Annual Report 年報 08

Sincere Watch (Hong Kong) Limited

(incorporated in the Cayman Islands with limited liability) Stock Code 股份編號: 00444

Contents

Wisdom

People with wisdom know well how to spend their time. Professionals need a watch with wisdom to plan ahead and make another successful move.

Ambition

People with ambition never waste any single minute. They compete with time to achieve the goals and enjoy the fruitful outcome.

Trendy

Watch is no longer just a timepiece. It also serves as an accessory which expresses your personality and lifestyle. A collection of trendy watches is all you need to walk along with the latest fashion.

Culture

The evolution of watch walks in line with cultural changes. Arts, beliefs, values and behaviour all shape the design and functions of watches nowadays.

Harmony

No matter it is mechanical or automatic, analog or digital, each single component works in perfect harmony to make sure you won't waste every precious moment in life.

Corporate Information

Directors

Executive Directors

Mr. TAY Liam Wee *(Chairman)*
Mr. CHAU Kwok Fun, Kevin
(Vice Chairman)
Ms. TAY Liam Wuan
(Chief Executive Officer)

Non-executive Directors

Mr. SOH Gim Teik

Independent Non-executive Directors

Mr. LEW, Victor Robert
Mr. KING Roger
Ms. LIM Suet Fern

Audit Committee

Mr. LEW, Victor Robert
(Chairman)
Mr. KING Roger
Ms. LIM Suet Fern

Remuneration Committee

Mr. KING Roger *(Chairman)*
Mr. LEW, Victor Robert
Ms. LIM Suet Fern

Nomination Committee

Ms. LIM Suet Fern *(Chairman)*
Mr. LEW, Victor Robert
Mr. KING Roger

Company Secretary

Mr. CHAN Kwong Leung, Eric
ACIS

Authorised Representatives

Ms. TAY Liam Wuan
Mr. CHAN Kwong Leung, Eric

Qualified Accountant

Mr. SAN Kin Pong, Bond
HKICPA

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Suites 5402-04 Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Auditor

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

Pricipal Registrar and Transfer Office

Bank of Bermuda (Cayman) Limited
P.O. Box 513 GT Strathvale House
North Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Hong Kong

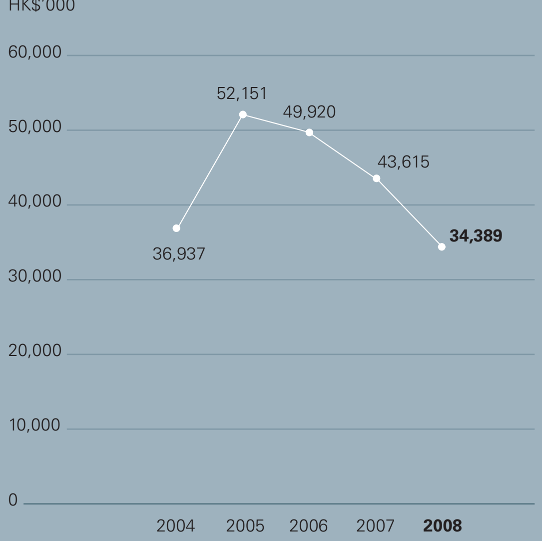
Principal Bankers

DBS Bank Ltd., Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited
Malayan Banking Berhad, Hong Kong Branch
ABN AMRO Bank N.V. Hong Kong

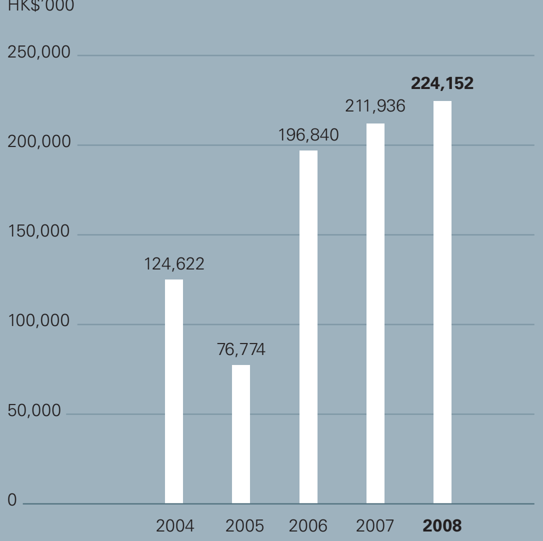
Financial Highlights

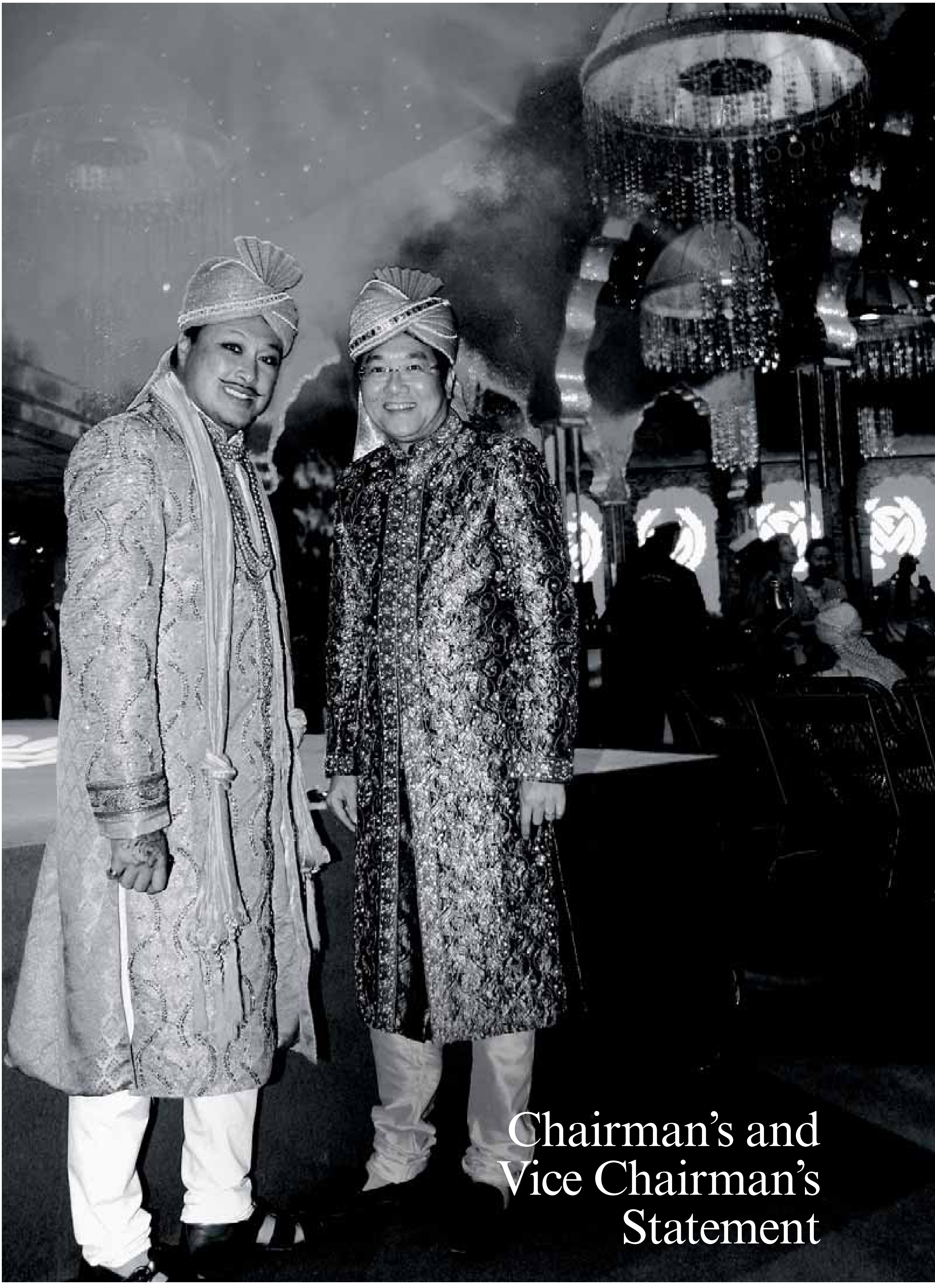
- Turnover for the financial year 2008 grew 56% to HK$733,211,000 from HK$470,833,000 last financial year 2007.
- Average gross margin maintained at 32.4% as gross margin increased to HK$237,442,000 from HK$151,891,000.
- Profit before taxation and exchange losses increased by 72% to HK$122,356,000 from HK$71,006,000 last year.
- Due to the severe weakening of the US dollar, the Hong Kong dollar against the Swiss Franc plunged in the fourth quarter of the current financial year; the realised foreign exchange loss for the year was HK$27,773,000 as compared with realised foreign exchange loss HK$13,188,000 last year. The unrealised foreign exchange loss this financial year was HK$52,743,000 as compared with unrealised foreign exchange loss HK$4,520,000 last financial year. The 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.
- Due to the weak Hong Kong dollar in the fourth quarter, net profit for the year is HK$34,389,000 (2007: HK$43,615,000). Earnings per share is 8.4 HK cents in this financial year and 10.7 HK cents in last financial year.
- With the Group's financial position remaining strong and its good prospects, the Board recommended the payment of a final dividend for the year ended 31 March 2008 of 5 HK cents per share amounting to HK$20,400,000.

Profit for the Year



Net Assets Value





Chairman's and Vice Chairman's Statement

Dear Shareholders,

We are happy to report another set of stellar performance with the growth powered by the strong demand for luxury goods in Hong Kong and other North Asian economies as well as increased high-income tourist traffic from China in FY08.

Strengthened by its strong economy last year, sales in Hong Kong grew to HK$568.6 million from HK$396.1 million in FY07, contributing 78% of the Group's revenue in FY08 as more local shoppers and foreign tourists indulged in luxury watches.

While Hong Kong's revenue contribution increased by 44%, the Group's other core markets of Mainland China, Macau and Taiwan performed even better – achieving spectacular three-digit percentage growth in revenue.

As luxury watches become a status symbol among China's rising cosmopolitan consumers, the Group with its premier position and brand recognition in the industry was able to benefit from their increased investments in luxury watches.

