Sincere Watch (Hong Kong) Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code 股份編號 : 00444

Annual Report 年報 09

Contents


CVSTOS
CHALLENGE
RMT
3x20 SECONDS

Adoration for art & culture


18
10
GRISOGONO
GENEVE

All of Life's Luxury & fashion


FRANCK MULLE
GENEVE
MASTER BANKER

A touch of Glamour

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. SUTTON Roderick John
Mr. BATCHELOR John Howard

Independent Non-executive Directors

Mr. LEW, Victor Robert
Mr. KING Roger
Mr. LAM Man Bun, Alan

Audit Committee

Mr. LEW, Victor Robert (Chairman)
Mr. KING Roger
Mr. LAM Man Bun, Alan

Remuneration Committee

Mr. KING Roger (Chairman)
Mr. LEW, Victor Robert
Mr. LAM Man Bun, Alan

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

Principal 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

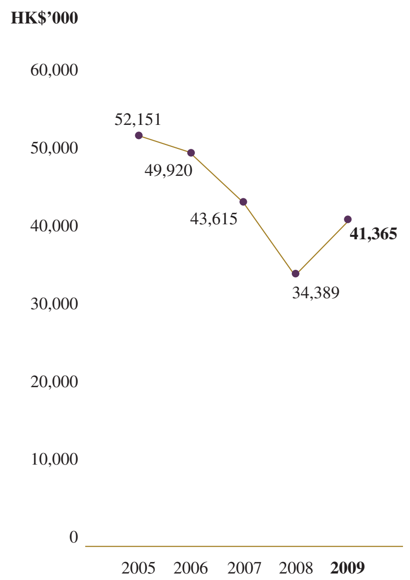
Principal Bankers

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

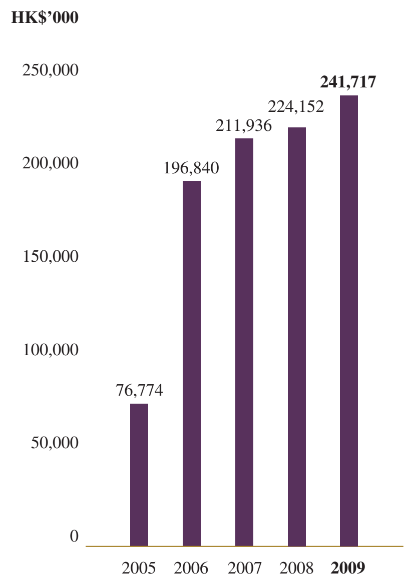
Financial Highlights

- Turnover for the financial year 2009 dropped to **HK$409,780,000** from **HK$733,211,000** last financial year 2008 due to the impact of the financial tsunami in the second half of the financial year.
- Average gross margin **increased** from **32.4%** to **34.5%** but gross profit decreased to **HK$141,380,000** from **HK$237,442,000**.
- Net profit for the year is **HK$41,365,000** (2008: HK$34,389,000). Net profit margin **increased** from **4.7%** to **10.1%**.
- The realised foreign exchange gain for the year was **HK$25,641,000** as compared with realised foreign exchange loss **HK$27,773,000** last year. The unrealised foreign exchange gain this financial year was **HK$19,082,000** as compared with unrealised foreign exchange loss **HK$52,743,000** last financial year.
- Earnings per share is **10.1 HK** cents in this financial year and **8.4 HK cents** in last financial year.
- The Board does not recommend the payment of any final dividend for the year ended 31 March 2009.

PROFIT FOR THE YEAR



NET ASSETS VALUE



Chairman's and Vice Chairman's Statement

Dear Shareholders,

For the financial year 2009, we are pleased to announce another set of profitable results in spite of the severe downturn in the global economy.

The Group's resilience in light of the current challenging environment reflects the success of our strategic and prudent management of our assets, strong brand recognition and stringent cost controls.

Financial Performance Highlights

The Group remained profitable although sales weakened in the year under review.

We recorded a turnover of HK$409,780,000, down 44% from HK$733,211,000 from the previous year. The decline arose mainly from the deteriorating consumer demand for luxury watches in the second half of this year.

Gross margins improved from 32.4% to 34.5% as a result of an enhanced product mix of higher margin timepieces.

The Group registered a profit before tax of HK$50 million and a net profit of HK$41.4 million in FY2009. The net profit increase of 20.3% was mainly due to the realised and unrealised foreign exchange gains resulting from the HK dollar against the Swiss Franc.

Earnings per share were 10.1 HK cents in this financial year versus 8.4 HK cents in the last financial year. Net asset value per share rose to 59.24 HK cents for FY2009, up 7.8% from 54.94 HK cents for FY2008.

The Group's balance sheet remained healthy with cash and bank deposits amounting to HK$84.5 million, with no bank borrowings. This strong foundation will allow the group to reinforce its premier brand position in the market and capitalize on opportunities.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2009.

Strengthening our Brand Management

One of the cornerstones of our business strategy is in strengthening our brand management to sustain long-term brand equity for the Group's portfolio of luxury brands.

For the year under review, the Group concentrated its efforts on enhancing the brand values of its range of exclusive premier luxury watch brands - Franck Muller, de GRISOGONO, CVSTOS, Pierre Kunz and European Company Watch.

We continue to delight customers and reinforce the Group's leadership in the luxury watch industry across Asia by embarking on innovative and signature initiatives.

The Group hosted two major exclusive Franck Muller events for its partners, celebrities, dignitaries and customers with the "Imperial-India" themed parties in both Hong Kong and Beijing.

In conjunction with the world's first inaugural night race at the Singapore Formula 1 Grandprix, the group organized a 3-day 'Franck Muller Super Car Tour' involving a convoy of 33 elite sports cars. The drivers, all avid collectors of Franck Muller luxury watches departed from Singapore on September 17th 2008 embarking on a spectacular and scenic drive through the highways of Kuala Lumpur, the coastal roads of Terengganu and the highland roads of Cameron Highlands.

The key development for de GRISOGONO was the introduction of the world's first mechanical watch with digital display, the "Meccanico dG" at BaselWorld 2008.

In Asia, we were the first to organise the star-studded de GRISOGONO "Star River" event. Twenty special guests from Star River Guang Zhou were invited to discover the glamour and beauty of special creations presented by de GRISOGONO at the "24th Biennale des Antiquaires".

All the guests were invited to a cocktail at de GRISOGONO boutique at IFC Hong Kong, followed by a private exhibition and dinner at a top-notch restaurant where some of the special creations including a Peacock Jewellery set were presented. Two Michelin star chefs created a special menu to complete the evening's experience.

