged to the profit or loss account directly in accordance with the accounting standards with the amount of HK\$38.6 million which reflected the increase in fair value of the portfolio. Therefore, Part II above with the unrealised gain towards the investment revaluation reserve represented approximately 15.4% of the total assets of the Group as at 30 September 2017 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 Hang Seng Index climbed over 3,000 points and the equity market sentiment improved. The performance of the available-for-sale investments had been in line with the market performance and the Group disposed securities in the portfolio with realised gain on disposal of available-for-sale investments in the total amount of HK\$3.6 million to contribute towards our income statement. Impairment charged to the profit and loss accounts for the unrealised loss was reduced from HK\$82.6 million in H1 FY2017 to HK\$17.8 million in H1 FY2018 for the investment portfolio of the Group. It was noted that the trading in the shares of Tech Pro Technology Development Limited has been suspended with effect from 9:00 a.m. on 9 November 2017 pursuant to a direction under Rule 8(1) of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) issued by the Securities and Futures Commission, details of which are referred to the announcement made by Tech Pro Technology Development Limited on 9 November 2017.

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 decreased from HK\$683.3 million as at 31 March 2017 to HK\$586.2 million as at 30 September 2017. Total net assets remained stable of HK\$1,101.7 million as at 31 March 2017 and HK\$1,063.5 million as of 30 September 2017. 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

As at 30 September 2017, the total number of issued shares of the Company was 4,982,000,000. There was no change in the capital structure of the Company during the period ended 30 September 2017.

The Group recorded a realised exchange loss of HK\$2.7 million in H1 FY2018 compared with HK\$0.4 million in H1 FY2017. In addition, the Group booked an unrealised exchange gain of HK\$2.1 million in H1 FY2018 against HK\$1.1 million in H1 FY2017. There was a HK\$1.1 million loss on fair value change of derivative financial instruments recorded in H1 FY2017 while HK\$1.8 million gain on fair value change of derivative financial instruments was booked in H1 FY2018.

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 2017 (31 March 2017: Nil).

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2017 (31 March 2017: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 September 2017, the Group’s work force stood at 153 including Directors (31 March 2017: 155). 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’ AND CHIEF EXECUTIVES’ INTERESTS IN SHARES

At 30 September 2017, 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”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

Name of Director	Capacity	Number of shares held (long position)	Approximate percentage of the Company’s 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 2017.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Share Option Scheme”) pursuant to a resolution passed at the annual general meeting of the Company held on 26 August 2016. The purpose of the Share Option Scheme is to enable the Company to grant options to eligible 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 published annual report of the Company for the year ended 31 March 2017. No share option has been granted since the adoption of the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2017, the following persons (other than the interests disclosed above in respect of the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company, were as follows:

Name of shareholder	Capacity	Number of shares held (long position)	Approximate percentage of the Company's issued shares
Sky League Limited	Beneficial owner	1,294,370,000	25.98%
Wang Fang	Interest of controlled corporation (<i>Note 1</i>)	1,294,370,000	25.98%
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 1,294,370,000 shares were held by Sky League Limited, which was wholly-owned by Wang Fang. Accordingly, Wang Fang was deemed to be interested in these 1,294,370,000 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 2017, 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 2017, except for the deviation from the code provision A.1.3.

According to code provision A.1.3, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the six months ended 30 September 2017, a regular Board meeting was convened with less than 14 days' notice to enable the Board members to react timely and make expeditious decision making in respect of transaction which was of significance to the Group's business. As a result, the Board meeting was held with a shorter notice period than required with the consent of all the Directors. The Board will do its best endeavours to meet the requirement of code provision A.1.3 of the Corporate Governance Code in future.

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 2017.

AUDIT COMMITTEE

The interim results of the Group for the six months ended 30 September 2017 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 2017 of the Company.

The Audit Committee has reviewed the Group's unaudited financial statements for the six months ended 30 September 2017.

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 2017.

PUBLICATION OF THE INTERIM REPORT

The Company's interim report for the six months ended 30 September 2017 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, 21 November 2017

As at the date of this announcement, the Executive Directors of the Company are Mrs. Chu Yuet Wah (Chairman), Mr. Zhang Xiaoliang (Deputy Chairman and Chief Executive Officer), Mr. Wu Ting Yuk, Anthony (Deputy Chairman), Mr. Chu, Kingston Chun Ho, Mr. Yang Guangqiang and Mr. An Muzong; and the Independent Non-executive Directors of the Company are Ms. Lo Miu Sheung, Betty, Dr. Wong Yun Kuen, Mr. Yu Zhenxin, Mr. Zong Hao and Mr. Chiu Sin Nang, Kenny.