As for Macau, the territory was a key beneficiary of the influx of tourists and premium players who were attracted to its many new casinos, world class entertainment and luxury shopping outlets. In the case of Taiwan, the impressive increase in the Group's revenue reflects primarily the first full year's contribution from the acquisition of Sincere Watch Taiwan last year.

Financial Performance Highlights

For the financial year 2008, the Group recorded another impressive 56% growth in revenue to HK$733.2 million from HK$470.8 million the previous year. We continued to perform well in the various market segments we operate in. The Group saw a surge of 56% in gross profit to HK$237.4 million, as a result of robust economic performance in Hong Kong and increased tourist traffic from China.

The Group's profit before taxation and exchange losses rose by 72% to HK$122.4 million from HK$71.0 million in the previous year. Net profit stood at HK$34.4 million in FY08. Earnings per share were 8.4 HK cents in this financial year and 10.7 HK cents in last financial year. The decline was due to the impact of realised and unrealised foreign exchange losses resulting from the declining HK dollar against the Swiss Franc.

Our financial position is bolstered by our bank balances and cash increasing 58% with HK$214.2 million in FY08 against HK$135.6 million in FY07, with no bank borrowings. This will give us a strong foundation to expand and enhance the Group's premier position and brand recognition in North Asia.

Group Net Asset Value per share (NAV) rose to 54.94 HK cents as at 31 March 2008, up from 51.95 HK cents in the previous financial year. In light of our strong earnings and robust cash flow, the Board has recommended a final dividend of 5 HK cents per share for the year ended 31 March 2008.

Enhanced Brand Management Activities

With our strong results, we will continue to strengthen our brand management and distribution of luxury watches, timepieces and accessories to expand our portfolio of brands.

To date, the Group's stable of exclusive luxury watch brands includes Franck Muller, CVSTOS, de Grisogono, European Company Watch, and Pierre Kunz, which caters to specific niches in an increasingly sophisticated luxury watch market.

Expansion of Distribution Network

The Group has done well with our growing distribution network of independent watch retailers and our own operation of boutiques. We operate eight mono-brand boutiques – three in Hong Kong, two in Macau, two in the PRC and one in Taiwan. These mono-brand boutiques form a vital part of the Group's brand management strategy, as they are placed in prime shopping areas, serving as a showcase for the exclusive luxury brands we represent.

Apart from the mono-brand boutiques, we have a total of 43 retail outlets run by 23 independent retailers in North Asia.

Going Forward

Our results mirror our strong position in the luxury market. Bracing for an exciting year ahead, we expect high inflows of tourists to China for the 2008 Olympic Games. The Group is ready to seize this tourist opportunity by strategic positioning of boutiques in Shanghai and Beijing.

Simultaneously in Hong Kong, we plan to open three more boutiques in the coming financial year at Lee Theatre Plaza Causeway Bay, Peninsula Tsimshatsui and 1881 Heritage Building Tsimshatsui, to tap the rising demand for luxury timepieces from high-income consumers.

The Group will continue to launch innovative retail concepts and marketing platforms in North Asia. And we will expand our portfolio to include new luxury brands with good growth potential.

Following the acquisition of our parent company – Sincere Watch Limited by HKSE-listed Peace Mark (Holdings) Limited ("Peace Mark") earlier this year, the Group expects to leverage on the extensive watch retail network of Peace Mark to explore new growth opportunities in Greater China. Peace Mark's established foothold there will complement and further develop our existing business by extending our geographic reach in the greater China region. It is expected over time that the combination of these factors will allow the Group to increase the pace of expansion of our luxury retail operations in the PRC as well as enjoying greater customer and supplier recognition and economies of scale.

While the US dollar is expected to soften further and the global economy may face challenging times ahead due to the US sub-prime crisis and rising inflation, the Directors believe that Asian economies will continue to enjoy the growth momentum created by the rising wealth of high net worth consumers. In view of these trends and the Group's dynamic management team and strong vision for growth, the Group is optimistic of remaining profitable for the coming year.

A note of appreciation

We would also like to express our gratitude to our customers, business associates, retail partners, shareholders and employees for their unwavering support throughout the year.

Thank you.

Tay Liam Wee
Chairman

Chau Kwok Fun, Kevin
Vice Chairman

Directors and Senior Management

Directors

TAY Liam Wee

Chairman

Mr. TAY Liam Wee, aged 49, won the Best CEO of the year at the Singapore Corporate Awards 2007 under the category of the Main Board Listed Companies by Market Capitalisation of below S$500 million is an Executive Director since 18 August 2004 and the Chairman of the Company since 1 October 2005. Mr. Tay has been a Director of Sincere Brand Management Limited ("SBML") since 23 March 1996. He was the director of Sincere Watch Limited ("SWL") in 1980 and became the group managing director/chief executive officer of SWL since 1993. Mr. Tay is responsible for the overall formulation of business strategies and market development of the Group. Mr. Tay has been instrumental in leading the Group in its current growth phase that involves the development of the Group's corporate vision and the implementation of various expansion strategies and plans. Mr. Tay graduated with a bachelor of business administration degree from Lakehead University, Canada and has over 26 years of experience in retail and distribution of fine watches within the Asia Pacific region. Mr. Tay won the Lifestyle and Retail Entrepreneur of the Year 2004, Ernst and Young Entrepreneur of the Year Singapore 2004 and Tourism Entrepreneur of the Year 2005 from Singapore Tourism Board. Mr. Tay is the son of Mr. Tay Boo Jiang who is the founder and executive chairman (resigned with effective from 2 April 2008) of the SWL Group. He is also the brother-in-law of Mr. Soh Gim Teik, the Non-executive Director of the Company and the finance director of SWL, the cousin of Ms. Tay Liam Wuan, the Executive Director and the Chief Executive Officer of the Company. Mr. Tay joined the Group (as Director of SBML) in March 1996.

CHAU Kwok Fun, Kevin

Vice Chairman

Mr. CHAU Kwok Fun, Kevin, aged 48, is an Executive Director since 19 September 2005 and the Vice Chairman of the Company since 1 October 2005. Mr. Chau has been a Director and the Chairman of SBML since 23 March 1996. He is responsible for the overall development of the Group's business, as well as the strategic planning and positioning and management of the Group. Mr. Chau graduated with a Bachelor of Arts degree from the Wesleyan University, Connecticut, USA. Prior to joining the Group, Mr. Chau was a principal officer of an investment company in Hong Kong dealing in real estates and the food and beverage industry in the PRC. He began his career in 1982 with a US bank dealing in fixed income and derivative syndication and had been posted by the bank to their New York, London and Tokyo offices. In 1990, he set up his own real estate investment company in California, USA, investing in real estate projects in Texas and California. Mr. Chau is also an independent non-executive director of Tai Sang Land Development Limited whose shares are listed on the main board of Hong Kong Stock Exchange. Mr. Chau joined the Group (as Director of SBML) in March 1996. Mr. Chau also serves as director of the Tung Wah Group of Hospitals.

TAY Liam Wuan

Chief Executive Officer

Ms. TAY Liam Wuan, aged 44, is an Executive Director since 19 September 2005 and the Chief Executive Officer of the Company since 1 October 2005. Ms. Tay Liam Wuan has been a Director of SBML since 15 November 1995. She is responsible for all aspects of the Group's operations. Ms. Tay graduated with a bachelor degree in business administration from the National University of Singapore. Prior to joining the Group, Ms. Tay was a marketing manager of SWL and before that, she was previously a credit and marketing officer with Export Insurance Corporation of Singapore. Ms. Tay is the cousin of Mr. Tay Liam Wee, the Chairman of the Company. Ms. Tay joined the Group (as Director of SBML) in November 1995.

SOH Gim Teik

Non-executive Director

Mr. SOH Gim Teik, aged 54, is a Non-executive Director since 19 September 2005. He is a member of the Professional Accountants in Business (PAIB) Committee of the International Federation of Accountants (IFAC) and the Retail Industry Skills Training Council (RISTC) of the Singapore Workforce Development Agency (WDA). Mr. Soh is also the finance director/chief financial officer and the company secretary of Sincere Watch Limited since 1993 and 1982 respectively. Mr. Soh is mainly responsible for providing guidance on financial control and policies to the Group. Mr. Soh graduated with a bachelor of accountancy degree from the University of Singapore and has years of financial experience in various senior positions. Mr. Soh is a member of the Institute of Certified Public Accountants of Singapore ("ICPAS") and the Chairman of the CFO committee set up by the ICPAS since 2006. He is currently a Chairman of the Remuneration Committee and a Board member of Advanced Holdings Ltd, the Chairman of Audit Committee and Board member of Craft Print International Limited and the Chairman of Board of Directors of UMS Holdings Limited. All three companies are listed on Singapore Stock Exchange. Mr. Soh was awarded the Best CFO of the Year at the Singapore Corporate Awards 2006 under the category of the Main Board Listed Companies by Market Capitalization of below S$500 million. Mr. Soh is the brother-in-law of Mr. Tay Liam Wee, the Chairman of the Company. Mr. Soh joined the Group (as Director of SBML) in October 2001.

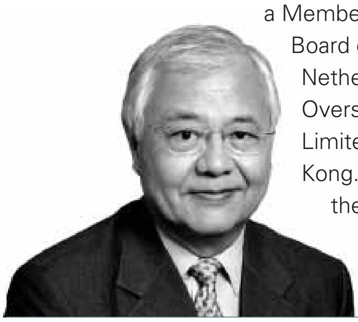
LIM Suet Fern

Independent Non-executive Director

Ms. LIM Suet Fern, aged 50, is an Independent Non-executive Director. Ms. Lim is a practising advocate and solicitor of the Supreme Court of Singapore and works at Stamford Law Corporation as its senior director. She has had extensive experience as a corporate lawyer with a focus on mergers and acquisitions, equity and debt capital markets and corporate governance. She serves as an independent director on SembCorp Industries Ltd, Macquarie International Intrastructure Fund Ltd, those shares are listed on Singapore Stock Exchange and on Richina Pacific Limited, those shares are listed on New Zealand Stock Exchange. She also serves as a director of Orangestar Investment Holdings Pte Ltd and the Vice-President of the Inter-Pacific Bar Association. Ms. Lim is a trustee of Nanyang Technological University (NTU) in Singapore, a director of the Singapore National Heritage Board and is a member of the advisory board to the Law School at The Singapore Management University (SMU). She qualified as a barrister-at-law at Gray's Inn, London and graduated from Cambridge University, UK with a double first in law in 1980. Ms. Lim joined the Group in September 2005.