CVSTOS introduced the new Concept-S collection in Hong Kong this year by launching The Challenge RMT-S. The Challenge RMT-S is the world's first minute repeater tourbillon SPORTS watch, a mechanical marvel constructed with a better shock proof and water resistance systems for watch lovers with an active lifestyle.

Expansion of Distribution Network

During the year in review, the Group took advantage of strategic retail locations to bolster its market presence by adding two new Franck Muller boutiques in Hong Kong - at the Lee Theatre in Causeway Bay and the Peninsula Hotel in Tsimshatsui.

Today, we continue to strengthen customer loyalty and drive sales through our network of 23 independent dealers operating through their 44 retail outlets in Hong Kong, Macau, the PRC and Taiwan. We have grown our distribution network of independent watch retailers and mono-brand boutiques. We currently operate 10 mono-brand boutiques - five in Hong Kong, two in Macau, two in the PRC and one in Taiwan, retailing under the brands of Franck Muller and de GRISOGONO.

Going Forward

The global economic fallout since October 2008 has significant effects on the Swiss watch industry. Over the first 4 months of 2009, Swiss watch exports suffered a decline of 24.3%. As a result of the ensuing negative consumer sentiment, the market has also seen greater competition in price and deterioration in sales margin and we believe we will see further market consolidation.

However, we are confident that with our strong branding, long-standing relationships with brand principals as well as established reputation with our customers, the Group is poised to emerge stronger when the economy recovers.

We are optimistic that consumer confidence will rebound in our key markets, as there are already signs that China's economy, one of our most important markets, has improved with consumer demand rising again.

According to the Chinese National Bureau of Statistics, the country's total retail sales increased by 14.8% in April 2009. By product category, the sales of luxury goods showed strong growth in the same period, with an average growth rate of approximately 10%.

The World Bank also reported that with the country's 4 trillion yuan stimulus package, a recovery in China's economy is likely to begin this year and take a strong hold in 2010. We are confident that with China's improved economic performance, it will greatly benefit the economies of North Asia, especially Hong Kong and the Taiwan markets.

In view of the prevailing market dynamics, the group will exercise prudence in capital expenditure. We do not anticipate any major expansion programme by way of new boutiques. A key driver in our revenue growth will come from working more closely with our existing network of dealerships, enabling our retailers to attain better quality business in their point of sales.

The group's main focus in FY09/10 is to enhance operational efficiency. We aim to achieve two objectives with a set of new measures. Firstly, we will realize better cost management through streamlining operating systems and procedures. Secondly, we will strengthen customers' loyalty and satisfaction by enhancing our service level through targeted service training programmes to our boutiques' staff.

As Asia's premier watch specialist, we believe we are well positioned to take advantage of new opportunities to bring forth long-term sustainable growth for the Group.

A note of appreciation

On behalf of the Board of Directors, we would like to express our gratitude to our shareholders, business partners, suppliers, brand principals, customers and employees who maintained faith and confidence in the board and management. Thank you for all your unwavering support throughout the year.

We would like to extend our heartfelt appreciation to Mr Soh Gim Teik and Ms Lim Suet Fern who have stepped down from the board for their valuable contribution and support to the company, and also to extend our warmest welcome to the new board members, Messrs. Alan Lam, Rod Sutton, and John Batchelor.

Thank you.

Tay Liam Wee
Executive Chairman

Chau Kwok Fun, Kevin
Executive Vice Chairman

Directors and Senior Management

Directors

TAY Liam Wee

Chairman

Mr. TAY Liam Wee, aged 50, is an Executive Director and Chairman of the Company since 18 August 2004 and 1 October 2005 respectively. Mr. Tay has been a Director of Sincere Brand Management Limited ("SBML") since 23 March 1996. He was appointed Director of Sincere Watch Limited ("SWL") in 1980 and Group Managing Director/Chief Executive Officer of SWL in 1993. Mr. Tay is responsible for driving business strategies and the market development of the Group. He has been instrumental in transforming Sincere Watch from a traditional watch company into an established watch Group with a pan-Asian presence. Mr. Tay graduated with a Bachelor of Business Administration Degree from Lakehead University, Canada and has over 27 years of experience in the retail and distribution of luxury watches within the Asia Pacific region. Mr. Tay was awarded Chief Executive Officer of the Year 2007 at the Singapore Corporate Awards for mainboard listed companies with market capitalisation of $500m and below. He also won the Lifestyle and Retail Entrepreneur of the Year 2004, Ernst & Young Entrepreneur of the Year Singapore 2004 and Tourism Entrepreneur of the Year 2005 from Singapore Tourism Board. Mr. Tay is 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 49, 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 in Economics 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 in New York dealing in fixed income and derivative syndication and had been posted by the bank to their 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 served as director of the Tung Wah Group of Hospitals (2008).

TAY Liam Wuan

Chief Executive Officer

Ms. TAY Liam Wuan, aged 45, 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. 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.

SUTTON, Roderick John

Non-executive Director

Mr. Sutton, aged 43, is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Australia. Mr. Sutton joined the Ferrier Hodgson group in Melbourne in 1987 and was appointed as partner in 1997. He relocated to Ferrier Hodgson, Hong Kong, in 2002. On 10 September 2008, Mr. Sutton was appointed a joint Provisional Liquidator of Peace Mark (Holdings) Limited ("Peace Mark") and Peace Mark Limited. The shares of Peace Mark are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). He is also the director of Sincere Watch Limited ("SWL"), the shares of which were listed on the Singapore Stock Exchange until 8 August 2008. As at 5 June 2009, Peace Mark indirectly holds approximately 99.42% shareholding in SWL and SWL directly holds 75% shareholding in the Company. Mr. Sutton joined the Group in April 2009. Mr. Sutton has over 21 years experience in corporate advisory, valuation, operational turnaround and general consulting.

BATCHELOR, John Howard

Non-executive Director

Mr. Batchelor, aged 34, is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Australia. Mr. Batchelor has been an executive director of Ferrier Hodgson Limited, Hong Kong, since January 2007. He is also the chairman and a director of SWL. Mr. Batchelor joined the Group in April 2009. Mr. Batchelor has over 12 years experience in corporate advisory, operational turnaround and general consulting.

Directors and Senior Management (Continued)

KING Roger

Independent Non-executive Director

Mr. KING Roger, aged 68, 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 include: 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 53, 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 23 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.