KING Roger

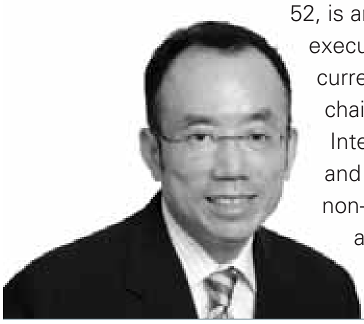
Independent Non-executive Director



Mr. KING Roger, aged 67, is an Independent Non-executive Director. Mr. King is currently a Non-executive Director of Arrow Electronics Corporation, listed on the New York Stock Exchange, a Member of the Supervisory Board of TNT, listed in the Netherlands and Orient Overseas International Limited, listed in Hong Kong. He also serves as the Honorary Consul for the Republic of Latvia in Hong Kong. He is also an Adjunct Professor at Hong Kong University of Science and Technology where he teaches Entrepreneurship, Family Business and Corporate Governance at the EMBA program. He is also the Co-director of the Center for Asian Family Business Studies at HKUST. His past management experiences including: Lieutenant, United States Navy; Member of Technical Staff, Bell Telephone Laboratories; Managing Director and Chief Operating Officer of Orient Overseas (Holdings) Limited; Chairman of System-Pro Computers Limited, one of the largest personal computer resellers in Hong Kong; Chairman of Pacific Coffee Limited; President and Chief Executive of Sa Sa International Holding Limited, a listed company in Hong Kong; and a Standing Committee Member of Zhejiang Province People's Political Consultative Conference. Mr. King is a graduate of the University of Michigan, BSEE, New York University, MSEE, Harvard Business School, AMP, and Hong Kong University of Science and Technology, PhD in Finance. Mr. King joined the Group in September 2005.

LEW, Victor Robert

Independent Non-executive Director



Mr. LEW, Victor Robert, aged 52, is an Independent Non-executive Director. He is currently an independent chairman of Pak Tak International Limited and an independent non-executive director and chairman of the audit committee of Pacific Andes International Holdings Limited. Both companies are listed on the main board of Hong Kong Stock Exchange. Mr. Lew is currently a director of a corporation of practicing certified public accountants in Hong Kong. He has over 22 years of experience in corporate assurance advisory, taxation, and corporate finance consulting. Mr. Lew graduated with a bachelor of commerce degree from the University of British Columbia, Canada. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a practicing certified public accountant in Hong Kong and a chartered accountant of Canadian Institute of Chartered Accountants. Mr. Lew joined the Group in September 2005.

Senior Management

Mr. SAN Kin Pong, Bond, aged 41, is the financial controller and qualified accountant of the Company. Mr. San is responsible for the financial reporting and accounting, internal control, corporate finance and treasury functions of the Group. Prior to joining the Group in May 2008, Mr. San worked as finance manager of IDT International Limited whose shares are listed on the main board of Hong Kong Stock Exchange, and has over 18 years of experience in auditing, accounting and financial management. Mr. San graduated from the Chinese University of Hong Kong with a bachelor's degree in business administration, and obtained a master's degree in business administration from Royal Melbourne Institute of Technology University, Australia. Mr. San is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Mr. LAU Kok Chong, aged 38, is the senior product manager of the Group. Mr. Lau is responsible for brand management, purchasing and product delivery logistics of the Group. Prior to joining the Group in January 1999, he was a production director with an event management company specializing in fashion show, product launches and exhibition. Mr. Lau had produced events in various countries, including Hong Kong, Singapore, Taiwan, Thailand, the PRC (including Shanghai, Dalian and Beijing) and France. Mr. Lau obtained a diploma in electronic and telecommunication from Singapore Polytechnic, Singapore.

Mr. CHEW Joo Yee, aged 41, is the accountant of the Group. Prior to joining the Group in July 2000, he was an accountant and assistant to the managing director in a food manufacturing and distribution company in Singapore and Shanghai, the PRC for 10 years. Mr. Chew obtained a diploma in business study from Ngee Ann Polytechnic, Singapore.

Mr. PAK Kwai Sing, Isaac, aged 46, is the sales manager of the Group. Mr. Pak has over 21 years of experience in the watch industry. Prior to joining the Group in April 1997, Mr. Pak worked in various sales positions including over 5 years for Phillipe Chariol, a Swiss brand of watches, and 8 years with watch dealers in Hong Kong.

Mr. LAW Yuen Mau, Jeffy, aged 44, is the operations manager of the Group. He has over 24 years of sales experience in the watch industry. He worked for various watch dealers in Hong Kong prior to joining the Group. After having worked for the Group from 1995 to 1996, Mr. Law rejoined the Group in August 1999.

Mr. JENG Pei Hwang, Frederick, aged 47, is the general manager of Sincere Watch Co Limited, Taiwan since July 2003. Mr. Jeng is responsible for the general management and the administration of the company's operations. Prior to joining the company, he had over 15 years working experience in luxury and watch business in Taiwan handling S.T. Dupont, Alfred Dunhill and watch brands including Chopard, Bvlgari, Hermes and Rado. Mr. Jeng graduated with a master degree in business administration from the University of Wisconsin in 1989 and a bachelor degree in business administration from the National Taipei University in 1984.

Management Discussion and Analysis

Financial Review

For the year ended 31 March 2008 ("FY2008") the Group's turnover rose 56% to HK$733,211,000 from HK$470,833,000 achieved in the year ended 31 March 2007 ("FY2007").

This is another stellar performance, attributed to the increased demand for the Group's timepieces from its expanded distribution network and boutiques across the North Asia region. In particular, the Group benefited from Hong Kong's strong economic performance and the increase in tourist traffic from the region, especially China.

With significantly higher FY2008 sales, Group gross profit has improved by 56% to HK$237,442,000, up from HK$151,891,000 in the last financial year, and gross margins maintained at 32.4% in FY2008.

For Hong Kong, the Group saw spectacular growth with revenue jumping from HK$396,122,000 to HK$568,626,000. For the PRC and Macau, the revenue doubled from HK$42,683,000 to HK$96,506,000 benefiting from Macau's dynamic economic boom, the opening of new attractions there and the development of its infrastructures. The Group also saw maiden contributions from the Taiwan market, amounting to HK$68,079,000 due to the acquisition of the Taiwanese subsidiary in October 2006.

Operating expenses went up in the current year from HK$83,206,000 to HK$117,076,000. The increase in selling and distribution costs was in line with the level of business done as more promotional and marketing activities were held during the financial year. Administrative expenses comprised mainly rentals, depreciation and staff costs. Besides increased rental rates, overall rents and depreciation grew as a result of newly opened boutiques like the Shin Kong Place Beijing, Venetian Casino and Resort Macau and Plaza 66 Shanghai. In addition, the Company's flagship Franck Muller boutique at Central Hong Kong was considerably enlarged and refurbished.

The Group's profit before taxation and exchange losses rose by 72% to HK$122,356,000 in FY2008. The Group also incurred unrealised exchange loss of HK$52,743,000 for the financial year 2008 compared to HK$4,520,000 in the last financial year. The 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.

The Group's profit before taxation of HK$41,840,000 for the financial year 2008 was however less than HK$53,298,000 for the financial year 2007. This was largely due to currency exchange difference when the Hong Kong dollar against the Swiss Franc plunged since January 2008. The Group incurred realised exchange loss of HK$27,773,000 for the financial year 2008 as compared to a HK$13,188,000 recorded in last financial year 2007.

Group net profit after taking into account the unrealised foreign exchange loss, stood at HK$34,389,000.

Group Net Asset Value per share (NAV) improved to 54.94 HK cents as at 31 March 2008 up from 51.95 HK cents as at 31 March 2007.

Earnings per share for the year ended 31 March 2008 were 8.4 HK cents (2007: 10.7 HK cents).

Business Review

The Group is the sole distributor of Franck Muller watches and accessories in Hong Kong, Macau, the PRC and in Taiwan. We also represent four other exclusive luxury brands – de Grisogono, European Company Watch, Pierre Kunz and Cvstos. We maintained our overall brand portfolio as the Group focused its attention on strengthening its presence in North Asia, by growing its distribution network of independent watch retailers and mono-brand boutiques.

These mono-brand boutiques form a vital part of the Group's brand management strategy, as they are in prime shopping areas, serving as a showcase for the exclusive luxury brands that the Group represents. As at 31 March 2008, the Group runs eight mono-brand boutiques – three in Hong Kong, two in Macau, two in the PRC and one in Taiwan, retailing under the brands of Franck Muller and de Grisogono. These mono-brand boutiques have been well received by customers and have made positive contributions to the Group's top and bottom lines.

Distribution:

Expansion of network

The Group has successfully established a network of 43 quality watch distributors retail outlets run by 23 independent watch dealers in Hong Kong, Macau, the PRC and in Taiwan.

The Group's sterling performance reflected the success of its marketing and branding strategies in capitalizing on the growth in demand for luxury goods in North Asia. The Group's recent milestones include the opening of Franck Muller boutique in Beijing in April 2007, the Venetian Casino and Resort Macau in August 2007 and the new Franck Muller boutique in Shanghai in November 2007. In addition, the de Grisogono boutique in the International Finance Centre was refurbished and re-opened in October 2007.

Brand Management:
Enhanced branding activities

The discipline of brand management starts with understanding the Group's portfolio of luxury watch brands in order to optimize brand management practices.

A part of its brand management activities, the Group stepped up its advertising and promotion efforts, including advertising in newspapers, magazines, billboards, dealer promotions with dealers and other business parties like the Mercedes-Benz promotion night held in August 2007, and store promotions for new product launches and store openings.

Newly secured brands under the Group's stable of exclusive luxury watch brands, including Cvstos, de Grisogono and Pierre Kunz, made a successful entry into the market. These new brands cater to specific niches in an increasingly sophisticated luxury watch market and have sharpened the Group's competitive edge.

Strong brands produce higher returns to shareholders, and the Group will continue to forge new alliances with new watch brands with good potential.