LAM, Man Bun Alan

Independent Non-executive Director

Mr. Lam, aged 56, has been practising as a solicitor in Hong Kong for over 25 years and is the sole proprietor of Alan Lam, Yam & Pe. Mr. Lam graduated from Stanford University, USA, with a Bachelor of Science Degree. He was respectively admitted to practice as a solicitor of the High Court of Hong Kong in 1979, the Supreme Court of England and Wales in 1983, the Supreme Court of Authorized Capital Territory of Australia in 1989, and the Supreme Court of Republic of Singapore in 1990. Mr. Lam is also a China-appointed attesting officer since June 1995. He has been serving as part-time Risk Management tutor of The Law Society of Hong Kong since 2004. Mr. Lam joined the Group in March 2009.

Senior Management

Mr. SAN Kin Pong, Bond, aged 42, 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 19 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 39, 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. PAK Kwai Sing, Isaac, aged 47, is the sales manager of the Group. Mr. Pak has over 22 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 45, is the operations manager of the Group. He has over 25 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 48, is the general manager of Sincere Watch Company 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

The Group remained profitable with no outstanding loans for the year under review despite the unfavourable global financial situation.

For the year ended 31 March 2009 ("FY2009") the Group recorded a turnover of HK$409,780,000, down 44.1% from HK$733,211,000 achieved in the year ended 31 March 2008 ("FY2008").

The decline in sales was due to the impact of the global financial crisis, resulting in the sharp weakening of consumer spending on luxury items in the second half of FY2009 (October 2008 to March 2009).

This has already been reflected by the falling Swiss watch exports to Taiwan, China and Hong Kong as consumer spending on luxury items shrank. Exports to the sector's biggest market, Hong Kong, fell 29 percent, according to the Swiss Watch Federation's March 2009 statistics.

In line with the fall in turnover, gross profit declined by 40.5% to HK$141,380,000 from HK$237,442,000.

Operating expenses went up in the current year from HK$117,076,000 to HK$136,352,000. The higher expenses were the result of expansion of the boutique network in Hong Kong, China and Macau.

The Group registered a profit before tax of HK$50,043,000 and a net profit of HK$41,365,000. The net profit increase of 20.3% stemmed from the realised and unrealised foreign exchange gains of HK$25,641,000 and HK$19,082,000 respectively.

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

Excluding the foreign exchange gains, the Group's profit before tax was HK$5,320,000 in FY2009 against HK$122,356,000 in FY2008. The substantial decrease in turnover contributed to the profit decline.

Despite the challenging market conditions, gross margins edged up from 32.4% to 34.5%, reflecting an enhanced product mix of higher margin timepieces for the year under review.

Group Net Asset Value per share (NAV) rose to 59.24 HK cents as at 31 March 2009, up from 54.94 HK cents as at 31 March 2008.

Earnings per share for the year ended 31 March 2009 was up at 10.1 HK cents versus 8.4 HK cents in FY 2008.



Liquidity, Financial Resources and Gearing Ratio

As at 31 March 2009, the Group maintained a healthy financial position with cash and bank deposits of HK$84,469,000 and no outstanding bank loans.

The Group generally finances its operations and investing activities with internally generated cash flows. As at 31 March 2009, the Group's net assets amounted to HK$241,717,000 (31 March 2008: HK$224,152,000) and did not have any bank borrowings (31 March 2008: Nil).

The consolidated total liability decreased to HK$254,877,000 (31 March 2008: HK$433,244,000).

The Directors believe the Group has sufficient financial resources to fulfill its commitments and current working capital requirements.

Capital Structure and Foreign Exchange Exposure

The Group has realised currency exchange gain of HK$25,641,000 in FY2009 against a currency exchange loss of HK$27,773,000 in FY2008. In addition, the Group reported an unrealised exchange gain of HK$19,082,000 in FY2009, against an unrealised exchange loss of HK$52,743,000 in FY2008.

The Group pursues a prudent policy on financial risk management and management of foreign currency and interest rates. The Group benefits from favourable payment terms from its suppliers, which may result in unrealised gains or losses from time to time in applying Hong Kong Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates".

Charge on Assets

The Group had a pledged bank deposit of HK$6,900,000 as at 31 March 2009 (31 March 2008: Nil) to secure undrawn banking facilities.

Significant Acquisition of Subsidiary

No significant acquisition of subsidiary was made for the current year.

Future Plans For Material Investments and Capital Assets

There was no definite future plan for material investments and acquisition of material capital assets as at 31 March 2009.

Contingent Liabilities

The Group did not have any contingent liabilities as at 31 March 2009 (31 March 2008: Nil).

Staff and Employment

As at 31 March 2009, the Group employed a total work force of 68, including directors (31 March 2008: 84). Employees were paid at market rates with discretionary bonus and medical benefits, mandatory provident fund scheme and necessary training. The Group has been constantly reviewing staff remuneration to ensure it is competitive with market practices.

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-CVSTOS, de GRISOGONO, Pierre Kunz and European Company Watch.

As a result of the global financial crisis, the Group experienced significant challenges with the downturn of the economy especially in the second half of the year in review. This unfavourable environment prompted the Group to adjust expansion plans, control costs and inventory levels.

Distribution network and market penetration

We continue to maintain our presence in North Asia by working closely with our network partners of independent watch retailers and mono-brand boutiques.

As at March 31, 2009, the Group runs 10 mono-brand boutiques – five in Hong Kong, two in Macau, two in the PRC and one in Taiwan, retailing under the brands of Franck Muller and de GRISOGONO. The Group expanded its Franck Muller boutiques in the year under review, with two new outlets in Hong Kong – one at Lee Theatre in Causeway Bay and the other at The Peninsula in Tsimshatsui, both opening in the first half of the year. They form a vital part of the Group's brand management strategy, as they are located at prime luxury shopping areas, showcasing our exclusive luxury brands and enhancing market share for the Group's brands.

In developing and expanding the distribution network for the Group's brands, we have constantly adhered to the policy of partnering with luxury retailers in the territories we operate in. We have 23 independent watch retail partners operating 44 network stores in Hong Kong, Macau, the PRC and Taiwan as at end March 2009.

Due to the changes in the business environment, the Group expects more prudent growth in the distribution network as the retailers adjust their business strategies and their pace of expansion. However the Group will continue to work with and through the current network to reinforce and strengthen brand positioning and market share in North Asia.

As customers of luxury demand ever increasing levels of discerning service, the Group launched a new service training programme entitled "Good to Great". This programme builds a platform for delivering and strengthening a culture of service excellence in the Group. This has enhanced our service levels and heightened customer satisfaction in the Group's boutique operations.

Brand enhancement activities

Strategic brand management, which creates shareholders value, is a critical element of the Group's growth strategy.

The Group's range of exclusive luxury watch brands – Franck Muller, de GRISOGONO, CVSTOS, Pierre Kunz and European Company Watch – continued to delight customers and reinforce Sincere Watch (Hong Kong) Limited's leadership in the luxury watch industry in Asia.

The Group sustained advertising efforts and innovative promotion events in the year, customizing an unparalleled driving experience for owners of Franck Muller timepieces on a Super Car Tour, hosting a glamorous evening themed after the romantic Imperial India era. The Group's other budding brands were not to be forgotten with the launch of the CVSTOS Concept-S collection and the de GRISOGONO Star River event amongst others.

To reinforce the pole position of the Group's key watch brand, the Group also hosted two exclusive Franck Muller evenings for its partners, celebrities, dignitaries and customers in Hong Kong and Beijing. Following the success of the evening in Hong Kong, the Indian themed event was flown into China's capital city, Beijing. It was received with equal delight from the Chinese customers and media, making it an unforgettable experience for all.

The Master of Complications, Mr. Franck Muller was in Hong Kong to open the Franck Muller boutique at The Peninsula which was attended by major media owners in Asia.

The Group continued to set standards in the industry by customizing a Super Car Tour for owners of the Franck Muller timepiece. A convoy of 33 elite super cars enjoyed a superlative drive from Singapore to Kuala Lumpur, Terengganu and Cameron Highlands.

The Group takes pride in creating time with customers and the media to enjoy the world of luxury watchmaking in order that long-term relationships are fostered and brand loyalty strengthened.

As the Chinese become important buyers of luxury, de GRISOGONO hosted special guests from Star River GuangZhou to discover the glamour and beauty of special creations presented by the brand at the "24th Biennale des Antiquaires".

Geographic Markets

Sales in all of the Group's key markets softened, precipitated by the sharply weakened consumer demand for luxury watches in the second half of FY2009.

Hong Kong

Hong Kong continues to be the Group's major market, accounting for 69.3% or HK$283,775,000 of the Group's revenue in FY2009.

Despite the lower revenue compared to the HK$568,626,000 in FY2008, the Group is optimistic that growth in this sector will regain its high momentum when consumer confidence returns with improvement in the Asian economic climate.

PRC other than Hong Kong

PRC and Macau accounted for HK$88,374,000 or 21.6% of the Group's revenue in FY2009.

This sector's revenue figure in FY2009 was 8.4% lower than the HK$96,506,000 turnover in FY2008. But this sector's percentage contribution to the group's total revenue has risen from 13.2% in FY 2008 to 21.6% in FY2009. This drop in revenue reflects China's change in travel policy for mainlanders visiting Macau. The Group is confident that travel restrictions will ease in due time. The Group will continue to work to expand the Chinese network as opportunity avails.

Other Asian locations

Sales in other Asian locations (including Taiwan and Singapore) accounted for 9.2% or HK$37,631,000 of the Group's revenue in FY2009. Sales in Taiwan were down 44.9% from HK$68,079,000 in last financial year to HK$37,478,000 in FY2009. The sales decline reflects domestic demand in Taiwan. However, this downtrend is gradually tapering off as bilateral trade and other business collaborations with China gained momentum.

Prospects

The global economic downturn has resulted in weakened discretionary spending on luxury watches. While this had impacted its performance, the Group remains gearing-free and will continue to monitor and control costs and preserve cash while on the lookout for strategic opportunities. With its strong branding, sound financial position and established reputation, the Group is confident of emerging stronger with the recovery of the world economy.

The Group will also continue to remain innovative and competitive, with the primary aim of exceeding customer expectations.

The Group will continue to build on its established goodwill with the Swiss watch principals, working with them to introduce fresh initiatives and promote a strong and robust culture of horology. It will continue to launch innovative retail concepts and marketing platforms in North Asia.

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 2009, except for certain deviations disclosed herein.

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 enquiries, 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 2009. Save for the breach disclosed in the announcement of the Company dated 2 April 2009 and given the Rule B.8. of the Model Code, the Company has reviewed the internal reporting and compliance procedures governing the dealings in securities of the Company by the management. In particular, the Company has stepped up its monitoring and reporting procedures by (i) carrying out discussions with the management with a particular emphasis on the importance of adhering to the requirements stipulated in the Listing Rules (including the Model Code) and the Securities and Futures Ordinance ("SFO"); (ii) arranging for seminars and training sessions for management of the Group to ensure that they are up-to-date with the requirements stipulated in the Listing Rules (including the Model Code) and the SFO; and (iii) reminding and requiring all management intending to deal in the securities of the Company to follow strictly the reporting procedures under the Model Code whenever they intend to deal in the securities of the Company and to report to the Chairman and an Executive Director (other than himself/herself) the details of their securities transactions, and to obtain a dated written acknowledgment before any dealing, and to abide by the disclosure requirements under the SFO.

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 eight members, including the Chairman, the Vice Chairman, one Executive Director, two Non-executive Directors and three Independent Non-executive Directors. During the period from 16 September 2008 to 28 February 2009, the Company had only two Independent Non-executive Directors and was thus in breach of Rules 3.10 and 3.21 of the Listing Rules. The Board appointed Mr. Lam Man Bun, Alan ("Mr. Lam") as the third Independent Non-executive Director on 1 March 2009 in compliance with the Listing Rules requirements. The announcement of the Company dated 2 March 2009 in relation to Mr. Lam's appointment ("Announcement") did not disclose the fact that, although Mr. Lam did not fulfill the requirements for independence under Rule 3.13(3) of the Listing Rules, the Company nevertheless considered Mr. Lam to be independent, and the reasons therefor. Mr. Lam is the sole proprietor of a Hong Kong law firm (the "Firm") that had provided certain limited professional services to an Executive Director of the Company in connection with a personal matter, but this was not disclosed to the other Board members prior to Mr. Lam's appointment, as it was believed that the provision of such limited services should not have affected Mr. Lam's independence. Accordingly, the fact that Mr. Lam had provided professional services to the Executive Director was not included in the Announcement. The Company subsequently obtained clarification and confirmation from the Executive Director and Mr. Lam that the latter's involvement in the services in question was very limited and the amount of fees charged by the Firm for the service was also very minimal and was immaterial for both Mr. Lam and the Executive Director. The Board was also satisfied that Mr. Lam has confirmed that upon his appointment as, and for so long as he remains, an Independent Non-executive Director of the Company, he will act strictly independently and for the general benefits and interests of all shareholders of the Company. In so far as Mr. Lam's independence is concerned, the Stock Exchange has agreed that Mr. Lam is independent, based on the totality of the information provided in the Company's submissions to the Stock Exchange in this regard.