Geographic Markets

Hong Kong

Riding on its robust economic outlook and rising consumer sentiment, Hong Kong contributed 78% or HK$568,626,000 of the Group's revenue in FY2008. The spectacular growth was 44% higher than the HK$396,122,000 revenue recorded for FY2007.

Tapping on the rising demand for luxury timepieces in Hong Kong, the Group is highly optimistic that the growth of its distribution and retail business in Hong Kong will continue to thrive.

The PRC and Macau

The PRC and Macau contributed HK$96,506,000 or 13% of the Group's revenue. This compares to HK$42,683,000 revenue and 9% contribution last year. This increase of 126% year-on-year underscored the robust economic conditions in the PRC and Macau, as well as the Group's premier position and brand recognition in the industry.

The Group opened a Franck Muller flagship boutique at the Venetian Macau in August 2007.

To ride on the wealth of growth opportunities in the PRC, the Group opened the first Franck Muller boutique in Beijing in 2007. The Franck Muller boutique in Shanghai was opened in November 2007 at Plaza 66 Nanjing Xi Lu, the premier luxury shopping mall in Shanghai.

Taiwan

Taiwan accounted for 9% of the Group's revenue. This compares to HK$32,028,000 revenue and 7% contribution last year.

The Company has taken over the entire operation and business in Taiwan after the acquisition of Sincere Watch Co., Limited in Taiwan last year. It also acquired the sole exclusive distribution rights of Franck Muller watches and accessories in Taiwan. The Group continues the strategic move to extend the Group's business operations to Taiwan. The Group's wealth of experience in the luxury business and its established distribution network in Taiwan places it in a strong position to grow its business further.

Prospects

Asia's economy is growing in the year of Beijing Olympics 2008. To capture the luxury market, the Group has committed to open three more boutiques in the coming financial year at Lee Theatre Causeway Bay, Peninsula Tsimshatsui and 1881 Heritage Building Tsimshatsui.

To continue with the group's strategy in Macau, the Group intends to expand the distribution network and build additional brand boutiques in the forthcoming international casino projects.

To ride on the booming luxury demand in the PRC, the Group's stronger presence in Beijing and Shanghai will enable it to capitalize on the tourism boom expected during the upcoming Olympics 2008.

The Group will continue to build on its established goodwill with the Swiss watch principals and work together with them to introduce fresh initiatives and to promote a strong and robust culture of horology. It will continue to launch innovative retail concepts and marketing platforms in North Asia. It will look at expanding its portfolio to include new luxury brands with good growth potential.

Barring unforeseen fluctuations in foreign currencies and changes in the external business environment, the Group is optimistic about its outlook in the coming financial year. But in view of the overall healthy economic trends and the Group's dynamic growth plans in place, we expect to remain profitable for the coming year.

Corporate Governance Report

Corporate Governance Practice

The Board of Directors (the "Board") of the Company is committed to maintaining high standards of corporate governance. The Company adopted the code provisions set out in the Code on Corporate Governance Practices ("the Code") in Appendix 14 of the Listing Rules as its own code of corporate governance practice.

In the opinion of the Directors, the Company has complied with the Code throughout the year ended 31 March 2008.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the year ended 31 March 2008.

Board of Directors

The Board is responsible for the leadership and control of the Group (comprising the Company and its subsidiaries) and oversees the Group's businesses, strategic decisions and performance. The Board has delegated the day-to-day responsibility to the Executive Directors and senior management who perform their duties under the leadership of the Chief Executive Officer.

The Board currently consists of seven members, including the Chairman, the Vice Chairman, one Executive Director, one Non-executive Director and three Independent Non-executive Directors. One of our Independent Non-executive Directors has the professional and accounting qualifications required by the Listing Rules.

The Board schedules four meetings a year and also meets as and when required. During the year, the Board held five regular meetings. The Company Secretary assists the Chairman in establishing the meeting agenda, and each director may request inclusion of items in the agenda. For all Board meetings, at least 14 days' notice is given to all Directors. Adequate and appropriate information are circulated normally three days in advance of Board meetings to the Directors.

The members of the Board and the attendance of each member are as follows:

Executive Directors	**Number of attendance**
Tay Liam Wee *(Chairman)*	5/5
Chau Kwok Fun, Kevin *(Vice Chairman)*	4/5
Tay Liam Wuan *(Chief Executive Officer)*	5/5
Non-executive Director	
Soh Gim Teik	3/5
Independent Non-executive Directors	
Lim Suet Fern	4/5
Lew, Victor Robert	5/5
King Roger	5/5

Board and committee minutes are recorded in appropriate detail and draft minutes are circulated to all Directors and committee members for comments before being approved by the Board and committees at the next immediate meeting. All minutes are kept by the Company Secretary and are open for inspection by the Directors.

The Company has received annual confirmations of independence from Ms. Lim Suet Fern, Mr. Lew Victor Robert and Mr. King Roger and considers them to be independent.

The Board members have no financial, business, family or other material/relevant relationship with each other except as disclosed in the Company's prospectus dated 30 September 2005. Given the nature and business objective of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The list of Directors and their respective biographies are set out on pages 11 to 13 of this annual report respectively.

All Directors are subject to retirement at annual general meeting of the Company at least once every three years. All retiring Directors shall be eligible for re-election. All the Independent Non-executive Directors have been appointed for a specific terms.

Chairman, Vice-Chairman and Chief Executive Officer

The role of the Chairman, the Vice-Chairman and the Chief Executive Officer is separate and performed by three Directors.

Mr. Tay Liam Wee, who is the Chairman of the Company, is responsible for the overall formulation of business strategies and market development of the Group. He is also responsible for the leadership and effective running of the Board and ensuring that all significant and key issues are discussed and where required, resolved by the Board timely and constructively.

Mr. Chau Kwok Fun, Kevin is the Vice Chairman of the Company and assists the above role. He is also responsible for the overall development of the Group's business, as well as the strategic planning and positioning and management of the Group.

Ms. Tay Liam Wuan, who is the Chief Executive Officer, is delegated with the authority and responsibility to run the Group's business and day-to-day operation, and implement the Group's strategy with respect to the achievement of its business objectives with the assistance of the Executive Directors and senior management.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all Directors and senior management of the Company and is delegated by the Board the responsibility to determine on behalf of the Board the specific remuneration packages for all Executive Directors and senior management of the Company.

During the year, the Remuneration Committee held two meetings. The members of the Remuneration Committee and the attendance of each member are as follows:

Independent Non-executive Directors	**Number of attendance**
King Roger *(Chairman)*	2/2
Lew, Victor Robert	2/2
Lim Suet Fern	2/2

During the year, the Remuneration Committee has performed the following duties:

– reviewed and recommended the Board to approve the remuneration packages of all Executive Directors; and

– reviewed the terms of reference of the Remuneration Committee.

Nomination Committee

The Nomination Committee is responsible for making recommendations to the Board on appointment of Directors and management of the Board succession.

During the year, the Nomination Committee held one meeting. The members of the Nomination Committee and the attendance of each member are as follows:

Independent Non-executive Directors	Number of attendance
Lim Suet Fern *(Chairman)*	1/1
Lew, Victor Robert	1/1
King Roger	1/1

During the year, the Nomination Committee has performed the following duties:

– reviewed the structure, size and composition of the Board with a conclusion that there is no immediate need to change the members of the Board;

– recommended the re-election of all the retiring Directors at the annual general meeting;

– assessed the independence of each Independent Non-executive Director separately with no Independent Non-executive Directors involved in his/her own independence assessment; and

– reviewed the terms of reference of the Nomination Committee.

On 12 November 2007, the Directors with the unanimous consent of all Nomination Committee members resolved to relinquish the Nomination Committee having regard to the Group's present scale of operation and the practical merits to the Group with the nomination functions being performed by the Directors collectively.

Auditors' Remuneration

During the year, the Group was charged HK$660,000 for auditing services and HK$46,500 for non-auditing services by the Company's auditors, Deloitte Touche Tohmatsu.

Services rendered	Fees paid/payable
Audit services	660,000
Non-audit services:	
Taxation services	–
Review of continuing connected transactions	30,000
Issuance of certificate for reviewing results announcements	16,500

Audit Committee

The Audit Committee is responsible for reviewing and supervising the financial reporting process and internal control system of the Group and providing advice and comments to the Board.

During the year, the Audit Committee held four meetings. The members of the Audit Committee and the attendance of each member are as follows:

Independent Non-executive Directors	Number of attendance
Lew, Victor Robert *(Chairman)*	4/4
Lim Suet Fern	3/4
King Roger	4/4

During the year, the Audit Committee has performed the following duties:

– reviewed with the management the accounting principles and practices adopted by the Group as well as financial reporting matters including the review of the unaudited financial statements for the three months ended 30 June 2007, the six months ended 30 September 2007, and the nine months ended 31 December 2007 and the audited financial statements for the year ended 31 March 2007 with recommendations to the Board for approval;

– reviewed reports from the internal auditor on internal control system covering financial, operational, procedural compliance and risk management functions;

– reviewed reports from the internal auditor on the internal controls of the inventory business cycle of overseas subsidiary and the sample stock take at the retail shops of the Group;

– met with the auditors to discuss matters relating to the audit fees and those issues arising from the yearly audit; and

– reviewed the terms of reference of the Audit Committee.

All members of the Audit Committee possess in-depth experience in their own profession. The Chairman of the Audit Committee, Mr. Lew Victor Robert, possesses appropriate professional qualifications in finance and accounting and meets the requirements of Rule 3.21 of the Listing Rules.

Accountability

The Directors are responsible for the preparation of the accounts of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the accounts for the three months ended 30 June 2007, the six months ended 30 September 2007, the nine months ended 31 December 2007 and the year ended 31 March 2007, the Directors have adopted suitable accounting policies and applied them consistently. The accounts for the reporting year have been prepared on a going concern basis.

Internal Controls

The Board has, through the Audit Committee, conducted review of the effectiveness of the internal control system of the Group covering the financial, operational, procedural compliance and risk management functions during the year. The internal control system is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

Communication with Shareholders

The Board recognizes the importance of good communication with all shareholders. The annual general meeting ("AGM") of the Company is a valuable avenue for the Board to enter into a dialogue directly with shareholders. The Chairman of the Board as well as members of the Audit Committee, Nomination Committee and Remuneration Committee were present at the AGM for 2007 to answer shareholders' questions.