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. 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 during the reporting year and the attendance of each member are as follows:

Executive Directors	**Number of attendance**
Tay Liam Wee *(Chairman)*	4/4
Chau Kwok Fun, Kevin *(Vice Chairman)*	4/4
Tay Liam Wuan *(Chief Executive Officer)*	4/4
Non-executive Directors	
Soh Gim Teik *(Note 1)*	0/4
Independent Non-executive Directors	
Lim Suet Fern *(Note 2)*	0/4
Lew, Victor Robert	4/4
King Roger	3/4
Lam Man Bun, Alan *(Note 3)*	0/4

Notes:

1. *Mr. Soh Gim Teik resigned as Non-executive Director on 28 July 2008 and there was a Board meeting held before his resignation.*
2. *Ms. Lim Suet Fern resigned as Independent Non-executive Director on 16 September 2008 and there was a Board meeting held before her resignation.*
3. *Mr. Lam Man Bun, Alan was appointed as an Independent Non-executive Director on 1 March 2009 and there was not any Board meeting held after his appointment up to 31 March 2009.*

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 Mr. Lew Victor Robert, Dr. King Roger and Mr. Lam Man Bun, Alan 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 and the annual report of the Company for the year ended 31 March 2009. 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 14 to 16 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 retirement. All the Non-executive Directors and Independent Non-executive Directors have been appointed for 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 one meeting. 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)*	1/1
Lew, Victor Robert	1/1
Lim Suet Fern *(Note 1)*	0/1
Lam Man Bun, Alan *(Note 2)*	0/1

Notes:
1. *Ms. Lim Suet Fern resigned on 16 September 2008 and the only meeting of the Remuneration Committee for the year was held before her resignation.*
2. *The only meeting of the Remuneration Committee for the year was held before Mr. Lam Man Bun, Alan was appointed as a member of the Remuneration Committee on 1 March 2009.*

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 of Directors

The Company has not maintained a Nomination Committee. The duties and functions of the Nomination Committee recommended in the Code are performed by the Board collectively with no Director being involved in fixing his/her own terms of appointment and no Independent Non-executive Director being involved in assessing his/her own independence.

New Directors are sought mainly through referrals and internal promotions. In assessing whether a candidate is suitable for appointment as a Director, the Board will consider relevant factors including the independence, experience, skills, personal ethics, integrity and time commitment.

Auditor's Remuneration

During the year, the Group was charged HK$651,000 for auditing services and HK$46,500 for non-auditing services by the Company's auditor, Deloitte Touche Tohmatsu.

Services rendered	**Fees paid/payable**
Audit services	651,000
Non-audit services:	
Taxation services	Nil
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 two 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)*	2/2
Lim Suet Fern *(Note 1)*	0/2
King Roger	2/2
Lam Man Bun, Alan *(Note 2)*	0/2

Notes:
1. *Ms. Lim Suet Fern resigned on 16 September 2008 and there was a meeting of the Audit Committee held before her resignation.*
2. *The two meetings of the Audit Committee were held before Mr. Lam Man Bun, Alan was appointed as a member of the Audit Committee on 1 March 2009.*

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 six months ended 30 September 2008 and the audited financial statements for the year ended 31 March 2008 with recommendations to the Board for approval;

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

– met with the auditor 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. Similar to last year, in preparing the accounts for the six months ended 30 September 2008 and for the year ended 31 March 2009, 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 and Remuneration Committee were present at the AGM 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 2009.

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 2009 are set out in note 25 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 March 2009 are set out in the consolidated income statement on page 33.

The directors do not recommend the payment of a dividend (in respect of year ended 31 March 2008: HK$0.05 per share) and propose that the profit for the year be retained.

Distributable Reserves of the Company

At 31 March 2009, 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 2009, the Company's reserves available for distribution to shareholders amounted in total to approximately HK$135,830,000.

Major Customers and Suppliers

The Group's five largest customers contributed approximately 44.1% of the Group's total sales for the year. The largest customer of the Group accounted for approximately 17.3% of the Group total sales. The Group's five largest suppliers contributed approximately 97.3% of the Group's total purchase for the year. The largest supplier of the Group accounted for approximately 86.6% 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 Group 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.

Other than detailed above, 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.

Report of the Directors

Property, Plant and Equipment

During the year, the Group spent approximately HK$7,903,000 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 directors

SOH Gim Teik	(resigned on 28 July 2008)
SUTTON Roderick John	(appointed on 16 April 2009)
BATCHELOR John Howard	(appointed on 16 April 2009)

Independent non-executive directors

LEW, Victor Robert	
KING Roger	
LIM Suet Fern	(resigned on 16 September 2008)
LAM Man Bun, Alan	(appointed on 1 March 2009)

In accordance with Articles 108 and 112 of the Company's Articles of Association, Tay Liam Wee, Tay Liam Wuan, Sutton Roderick John, Batchelor John Howard and Lam Man Bun, Alan will retire from office at the forthcoming annual general meeting and may offer themselves for re-election.

The non-executive directors were appointed for one year term expiring on 16 April 2010.

The newly appointed independent non-executive director was appointed for one year term expiring on 1 March 2010 while the other two independent non-executive directors were appointed for one year term expiring on 18 September 2009.

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.

Report of the Directors

Directors' Interests in Shares

At 31 March 2009, 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 Issuers, 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 (Note 1)	Interest of a controlled corporation (Note 2)	23,876,001	2.19%
Chau Kwok Fun, Kevin	Peace Mark (Holdings) Limited	Personal interest	951,457	0.08%

Notes:

(1) Provisional Liquidators appointed on 10 September 2008, according to an announcement of Peace Mark (Holdings) Limited dated 11 September 2008.

(2) 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 2009, 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 the controlling shareholder of the Company, Sincere Watch Limited ("SWL") and its subsidiaries, namely Franck Muller Pte Ltd. and Avante Marketing Pte Ltd..

(i) The Group sold watches to SWL and its subsidiaries in Singapore for sale and distribution on an as needed basis when SWL and its subsidiaries in Singapore are out of certain models of watches. Such sales amounted to a total of approximately of HK$153,000.

(ii) 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$6,928,000.

Directors' Interests in Contracts of Significance and Connected Transactions (continued)

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 1 April 2008 and expiring on 31 March 2011 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 2008 to 31 March 2009 did not exceed the maximum annual cap of HK$2,000,000 as set out in the announcement of the Company dated 17 March 2008; and (iv) the aggregate amount of the purchase of watches from SWL and its subsidiaries in Singapore for the year from 1 April 2008 to 31 March 2009 did not exceed the maximum annual cap of HK$7,900,000 as set out in the announcement of the Company dated 17 March 2008.

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 2009, 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")	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 a controlled corporation (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 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 by virtue of (i) his personal interest in 6.63% of the issued share capital of Peace Mark, and (ii) his beneficial interest in 50.45% of the issued share capital of A-One Investments Limited which owns 24.24% of the issued share capital of Peace Mark, and (iii) his deemed interest in 3.83% of the personal and corporate interests of Mr. Leung Yung in Peace Mark pursuant to section 317 of 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 by virtue of (i) his personal interest in 1.57% of the issued share capital of Peace Mark, (ii) his beneficial interest in 49.55% of the issued share capital of A-One Investments Limited which owns 24.24% of the issued share capital of Peace Mark, (iii) his corporate interest in 100% of the issued share capital of United Success Enterprises Limited which owns 2.26% of the issued share capital of Peace Mark, and (iv) his deemed interest in 6.63% of the personal interest of Mr. Chau Cham Wong, Patrick in Peace Mark 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 2009.

Report of the Directors

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 on Corporate Governance Practices contained in Appendix 14 to the Listing Rules during the year, except for certain deviations as disclosed in the Corporate Governance Report for the year ended 31 March 2009 on pages 22 to 25.

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, all Directors confirmed that, during the year, they 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
Executive Chairman
Hong Kong, 5 June 2009

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 33 to 63, which comprise the consolidated balance sheet as at 31 March 2009, 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, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 2009 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
5 June 2009

Consolidated Income Statement

For the year ended 31 March 2009

	NOTES	2009 HK$'000	2008 HK$'000
Turnover		**409,780**	733,211
Cost of sales		**(268,400)**	(495,769)
Gross profit		**141,380**	237,442
Interest income		**292**	1,990
Selling and distribution costs		**(37,519)**	(37,276)
General and administrative expenses		**(98,833)**	(79,800)
Profit before taxation and exchange gains (losses)		**5,320**	122,356
Realised exchange gain (loss)		**25,641**	(27,773)
Unrealised exchange gain (loss)		**19,082**	(52,743)
Profit before taxation	8	**50,043**	41,840
Income tax expense	10	**(8,678)**	(7,451)
Profit for the year		**41,365**	34,389
Earnings per share	12		
– basic		**10.1 HK cents**	8.4 HK cents

Consolidated Balance Sheet

As at 31 March 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	13	**14,011**	16,430
Intangible assets	14	**10,556**	11,865
Deferred tax assets	21	**16,160**	13,436
		40,727	41,731
Current assets			
Inventories	15	**326,396**	281,250
Trade and other receivables	16	**44,754**	119,000
Taxation recoverable		**248**	1,187
Pledged bank deposits	18	**6,900**	–
Bank balances and cash	18	**77,569**	214,228
		455,867	615,665
Current liabilities			
Trade and other payables	19	**243,384**	424,215
Amount due to immediate holding company	17	**118**	71
Amounts due to fellow subsidiaries	17	**1,142**	1,566
Taxation payable		**8,433**	4,692
		253,077	430,544
Net current assets		**202,790**	185,121
Total assets less current liabilities		**243,517**	226,852
Non-current liability			
Deferred tax liability	21	**1,800**	2,700
Net assets		**241,717**	224,152
Capital and reserves			
Share capital	20	**40,800**	40,800
Reserves		**200,917**	183,352
Equity attributable to equity holders of the Company		**241,717**	224,152

The consolidated financial statements on pages 33 to 63 were approved and authorised for issue by the Board of Directors on 5 June 2009 and are signed on its behalf by:

Tay Liam Wee
Executive Director

Chau Kwok Fun, Kevin
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2009

	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 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
2006/2007 dividend paid	–	–	–	–	(24,480)	(24,480)
At 31 March 2008	40,800	59,546	801	2,348	120,657	224,152
Exchange difference arising from translation of financial statements of foreign operations recognised directly in equity	–	–	–	(3,400)	–	(3,400)
Profit for the year	–	–	–	–	41,365	41,365
Total recognised (expense) income for the year	–	–	–	(3,400)	41,365	37,965
2007/2008 dividend paid	–	–	–	–	(20,400)	(20,400)
At 31 March 2009	**40,800**	**59,546**	**801**	**(1,052)**	**141,622**	**241,717**

Note: The special reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the reorganisation during its listing in The Stock Exchange of Hong Kong Limited.

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	2009 HK$'000	2008 HK$'000
Operating activities		
Profit before taxation	**50,043**	41,840
Adjustments for:		
Interest income	**(292)**	(1,990)
Amortisation of intangible asset	**1,309**	1,309
Depreciation of property, plant and equipment	**10,158**	5,879
Allowance for inventories	**11,486**	11,298
(Reversal of) allowance for doubtful debts	**(1,945)**	1,606
Unrealised exchange (gain) loss	**(19,082)**	52,743
Operating cash flows before movements in working capital	**51,677**	112,685
Increase in inventories	**(59,618)**	(10,900)
Decrease (increase) in trade and other receivables	**74,471**	(32,524)
(Decrease) increase in trade and other payables	**(161,690)**	56,508
Increase (decrease) in amount due to immediate holding company	**47**	(260)
(Decrease) increase in amounts due to fellow subsidiaries	**(424)**	(7,232)
Cash (used in) generated from operating activities	**(95,537)**	118,277
Hong Kong Profits Tax paid	**(2,086)**	(3,004)
Tax in other jurisdictions paid	**(5,365)**	(2,398)
Net cash from operating activities	**(102,988)**	112,875
Investing activities		
Interest received	**292**	1,990
Purchase of property, plant and equipment	**(7,903)**	(14,082)
Increase in pledged bank deposit	**(6,900)**	–
Net cash used in investing activities	**(14,511)**	(12,092)
Financing activity		
Dividend paid	**(20,400)**	(24,480)
Net cash used in financing activity	**(20,400)**	(24,480)
Net (decrease) increase in cash and cash equivalents	**(137,899)**	76,303
Cash and cash equivalents at beginning of the year	**214,228**	135,657
Effect of foreign exchange rate changes	**1,240**	2,268
Cash and cash equivalents at end of the year, representing bank balances and cash	**77,569**	214,228

Notes to the Consolidated Financial Statements

For the year ended 31 March 2009

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 (Provisional Liquidators Appointed) ("Peace Mark"), 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.