Copies of the annual report and relevant corporate information circular of the Company are dispatched to shareholders in a timely manner well before time limits laid by statutory and Listing Rules requirements to ensure effective communication with shareholders and investors.

Report of the Directors

The directors of the Company are pleased to present their report and the audited consolidated financial statements for the year ended 31 March 2008.

Principal Activities

The Company is an investment holding company. The principal activities of its subsidiaries are distribution of branded luxury watches, timepieces and accessories in Hong Kong, Macau, Taiwan and the People's Republic of China (the "PRC").

Subsidiaries

Details of the Company's subsidiaries as at 31 March 2008 are set out in note 27 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 March 2008 are set out in the consolidated income statement on page 31.

The directors recommend the payment of a final dividend of HK$0.05 per share for the year ended 31 March 2008 amounting to HK$20,400,000, and the retention of the remaining profit for the year of approximately HK$13,989,000.

Distributable Reserves of the Company

At 31 March 2007, under the Companies Law Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. At 31 March 2008, the Company's reserves available for distribution to shareholders amounted in total to approximately HK$131,787,000.

Major Customers and Suppliers

The Group's five largest customers contributed approximately 53.5% of the Group's total sales for the year. The largest customer of the Group accounted for approximately 14.3% of the Group total sales. The Group's five largest suppliers contributed approximately 87.6% of the Group's total purchase for the year. The largest supplier of the Group accounted for approximately 52.6% of the Group total purchases.

Mr. Tay Liam Wee and Mr. Chau Kwok Fun, Kevin both have less than 5% interests separately in Chrono Star International Participations Groupe Franck Muller S.A., a private limited company incorporated in Luxembourg, the parent company of the "Group Franck Muller" which owns and operates the "Franck Muller Geneve" Brand.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers and customers.

Property, Plant and Equipment

During the year, the Group spent approximately HK$14,082,000 as addition to property, plant and equipment to renovate its stores and expand its operations. Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

Directors

The directors of the Company during the year and up to the date of this report were:

Executive directors
Tay Liam Wee *(Chairman)*
Chau Kwok Fun, Kevin *(Vice Chairman)*
Tay Liam Wuan *(Chief Executive Officer)*

Non-executive director
Soh Gim Teik

Independent non-executive directors
Lew, Victor Robert
Lim Suet Fern
King Roger

In accordance with Articles 108 and 112 of the Company's Articles of Association, Chau Kwok Fun, Kevin, King Roger and Lew, Victor Robert will retire from office at the forthcoming annual general meeting and may offer themselves for re-election.

The non-executive director was appointed for three year term expiring on 18 September 2008.

The independent non-executive directors were appointed for one year term expiring on 18 September 2008.

Directors' Service Contracts

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Shares

At 31 March 2008, the beneficial interests of the directors and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("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 Companies, were as follows:

Name of director	Company/name of associated corporation	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of associated corporation
Tay Liam Wee	Peace Mark (Holdings) Limited	Interest of a controlled corporation *(Note)*	23,876,001	2.19%
Soh Gim Teik	Peace Mark (Holdings) Limited	Interest of Spouse	1,903,183	0.17%
Chau Kwok Fun, Kevin	Peace Mark (Holdings) Limited	Personal interest	951,457	0.08%

Note: These shares are owned by TBJ Holdings Pte. ("TBJ"), which is in turn beneficially wholly-owned by Mr. Tay Liam Wee.

Other than as disclosed above, at 31 March 2008, none of the directors, chief executives, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

Directors' Interests in Contracts of Significance and Connected Transactions

During the year, the Group had the following continuing connected transactions with SWL and its subsidiaries, namely Franck Muller Pte Ltd. and Avante Marketing Pte Ltd..

The Group purchased watches from SWL and its subsidiaries in Singapore on an as needed basis to meet customers' demand when certain models of watches are out of stock in Hong Kong, Macau, Taiwan or the PRC. Such purchases amounted to a total of approximately HK$6,661,000.

For the purpose of the listing of the shares of the Company on the Stock Exchange, a sale and purchase agreement (the "Agreement") for the period commencing on the date of its signing on 19 September 2005 and expiring on 31 March 2008 was entered into between the Company and SWL to govern the above transactions.

Pursuant to Rule 14A.38 of the Listing Rules, the board of directors engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditors have reported their factual findings on these procedures to the board of directors. The independent non-executive directors not having interest in SWL and its subsidiaries had reviewed the continuing connected transactions and the report of the auditors and have confirmed that the transactions (the "Continuing Connected Transactions") contemplated under the Agreement (i) have been entered into by the Group in the ordinary course of its business, (ii) on terms no less favourable than terms available to (from) independent third parties, and in accordance with the terms of the Agreement governing such Continuing Connected Transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole; (iii) the aggregate amount of the sales of watches to SWL and its subsidiaries in Singapore for the year from 1 April 2007 to 31 March 2008 did not exceed the maximum annual cap of HK$43,000,000 as set out in the prospectus of the Company dated 30 September 2005; and (iv) the aggregate amount of the purchase of watches from SWL and its subsidiaries in Singapore for the year from 1 April 2007 to 31 March 2008 did not exceed the maximum annual cap of HK$11,000,000 as set out in the prospectus of the Company dated 30 September 2005.

Other than as disclosed above, no contracts of significance to which the Company, its subsidiaries, its ultimate holding company or any of its fellow subsidiaries was a party and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Appointment of Independent Non-executive Directors

The Company has received, from each of the existing independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

Substantial Shareholders

At 31 March 2008, shareholders (other than 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 had otherwise notified the Company were as follows:

Name	**Capacity**	**Number of issued ordinary shares held** (Note 1)	**Approximate percentage of the issued share capital of the Company**
Sincere Watch Limited ("SWL")	Beneficial owner (Note 2)	306,000,000 (L)	75%
A-A United Limited	Interest of a controlled corporation (Note 3)	306,000,000 (L)	75%
Peace Mark (Holdings) Limited ("Peace Mark Holdings")	Interest of a controlled corporation (Note 4)	306,000,000 (L)	75%
Chau Cham Wong, Patrick	Personal interest and interest of a controlled corporation (Note 5)	306,000,000 (L)	75%
Leung Yung	Personal interest and interest of controlled corporations (Note 6)	306,000,000 (L)	75%
Chartered Asset Management Pte Ltd.	Investment manager	28,641,000 (L)	7.02%
CAM-GTF Limited	Investment fund	24,637,000 (L)	6.04%

Notes:

(1) The letter "L" denotes the person's long position in the shares.

(2) These 306,000,000 shares of the Company are registered in the name of and beneficially owned by SWL.

(3) A-A United Limited is deemed to be interested in the 306,000,000 shares of the Company as referred to in Note (2) above as it holds more than one-third of the issued share capital of SWL.

(4) Peace Mark Holdings is deemed to be interested in the 306,000,000 shares of the Company as referred to in Note (3) above as it holds more than one-third of the issued share capital of A-A United Limited.

(5) Mr. Chau Cham Wong, Patrick is deemed to be interested in the 306,000,000 shares of the Company as referred to in Note (4) above as he beneficially owns more than one-third of the issued share capital of Peace Mark Holdings by virtue of (i) his personal interest in 7.85% of the issued share capital of Peace Mark Holdings, (ii) his beneficial interest in 50.45% of the issued share capital of A-One Investments Limited which owns 27.81% of the issued share capital of Peace Mark Holdings, and (iii) his deemed interest in 4.43% of the personal and corporate interests of Mr. Leung Yung in Peace Mark Holdings pursuant to section 317 of the SFO as referred to in Note (6) below.

(6) Mr. Leung Yung is deemed to be interested in the 306,000,000 shares of the Company as referred to in Note (4) above as he beneficially owns more than one-third of the issued share capital of Peace Mark Holdings by virtue of (i) his personal interest in 1.82% of the issued share capital of Peace Mark Holdings, (ii) his beneficial interest in 49.55% of the issued share capital of A-One Investments Limited which owns 27.81% of the issued share capital of Peace Mark Holdings, (iii) his corporate interest in 100% of the issued share capital of United Success Enterprises Limited which owns 2.61% of the issued share capital of Peace Mark Holdings, and (iv) his deemed interest in 7.85% of the personal interest of Mr. Chau Cham Wong, Patrick in Peace Mark Holdings pursuant to section 317 of the SFO as referred to in Note (5) above.

(7) The 306,000,000 shares mentioned in Notes (2) to (6) refer to the same block of shares.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company as at 31 March 2008.

Arrangements to Purchase Shares or Debentures

At no time during the year was the Company, its subsidiaries, its holding company, or any of its fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Purchase, Sale or Redemption of Listed Securities

During the year, the Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries has purchased or sold any of the shares of the Company.

Compliance with Code on Corporate Governance Practices and Model Code

The Company has complied with the code provisions set out in the Code of Corporate Governance Practices contained in Appendix 14 to the Listing Rules during the year.

The Company has adopted the Model Code set out in Appendix 10 (the "Model Code") to the Listing Rules as the code of conduct regarding directors' securities transactions during the year. Having made specific enquiry of all Directors, the Company confirmed that, during the year, all Directors have complied with the required standard set out in the Model Code.

Emolument Policy

The emolument policy of the employees of the Group is set up by the remuneration committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year.

Auditor

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Tay Liam Wee
Chairman
Hong Kong, 26 May 2008

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF SINCERE WATCH (HONG KONG) LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sincere Watch (Hong Kong) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 59, which comprise the consolidated balance sheet as at 31 March 2008 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 May 2008

Consolidated Income Statement

For the year ended 31 March 2008

	NOTES	**2008** HK$'000	2007 HK$'000
Turnover		**733,211**	470,833
Cost of sales		**(495,769)**	(318,942)
Gross profit		**237,442**	151,891
Interest income		**1,990**	2,321
Selling and distribution costs		**(37,276)**	(29,131)
General and administrative expenses		**(79,800)**	(54,075)
Profit before taxation and exchange losses		**122,356**	71,006
Realised exchange loss		**(27,773)**	(13,188)
Unrealised exchange loss		**(52,743)**	(4,520)
Profit before taxation	8	**41,840**	53,298
Income tax expense	10	**(7,451)**	(9,683)
Profit for the year		**34,389**	43,615
Earnings per share	12		
– basic		**8.4 HK cents**	10.7 HK cents

Consolidated Balance Sheet

As at 31 March 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	13	**16,430**	8,191
Intangible assets	14	**11,865**	13,174
Deferred tax assets	21	**13,436**	11,411
		41,731	32,776
Current assets			
Inventories	15	**281,250**	281,648
Trade and other receivables	16	**119,000**	88,082
Taxation recoverable		**1,187**	2,924
Bank balances and cash	18	**214,228**	135,657
		615,665	508,311
Current liabilities			
Trade and other payables	19	**424,215**	314,964
Amount due to immediate holding company	17	**71**	331
Amounts due to fellow subsidiaries	17	**1,566**	8,798
Taxation payable		**4,692**	1,458
		430,544	325,551
Net current assets		**185,121**	182,760
Total assets less current liabilities		**226,852**	215,536
Non-current liability			
Deferred tax liability	21	**2,700**	3,600
Net assets		**224,152**	211,936
Capital and reserves			
Share capital	20	**40,800**	40,800
Reserves		**183,352**	171,136
Equity attributable to equity holders of the Company		**224,152**	211,936

The consolidated financial statements on pages 31 to 59 were approved and authorised for issue by the Board of Directors on 26 May 2008 and are signed on its behalf by:

Tay Liam Wee
Director

Chau Kwok Fun, Kevin
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2008

	Attributable to equity holders of the Company					
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (Note)	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2006	40,800	59,546	801	–	95,693	196,840
Exchange difference arising from translation of financial statements of foreign operation recognised directly in equity	–	–	–	41	–	41
Profit for the year	–	–	–	–	43,615	43,615
Total recognised income for the year	–	–	–	41	43,615	43,656
2006 dividend paid	–	–	–	–	(28,560)	(28,560)
At 31 March 2007 and 1 April 2007	40,800	59,546	801	41	110,748	211,936
Exchange difference arising from translation of financial statements of foreign operations recognised directly in equity	–	–	–	2,307	–	2,307
Profit for the year	–	–	–	–	34,389	34,389
Total recognised income for the year	–	–	–	2,307	34,389	36,696
2007 dividend paid	–	–	–	–	(24,480)	(24,480)
At 31 March 2008	**40,800**	**59,546**	**801**	**2,348**	**120,657**	**224,152**

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.

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	NOTE	2008 HK$'000	2007 HK$'000
Operating activities			
Profit before taxation		**41,840**	53,298
Adjustments for:			
Interest income		**(1,990)**	(2,321)
Amortisation of intangible asset		**1,309**	1,126
Depreciation of property, plant and equipment		**5,879**	1,545
Loss on disposal of property, plant and equipment		**–**	17
Allowance for (reversal of allowance for) inventories		**11,298**	(11,946)
Net allowance for doubtful debts		**1,606**	–
Unrealised exchange loss		**52,743**	4,520
Operating cash flows before movements in working capital		**112,685**	46,239
(Increase) decrease in inventories		**(10,900)**	95,607
(Increase) decrease in trade and other receivables		**(32,524)**	11,506
Decrease in amounts due from fellow subsidiaries		**–**	3,671
Increase (decrease) in trade and other payables		**56,508**	(77,405)
Decrease in amount due to immediate holding company		**(260)**	–
(Decrease) increase in amounts due to fellow subsidiaries		**(7,232)**	8,798
Cash generated from operating activities		**118,277**	88,416
Hong Kong Profits Tax paid		**(3,004)**	(10,804)
Tax in other jurisdictions paid		**(2,398)**	(1,142)
Net cash from operating activities		**112,875**	76,470
Investing activities			
Purchase of property, plant and equipment		**(14,082)**	(7,552)
Interest received		**1,990**	2,321
Acquisition of a subsidiary (net of cash and cash equivalent acquired)	22	**–**	(19,066)
Proceeds from disposal of property, plant and equipment		**–**	70
Net cash used in investing activities		**(12,092)**	(24,227)
Financing activities			
Dividend paid		**(24,480)**	(28,560)
Decrease in amount due to immediate holding company		**–**	(32,410)
Net cash used in financing activities		**(24,480)**	(60,970)
Net increase (decrease) in cash and cash equivalents		**76,303**	(8,727)
Cash and cash equivalents at beginning of the year		**135,657**	144,350
Effect of foreign exchange rate changes		**2,268**	34
Cash and cash equivalents at end of the year, representing bank balances and cash		**214,228**	135,657

Notes to the Consolidated Financial Statements

For the year ended 31 March 2008

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 21 July 2004 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company's ultimate holding company is Peace Mark (Holdings) Limited, a company incorporated in the Bermuda with limited liability. The Company's immediate holding company is Sincere Watch Limited ("SWL"), a company incorporated in the Republic of Singapore.

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of the Group are distribution of branded luxury watches, timepieces and accessories in Hong Kong, Macau, Taiwan and the People's Republic of China (the "PRC"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment of Hong Kong Accounting Standards ("HKAS"s) and interpretations ("INT"s) (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 April 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC)* – INT 7	Applying the restatement approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies"
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of embedded derivatives
HK(IFRIC) – INT 10	Interim financial reporting and impairment
HK(IFRIC) – INT 11	HKFRS 2: Group and Treasury Share Transactions

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Revised)	Presentation of financial statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and separate financial statements [2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [1]
HKFRS 3 (Revised)	Business combinations [2]
HKFRS 8	Operating segments [1]
HK(IFRIC) – INT 12	Service concession arranagements [3]
HK(IFRIC) – INT 13	Customer loyalty programmes [4]
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction [3]

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 July 2009.
3 Effective for annual periods beginning on or after 1 January 2008.
4 Effective for annual periods beginning on or after 1 July 2008.

** IFRIC represents the International Financial Reporting Interpretations Committee.*

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions and balances are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented as an intangible asset.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business.

Sales of goods are recognised when the goods are delivered and title has been passed.

Interest income from a financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset is determined as the difference between the net disposal proceeds and the carrying amount of the item and is included in the consolidated income statement in the year in which the item is derecognised.

Intangible asset acquired in a business combination

Exclusive distribution rights acquired in a business combination are identified and recognised as intangible assets separately from goodwill where they satisfy the definition of an intangible asset and its fair value can be measured reliably. The cost of such intangible asset is its fair value at the acquisition date.

Subsequent to initial recognition, intangible asset with finite useful life is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible asset with finite useful life is provided on a straight line basis over its estimated useful life.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as an income immediately.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost (other than trade receivables), an impairment loss is recognised in income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of trade receivables is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in income statement. When trade and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Equity instruments

Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and other payables, amount due to immediate holding company and amounts due to fellow subsidiaries are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the consolidated income statement.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in income statement in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollar) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in income statement in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustment on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

Leases are classified as operating leases whenever the terms of the lease do not transfer substantially all the risks and rewards of ownership to the lessee.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant leases. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Retirement benefit cost

Payments to the defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contribution.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2008, the carrying amount of goodwill is HK$8,092,000 (2007: HK$8,092,000).

Allowance for inventories

Management reviews the inventory ageing listing on a periodic basis. This review involves comparison of the carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether an allowance is required to be made in the financial statements for slow-moving items. Management is satisfied that adequate allowance for inventories has been made in the financial statements.

Income taxes

At 31 March 2008, a deferred tax asset of HK$13,436,000 (2007: HK$11,411,000) mainly resulted from allowance for inventories has been recognised in the Group's consolidated balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a reversal takes place.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued share capital and reserves including retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2008 HK$'000	2007 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**320,182**	216,288
Financial liabilities		
Amortised costs	**392,337**	277,111

6b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables and trade and other payables. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency denominated monetary assets and liabilities, which arose from foreign currency purchases and sales, thus exposing the Group to foreign currency risk. All of the Group's purchases and 2% of the Group's sales are denominated in currencies other than the functional currency of the group entity making the purchases and sales.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

		Assets		Liabilities	
	Currency	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Euro	EUR	**169**	284	**236**	1,074
Renminbi	RMB	**6,705**	508	**–**	–
Swiss Franc	CHF	**2,921**	8,943	**391,024**	275,686
US dollars	USD	**78**	8	**–**	–

The Group currently does not have a foreign exchange hedging policy to eliminate the currency exposures. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to Swiss Franc.

The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong dollars against Swiss Franc. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate. The analysis illustrates the impact for a 5% weakening of Hong Kong dollars against Swiss Franc and a positive number below indicates a decrease in profit for the year. For a 5% strengthening of Hong Kong dollars against Swiss Franc, there would be an equal and opposite impact on the profit for the year. The decrease in profit for the year is mainly attributable to the exposure on outstanding bank balances and trade payables denominated in Swiss franc at the year end.

	Swiss franc impact	
	2008	2007
	HK$'000	HK$'000
Decrease in profit for the year	**19,405**	13,337

Credit risk

The Group's maximum exposure to credit risk in the event of that counterparties fail to perform their obligations as at 31 March 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

In order to minimise the credit risk in relation to trade receivables, credit limits and credit terms granted to customers should be approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk on trade receivables as at 31 March 2008 is mainly from five major customers which accounted for 67% (2007: 68%) of trade receivables mainly from Hong Kong. The Group has closely monitored the recoverability of trade receivables and taken effective measures to ensure timely collection of outstanding balances.

The Group's concentration of geographical risk on turnover is mainly from Hong Kong which accounted for 78% (2007: 84%) of the total turnover. The Group has closely monitored the sales performance and diversified its customer bases.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

6. FINANCIAL INSTRUMENTS (continued)

6c. Fair value

The fair value of financial assets and financial liabilities carried at amortised cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities in the financial statements approximate their fair values.

7. SEGMENT INFORMATION

The Group's principal activity is brand management and distribution of branded luxury watches, timepieces and accessories as a single business segment.