Peace Mark went into provisional liquidation in September 2008. Peace Mark appointed Ferrier Hodgson Limited, Hong Kong ("Ferrier Hodgson") as provisional liquidators, to undertake an urgent assessment of its operations in consultation with its management, creditors, regulatory authorities and other relevant parties. Ferrier Hodgson issued a press release announcing that SWL was ring-fenced from Peace Mark as SWL had not guaranteed nor was it otherwise exposed to the financial obligations of Peace Mark. In September 2008, the provisional liquidators began seeking interested parties to acquire the interest that Peace Mark has in SWL and its subsidiaries. As of 31 March 2009 and the date of this report, the bidding process has not been finalised.

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 ("HKFRS"s)

In the current year, the Group has applied the following amendments 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 or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC)* – INT 12	Service concession arrangements
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

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.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS"s) (continued)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 [2]
HKAS 1 (Revised)	Presentation of financial statements [3]
HKAS 23 (Revised)	Borrowing costs [3]
HKAS 27 (Revised)	Consolidated and separate financial statements [4]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [3]
HKAS 39 (Amendment)	Eligible hedged items [4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate [3]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [3]
HKFRS 3 (Revised)	Business combinations [4]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments [3]
HKFRS 8	Operating segments [3]
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives [5]
HK(IFRIC) – INT 13	Customer loyalty programmes [6]
HK(IFRIC) – INT 15	Agreements for the construction of real estate [3]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation [7]
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners [4]
HK(IFRIC) – INT 18	Transfers of assets from customers [8]

[1] *Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009*
[2] *Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate*
[3] *Effective for annual periods beginning on or after 1 January 2009*
[4] *Effective for annual periods beginning on or after 1 July 2009*
[5] *Effective for annual periods ending on or after 30 June 2009*
[6] *Effective for annual periods beginning on or after 1 July 2008*
[7] *Effective for annual periods beginning on or after 1 October 2008*
[8] *Effective for transfers on or after 1 July 2009*

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

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

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.

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.

3. Significant Accounting Policies (continued)

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.

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.

3. Significant Accounting Policies (continued)

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.

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 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).

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Impairment of loans and receivables

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

The objective evidence of impairment could include:

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

An impairment loss is recognised in consolidated 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 amounts of trade and other receivables are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in consolidated 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.

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 at 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.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

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 consolidated 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 consolidated income statement.

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.

3. Significant Accounting Policies (continued)

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 consolidated 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.

Operating leases

Leases are classified as operating leases when 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.

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 2009, the carrying amount of goodwill is HK$8,092,000 (2008: 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 consolidated financial statements for slow-moving items. Management is satisfied that adequate allowance for inventories has been made in the consolidated financial statements. As at 31 March 2009, the carrying amount of inventories is HK$326,396,000 (2008: HK$281,250,000), net of allowance for inventories of HK$82,342,000 (2008: HK$71,677,000).

Income taxes

At 31 March 2009, a deferred tax asset of HK$16,160,000 (2008: HK$13,436,000) 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

	2009	2008
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**119,204**	320,182
Financial liabilities		
Amortised costs	**209,791**	393,974

6b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, 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 are denominated in currencies other than the functional currency of the group entity making the purchases.

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	**2009**	2008	**2009**	2008
		HK$'000	HK$'000	**HK$'000**	HK$'000
Euro	EUR	**74**	169	**132**	236
Renminbi	RMB	**1,363**	456	**–**	–
Swiss Franc	CHF	**1,607**	2,921	**207,384**	391,024
US dollars	USD	**59**	78	**–**	–
Singapore dollars	SGD	**–**	–	**1,820**	1,822

The Group currently does not have a formally written 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 the fluctuation in exchange rate of Swiss Franc.

The following table details the Group's sensitivity to a 10% (2008: 10%) increase and decrease in Hong Kong dollars against Swiss Franc. 10% (2008: 10%) 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 10% (2008: 10%) change in foreign currency rate. The analysis illustrates the impact for a 10% (2008: 10%) weakening of Hong Kong dollars against Swiss Franc and a positive number below indicates a decrease in post-tax profit for the year. For a 10% (2008: 10%) strengthening of Hong Kong dollars against Swiss Franc, there would be an equal and opposite impact on the post-tax 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	
	2009	2008
	HK$'000	HK$'000
Decrease in profit post-tax for the year	**17,182**	32,018

In management opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

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 2009 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 concentration of credit risk on liquid funds are mainly from bank balances and pledged bank deposits which are deposited with several banks with high credit ratings.

6. Financial Instruments (continued)

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

Market risk (continued)

Credit risk (continued)

The Group's concentration of credit risk on trade receivables as at 31 March 2009 is mainly from five major customers which accounted for 84% (2008: 67%) 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 69% (2008: 78%) of the total turnover. The Group has closely monitored the sales performance and diversified its customer bases.

Liquidity risk

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate %	Within 90 days HK$'000	Over 90 days HK$'000	Total undiscounted cash flows HK$'000	Carrying Amount HK$'000
As at 31 March 2009					
Trade and other payables	**–**	**173,470**	**35,061**	**208,531**	**208,531**
Amount due to immediate holding company	**–**	**118**	**–**	**118**	**118**
Amounts due to fellow subsidiaries	**–**	**1,142**	**–**	**1,142**	**1,142**
		174,730	**35,061**	**209,791**	**209,791**
As at 31 March 2008					
Trade and other payables	–	170,083	222,254	392,337	392,337
Amount due to immediate holding company	–	71	–	71	71
Amounts due to fellow subsidiaries	–	1,566	–	1,566	1,566
		171,720	222,254	393,974	393,974

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 consolidated 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 2009

	Hong Kong HK$'000	PRC other than Hong Kong HK$'000	Other Asian locations HK$'000	Consolidated HK$'000
REVENUE				
Sales	283,775	88,374	37,631	409,780
RESULT				
Segment result	88,302	37,513	8,888	134,703
Unallocated expenses				(129,675)
Unallocated income				45,015
Profit before taxation				50,043
Income tax expense				(8,678)
Profit for the year attributable to equity holders of the Company				41,365

7. Segment Information (continued)

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

	2009 HK$'000	2008 HK$'000
SEGMENT ASSETS (BY LOCATION OF CUSTOMERS)		
Hong Kong	**35,460**	85,800
PRC other than Hong Kong	**6,020**	17,280
Other Asian locations	**12,684**	27,785
	54,164	130,865
Unallocated assets	**442,430**	526,531
	496,594	657,396
SEGMENT ASSETS (BY LOCATION OF ASSETS)		
Hong Kong	**385,473**	514,463
PRC other than Hong Kong	**50,228**	65,520
Other Asian locations	**44,486**	62,790
	480,187	642,773
Unallocated assets	**16,407**	14,623
	496,594	657,396

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.