An analysis of the Group's turnover and results by geographical market based on location of its customers is as follows:

Year ended 31 March 2008

	Hong Kong HK$'000	PRC other than Hong Kong HK$'000	Other Asian locations HK$'000	Consolidated HK$'000
REVENUE				
Sales	**568,626**	**96,506**	**68,079**	**733,211**
RESULT				
Segment result	**170,665**	**39,993**	**17,671**	**228,329**
Unallocated expenses				**(188,479)**
Unallocated income				**1,990**
Profit before taxation				**41,840**
Income tax expense				**(7,451)**
Profit for the year attributable to equity holders of the Company				**34,389**

7. SEGMENT INFORMATION (continued)

Year ended 31 March 2007

	Hong Kong HK$'000	PRC other than Hong Kong HK$'000	Other Asian locations HK$'000	Consolidated HK$'000
REVENUE				
Sales	396,122	42,683	32,028	470,833
RESULT				
Segment result	122,745	9,972	9,705	142,422
Unallocated expenses				(91,445)
Unallocated income				2,321
Profit before taxation				53,298
Income tax expense				(9,683)
Profit for the year attributable to equity holders of the Company				43,615

	2008 HK$'000	2007 HK$'000
SEGMENT ASSETS (BY LOCATION OF CUSTOMERS)		
Hong Kong	**85,800**	64,545
PRC other than Hong Kong	**17,280**	3,804
Other Asian locations	**27,785**	25,454
	130,865	93,803
Unallocated assets	**526,531**	447,284
	657,396	541,087
SEGMENT ASSETS (BY LOCATION OF ASSETS)		
Hong Kong	**514,463**	454,923
PRC other than Hong Kong	**65,520**	14,405
Other Asian locations	**62,790**	57,424
	642,773	526,752
Unallocated assets	**14,623**	14,335
	657,396	541,087

7. SEGMENT INFORMATION (continued)

Most of the Group's liabilities represent trade payables to suppliers in Europe. Accordingly, no segment liabilities by location of customers were presented.

	2008	2007
	HK$'000	HK$'000
OTHER INFORMATION		
Capital additions (by location of assets)		
Hong Kong	**7,146**	7,552
PRC other than Hong Kong	**5,625**	–
Other Asian locations	**1,311**	15,609
	14,082	23,161
Depreciation and amortisation (by location of assets)		
Hong Kong	**4,009**	1,309
PRC other than Hong Kong	**1,072**	–
Other Asian locations	**2,107**	1,362
	7,188	2,671
Allowance for (reversal of allowance for) doubtful debts (by location of customers)		
Hong Kong	**1,945**	–
Hong Kong	**(339)**	–
Allowance for (reversal of allowance for) inventories (by location of assets)		
Hong Kong	**7,070**	(11,946)
Other Asian locations	**4,228**	–
Loss on disposal of property, plant and equipment (by location of assets)		
Hong Kong	**–**	17

The capital expenditure, depreciation and other non-cash expenditure, by nature, are not separable by location of customers.

8. PROFIT BEFORE TAXATION

	2008 HK$'000	2007 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**15,735**	16,290
Other staff costs	**17,877**	13,323
Other staff's retirement benefits scheme contributions	**404**	345
Total staff costs	**34,016**	29,958
Allowance for doubtful debts	**1,945**	–
Allowance for inventories	**11,298**	–
Auditor's remuneration	**660**	506
Amortisation of intangible assets	**1,309**	1,126
Depreciation of property, plant and equipment	**5,879**	1,545
Loss on disposal of property, plant and equipment	**–**	17
Minimum lease payments in respect of rented premises	**21,382**	11,914
and after crediting:		
Reversal of allowance for doubtful debts	**339**	–
Reversal of allowance for inventories	**–**	11,946

Note: Included in directors' remuneration are rentals of HK$180,000 (2007: HK$180,000) paid during the year in respect of a director's accommodation.

9. DIRECTORS' AND EMPLOYEES' REMUNERATION

Directors' remuneration

The remuneration of each director for the year ended 31 March 2008 is set out below:

Name of directors	Fees HK$'000	Salary, allowance and benefits HK$'000	Performance related incentive payments HK$'000 (Note)	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Executive directors					
Mr. Tay Liam Wee	–	2,003	2,324	–	4,327
Mr. Chau Kwok Fun, Kevin	–	4,950	2,324	12	7,286
Ms. Tay Liam Wuan	–	2,130	1,500	12	3,642
Non-executive director					
Mr. Soh Gim Teik	–	–	–	–	–
Independent non-executive directors					
Mr. Lew, Victor Robert	160	–	–	–	160
Ms. Lim Suet Fern	160	–	–	–	160
Mr. King, Roger	160	–	–	–	160
	480	9,083	6,148	24	15,735

9. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

Directors' remuneration (continued)

The remuneration of each director for the year ended 31 March 2007 is set out below:

Name of directors	Fees	Salary, allowance and benefits	Performance related incentive payments	Contributions to retirement benefits schemes	Total
	HK$'000	HK$'000	HK$'000 (Note)	HK$'000	HK$'000
Executive directors					
Mr. Tay Liam Wee	–	1,884	2,961	–	4,845
Mr. Chau Kwok Fun, Kevin	–	4,950	2,961	12	7,923
Ms. Tay Liam Wuan	–	2,130	900	12	3,042
Non-executive director					
Mr. Soh Gim Teik	–	–	–	–	–
Independent non-executive directors					
Mr. Lew, Victor Robert	160	–	–	–	160
Ms. Lim Suet Fern	160	–	–	–	160
Mr. King, Roger	160	–	–	–	160
	480	8,964	6,822	24	16,290

Note: The performance related incentive payments are determined with reference to the operating results and individual performance during both years.

Employees' emoluments

For the year ended 31 March 2008, the five highest paid individuals included three (2007: three) directors, details of whose remuneration are included above. The remuneration of the remaining two (2007: two) highest paid individuals are as follows:

	2008	2007
	HK$'000	HK$'000
Salaries, allowances and other benefits	**1,750**	2,266
Performance related incentive payments	**1,176**	180
Contributions to retirement benefits schemes	**24**	12
	2,950	2,458

The emoluments of the employees were within in following bands:

	Number of employees	
	2008	2007
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**1**	–

No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any remuneration in both years.

10. INCOME TAX EXPENSE

	2008 HK$'000	2007 HK$'000
The charge comprises:		
Current tax		
Hong Kong Profits Tax	**4,740**	6,031
Tax in other jurisdictions	**5,524**	868
	10,264	6,899
Deferred tax (note 21)	**(2,813)**	2,784
	7,451	9,683

Hong Kong Profits Tax is calculated at 17.5% (2007: 17.5%) of the estimated assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The taxation charge for the year can be reconciled to the profit before taxation per the income statement as follows:

	2008 HK$'000	2007 HK$'000
Profit before taxation	**41,840**	53,298
Tax at the domestic income tax rate of 17.5% (2007: 17.5%)	**7,322**	9,327
Tax effect of income that is not taxable in determining taxable profit	**(345)**	(388)
Tax effect of expenses that are not deductible in determining taxable profit	**278**	126
Tax effect of tax losses not recognised	**189**	252
Effect of different tax rates of operations in other jurisdictions	**7**	366
Tax expense for the year	**7,451**	9,683

11. DIVIDEND

The final dividend for the year ended 31 March 2007 of HK$0.06 (2007: HK$0.07 in respect of year ended 31 March 2006) per share amounting to HK$24,480,000 (2007: HK$28,560,000) in total was paid during the year.

A final dividend for the year ended 31 March 2008 of HK$0.05 per share amounting to HK$20,400,000 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the Company of HK$34,389,000 (2007: HK$43,615,000) and on the number of shares of 408,000,000 (2007: 408,000,000) that were in issue throughout the year.

There were no potential ordinary shares outstanding during both years.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computers HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 April 2006	7,938	438	1,556	612	204	10,748
Currency realignment	4	1	–	–	–	5
Acquired on acquisition of a subsidiary	1,017	118	118	56	–	1,309
Additions	6,831	80	161	72	408	7,552
Write-off/disposals	(3,396)	–	(27)	–	(204)	(3,627)
At 31 March 2007	12,394	637	1,808	740	408	15,987
Currency realignment	117	22	30	13	–	182
Additions	10,740	1,572	1,572	198	–	14,082
Write-off/disposals	(2,024)	–	–	–	–	(2,024)
At 31 March 2008	**21,227**	**2,231**	**3,410**	**951**	**408**	**28,227**
DEPRECIATION						
At 1 April 2006	7,299	411	1,491	439	150	9,790
Currency realignment	1	–	–	–	–	1
Provided for the year	1,246	54	85	109	51	1,545
Eliminated on write-off/disposals	(3,333)	–	(27)	–	(180)	(3,540)
At 31 March 2007	5,213	465	1,549	548	21	7,796
Currency realignment	79	16	41	10	–	146
Provided for the year	4,918	271	457	151	82	5,879
Eliminated on write-off/disposals	(2,024)	–	–	–	–	(2,024)
At 31 March 2008	**8,186**	**752**	**2,047**	**709**	**103**	**11,797**
CARRYING VALUES						
At 31 March 2008	**13,041**	**1,479**	**1,363**	**242**	**305**	**16,430**
At 31 March 2007	7,181	172	259	192	387	8,191

Items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Leasehold improvements	Over the term of the relevant lease term of the rented premises
Furniture and fixtures	$33^1/_3$% – 50%
Office equipment	$33^1/_3$%
Computers	$33^1/_3$%
Motor vehicles	20%

14. INTANGIBLE ASSETS

	Distribution rights HK$'000 (note a)	Goodwill HK$'000	Total HK$'000
COST			
At 1 April 2006	–	–	–
Arising on acquisition of a subsidiary during the year, as previously recorded	14,300	–	14,300
Adjustment to fair value of distribution rights (note b)	(8,092)	8,092	–
At 31 March 2007 and **31 March 2008**	**6,208**	**8,092**	**14,300**
AMORTISATION			
At 1 April 2006	–	–	–
Charge for the year	1,126	–	1,126
At 31 March 2007	1,126	–	1,126
Charge for the year	1,309	–	1,309
At 31 March 2008	**2,435**	**–**	**2,435**
CARRYING VALUE			
At 31 March 2008	**3,773**	**8,092**	**11,865**
At 31 March 2007	5,082	8,092	13,174

Notes:

(a) The exclusive distribution rights were acquired in the business combination as disclosed in note 22. Such distributable rights have definite useful life and are amortised on a straight line basis over their estimated useful life of approximately five years.

(b) During the year, an adjustment was made to the fair value of the identifiable assets of Sincere Watch Co., Ltd. ("SWTW"), acquired on 1 October 2006. A valuation report received in the current year indicated that the fair value of the distribution rights at date of acquisition was HK$6,208,000 which was less than the original estimate by HK$8,092,000. Accordingly, goodwill arising from acquisition was adjusted by an equivalent amount.

(c) Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating unit ("CGU") of the Taiwan operation.

During the year ended 31 March 2008, management of the Group determines that there is no impairment of this CGU. The recoverable amount of the CGU is determined from value in use calculation. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. During the year, the Group performed impairment review for goodwill based on cash flow forecast derived from the respective most recent financial budget for the next year approved by management using a discount rate of 12.8% which reflects current market assessments of the time value of money and the risks specific to the CGU. The growth rate per annum is approximately 16% in light of the Group's industry growth forecast. No impairment loss was considered necessary.

15. INVENTORIES

All the inventories are finished goods as at both balance sheet dates.

16. TRADE AND OTHER RECEIVABLES

	2008 **HK$'000**	2007 HK$'000
Trade receivables	**99,704**	80,629
Other receivables	**19,296**	7,453
	119,000	88,082

The amount of trade and other receivables above include amount of HK$6,705,000 (2007: HK$508,000) which is denominated in RMB.

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

The following is an aged analysis of trade receivables:

	2008 **HK$'000**	2007 HK$'000
Within 30 days	**75,280**	43,896
31 – 90 days	**17,545**	36,726
91 – 120 days	**6,868**	7
Over 120 days	**2,690**	1,146
	102,383	81,775
Allowance for doubtful debts	**(2,679)**	(1,146)
	99,704	80,629

Management closely monitors the credit quality of trade and other receivables and considers trade and other receivables that are neither past due nor impaired to be of a good credit quality.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$6,879,000 (2007: HK$7,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which are past due but not impaired:

	2008 **HK$'000**	2007 HK$'000
91 – 120 days	**6,868**	7
Over 120 days	**11**	–
	6,879	7

The Group has provided fully for all receivables over 120 days because historical experience is such that receivables that are past due beyond 120 days are generally not recoverable. The trade receivables that are past due at the reporting date and the Group has not provided for impairment loss are subsequently settled.

16. TRADE AND OTHER RECEIVABLES (continued)

Movement in the allowance for doubtful debts

	2008 HK$'000	2007 HK$'000
Balance at beginning of the year	**1,146**	1,072
Currency realignment	**2**	–
Acquired on acquisition of a subsidiary	**–**	74
Impairment losses recognised on trade receivables	**1,945**	–
Amounts written off as uncollectible	**(75)**	–
Recovered during the year	**(339)**	–
Balance at end of the year	**2,679**	1,146

17. AMOUNTS DUE FROM/TO GROUP COMPANIES

	2008 HK$'000	2007 HK$'000
Amount due to immediate holding company		
– trade (Note)	**–**	301
– non-trade	**71**	30
	71	331
Amounts due to fellow subsidiaries		
– trade (Note)	**1,741**	8,798
– non-trade	**(175)**	–
	1,566	8,798

Note: The trade payables due to immediate holding company and fellow subsidiaries as at 31 March 2007 were acquired through the acquisition of SWTW.

The following is an aged analysis of trade payables due to immediate holding company and fellow subsidiaries:

	2008 HK$'000	2007 HK$'000
Within 90 days	**1,566**	40
91 – 180 days	**–**	173
181 – 365 days	**–**	8,719
Over 365 days	**–**	167
	1,566	9,099

The amounts are unsecured, interest free and repayable within one year from the balance sheet date.

18. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits at fixed rate with an original maturity of three months or less at prevailing market interest rates ranged from 1.8% to 5.3% (2007: from 3.4% to 4.4%).

19. TRADE AND OTHER PAYABLES

	2008	2007
	HK$'000	HK$'000
Trade payables	**391,283**	277,111
Other payables	**32,932**	37,853
	424,215	314,964

The following is an aged analysis of trade payables:

	2008	2007
	HK$'000	HK$'000
Within 90 days	**43,239**	47,499
91 days – 365 days	**325,994**	214,166
Over 365 days	**22,050**	15,446
	391,283	277,111

The amount of trade payables above includes amounts of HK$391,024,000 (2007: HK$275,686,000) and HK$236,000 (2007: HK$1,239,000) which are denominated in Swiss Franc and Euro respectively.

20. SHARE CAPITAL

	2008 & 2007
	HK$'000
Authorised:	
2,000,000,000 ordinary shares of HK$0.10 each	200,000
Issued and fully paid:	
408,000,000 ordinary shares of HK$0.10 each	40,800

There were no changes in the Company's authorised, issued and fully paid share capital in both years.

21. DEFERRED TAXATION

The following are the major deferred tax assets (liability) recognised and movements thereon during the current and prior accounting periods.

	Accelerated accounting depreciation HK$'000	Allowance for inventories HK$'000	Amortisation of intangible asset HK$'000	Others HK$'000	Total HK$'000
At 1 April 2006	983	12,067	–	–	13,050
Currency realignment	–	2	–	1	3
Arising from acquisition of a subsidiary	21	709	(3,600)	412	(2,458)
Charge to income statement for the year (note 10)	(359)	(2,090)	–	(335)	(2,784)
At 31 March 2007	645	10,688	(3,600)	78	7,811
Currency realignment	4	98	–	10	112
Charge to income statement for the year (note 10)	97	2,294	900	(478)	2,813
At 31 March 2008	**746**	**13,080**	**(2,700)**	**(390)**	**10,736**

The Group has unused tax losses of approximately HK$4,200,000 (2007: HK$3,100,000) available for offset against future profits. Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams. The unused tax losses will be carried forward indefinitely.

For the purpose of balance sheet presentation, certain deferred tax assets and liability have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2008 HK$'000	2007 HK$'000
Deferred tax assets	**13,436**	11,411
Deferred tax liability	**(2,700)**	(3,600)
	10,736	7,811

22. ACQUISITION ON A SUBSIDIARY

On 1 October 2006, the Group acquired 100% of the share capital of SWTW which is principally engaged in trading of luxury watches, for consideration of HK$27,535,000.

	Acquiree's carrying amounts before acquisition HK$'000	Fair value adjustment HK$'000 (restated)	Fair values HK$'000 (restated)
Net assets acquired:			
Property, plant and equipment	1,309	–	1,309
Intangible asset – distribution right	–	6,208	6,208
Deferred tax assets	1,142	–	1,142
Inventories	33,506	–	33,506
Trade and other receivables	7,700	–	7,700
Bank balances and cash	8,469	–	8,469
Trade and other payables	(843)	–	(843)
Amounts due to group companies	(32,715)	–	(32,715)
Taxation payable	(1,733)	–	(1,733)
Deferred tax liability	–	(3,600)	(3,600)
Net assets acquired	16,835	2,608	19,443
Goodwill			8,092
Total consideration satisfied by cash			27,535
Net cash outflow arising on acquisition:			
Cash consideration paid			(27,535)
Bank and cash acquired			8,469
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary			(19,066)

The subsidiary acquired contributed HK$31,856,000 and HK$3,640,000 to the Group's turnover and profits respectively for the period between the date of acquisition and 31 March 2007.

If the acquisition had been completed on 1 April 2006, total group revenue for the year would have been HK$491,150,000, and profit for the year would have been HK$47,254,000 for the year ended 31 March 2007. The pro forma information is for illustrative purposes only and is not necessary an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2006, nor is it intended to be a projection of future results.

23. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments payable under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2008	2007
	HK$'000	HK$'000
Within one year	**38,783**	17,438
In the second to fifth years inclusive	**65,839**	26,115
	104,622	43,553

Operating lease payments represent rental payable by the Group for certain of its rental premises. Leases are negotiated for an average term of two years and rentals are fixed over the lease period.

24. CAPITAL COMMITMENTS

	2008	2007
	HK$'000	HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**–**	620

25. RETIREMENT BENEFITS SCHEMES

The Group operates a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employers and the employees are each required to make contribution to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme.

The Group also operates a defined contribution plan under the Labor Pension Act ("LPA") in Taiwan. Under this scheme, the employers are required to make contribution to the scheme at the rates specified in LPA. The only obligation of the Group with respect to the scheme is to make the required contribution under the scheme.

26. RELATED PARTY TRANSACTIONS

(a) Transactions

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

	2008	2007
	HK$'000	HK$'000
Sales to fellow subsidiaries	**–**	172
Purchases from fellow subsidiaries	**6,661**	3,885

(b) Compensation of key management personnel

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 9.

27. SUBSIDIARIES

Details of the Company's subsidiaries at 31 March 2008 and 31 March 2007 are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid share capital	Proportion of nominal value of issued share held by the Company		Principal activity
			Directly	*Indirectly*	
Sincere Brand Holdings Limited	British Virgin Islands	US$200	100%	–	Investment holding
Sincere Brand Management Limited	Hong Kong	HK$1,000,000	–	100%	Trading of watches
Sincere Watch Co. Ltd.	Taiwan	NTD1,000,000	–	100%	Trading of watches
Pendulum (Macau) Limited (note)	Macau	MOP25,000	–	100%	Trading of watches
Pendulum Limited	Hong Kong	HK$2	–	100%	Inactive

Note: The Company was incorporated during the year ended 31 March 2008.

None of the subsidiaries had issued any debt securities at the end of the year.

Financial Summary

Results

	For the year ended 31 March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**733,211**	470,833	394,119	513,738	395,337
Profit before taxation	**41,840**	53,298	61,700	63,268	43,926
Income tax expenses	**(7,451)**	(9,683)	(11,780)	(11,117)	(6,989)
Profit for the year	**34,389**	43,615	49,920	52,151	36,937
Earnings per share					
Basic (HK cents)	**8.4**	10.7	14.1	17.0	12.1

Assets and Liabilities

	At 31 March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**657,396**	541,087	585,720	435,984	352,862
Total liabilities	**(433,244)**	(329,151)	(388,880)	(359,210)	(228,240)
Total equity	**224,152**	211,936	196,840	76,774	124,622

Notes:

1. *The results for each of the two years ended 31 March 2005 were extracted from the prospectus of the Company dated 30 September 2005.*
2. *Assets and liabilities of the Group as at 31 March 2005 and 2004 were extracted from the prospectus of the Company dated 30 September 2005.*

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