	2009 **HK$'000**	2008 HK$'000
OTHER INFORMATION		
Capital additions (by location of assets)		
Hong Kong	**6,990**	7,146
PRC other than Hong Kong	**170**	5,625
Other Asian locations	**743**	1,311
	7,903	14,082
Depreciation and amortisation (by location of assets)		
Hong Kong	**7,252**	4,009
PRC other than Hong Kong	**1,935**	1,072
Other Asian locations	**2,280**	2,107
	11,467	7,188
Allowance for (reversal of allowance for) doubtful debts (by location of customers)		
Hong Kong	**–**	1,945
Hong Kong	**(1,945)**	(339)
Allowance for inventories (by location of assets)		
Hong Kong	**8,620**	7,070
Other Asian locations	**2,866**	4,228

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

8. Profit Before Taxation

	2009 HK$'000	2008 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note a)	**15,783**	15,735
Other staff costs	**18,002**	17,877
Other staff's retirement benefits scheme contributions	**418**	404
Total staff costs	**34,203**	34,016
Allowance for doubtful debts	**–**	1,945
Allowance for inventories	**11,486**	11,298
Auditor's remuneration	**651**	660
Amortisation of intangible assets (included in general and administrative expenses)	**1,309**	1,309
Depreciation of property, plant and equipment	**10,158**	5,879
Minimum lease payments in respect of rented premises (note b)	**39,627**	21,382
and after crediting:		
Reversal of allowance for doubtful debts	**1,945**	339

Notes:

(a) The directors' remuneration included rentals of HK$105,000 (2008: HK$180,000) paid during the year in respect of a director's accommodation.

(b) The minimum lease payments in respect of rented premises included contingent rent of HK$253,000 (2008: HK$168,000). Contingent rent was charged by the lessors if certain percentage of turnover of the related boutiques reached the minimum levels as agreed under the tenancy agreements.

9. Directors' and Employees' Remuneration

Directors' remuneration

The remuneration of each director for the year ended 31 March 2009 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	**–**	**2,098**	**2,780**	**–**	**4,878**
Mr. Chau Kwok Fun, Kevin	**–**	**5,445**	**2,780**	**12**	**8,237**
Ms. Tay Liam Wuan	**–**	**2,250**	**–**	**12**	**2,262**
Non-executive director					
Mr. Soh Gim Teik	**–**	**–**	**–**	**–**	**–**
Independent non-executive directors					
Mr. Lam Man Bun, Alan	**13**	**–**	**–**	**–**	**13**
Mr. Lew, Victor Robert	**160**	**–**	**–**	**–**	**160**
Ms. Lim Suet Fern	**73**	**–**	**–**	**–**	**73**
Dr. King, Roger	**160**	**–**	**–**	**–**	**160**
	406	**9,793**	**5,560**	**24**	**15,783**

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
Dr. King, Roger	160	–	–	–	160
	480	9,083	6,148	24	15,735

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

9. Directors' and Employees' Remuneration (Continued)

Employees' emoluments

For the year ended 31 March 2009, the five highest paid individuals included three (2008: three) directors, details of whose remuneration are included above. The remuneration of the remaining two (2008: two) highest paid individuals are as follows:

	2009	2008
	HK$'000	HK$'000
Salaries, allowances and other benefits	**1,350**	1,750
Performance related incentive payments	**578**	1,176
Contributions to retirement benefits schemes	**24**	24
	1,952	2,950

The emoluments of the employees were within following bands:

	Number of employees	
	2009	2008
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	1
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

	2009 HK$'000	2008 HK$'000
The charge comprises:		
Current tax		
Hong Kong Profits Tax	**10,376**	4,740
Tax in other jurisdictions	**2,165**	5,524
	12,541	10,264
Overprovision in prior years		
Hong Kong Profits Tax	**(80)**	–
Tax in other jurisdictions	**(5)**	–
	(85)	–
Deferred tax	**(3,778)**	(2,813)
	8,678	7,451

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2008: 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 consolidated income statement as follows:

	2009 HK$'000	2008 HK$'000
Profit before taxation	**50,043**	41,840
Tax at the domestic income tax rate of 16.5% (2008: 17.5%)	**8,257**	7,322
Tax effect of income that is not taxable in determining taxable profit	**(58)**	(345)
Tax effect of expenses that are not deductible in determining taxable profit	**121**	278
Tax effect of tax losses not recognised	**286**	189
Tax effect of change in tax rate	**679**	–
Overprovision in prior years	**(85)**	–
Effect of different tax rates of operations in other jurisdictions	**(522)**	7
Tax expense for the year	**8,678**	7,451

11. Dividend

The final dividend for the year ended 31 March 2008 of HK$0.05 (2008: HK$0.06 in respect of year ended 31 March 2007) per share amounting to HK$20,400,000 (2007: HK$24,480,000) in total was paid during the year.

The Board has resolved not to declare the payment of any final dividend for the year ended 31 March 2009.

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$41,365,000 (2008: HK$34,389,000) and on the number of shares of 408,000,000 (2008: 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 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
Currency realignment	(144)	(33)	(186)	(19)	–	(382)
Additions	6,889	870	113	31	–	7,903
At 31 March 2009	**27,972**	**3,068**	**3,337**	**963**	**408**	**35,748**
DEPRECIATION						
At 1 April 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
Currency realignment	(119)	(22)	(63)	(14)	–	(218)
Provided for the year	8,248	1,140	557	132	81	10,158
At 31 March 2009	**16,315**	**1,870**	**2,541**	**827**	**184**	**21,737**
CARRYING VALUES						
At 31 March 2009	**11,657**	**1,198**	**796**	**136**	**224**	**14,011**
At 31 March 2008	13,041	1,479	1,363	242	305	16,430

13. Property, Plant and Equipment (Continued)

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 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$'000 (note)	Goodwill HK$'000	Total HK$'000
COST			
At 1 April 2007, 31 March 2008 and **31 March 2009**	**6,208**	**8,092**	**14,300**
AMORTISATION			
At 1 April 2007	1,126	–	1,126
Charge for the year	1,309	–	1,309
At 31 March 2008	2,435	–	2,435
Charge for the year	1,309	–	1,309
At 31 March 2009	**3,744**	**–**	**3,744**
CARRYING VALUES			
At 31 March 2009	**2,464**	**8,092**	**10,556**
At 31 March 2008	3,773	8,092	11,865

Notes:

(a) The exclusive distribution rights were acquired through the acquisition of Sincere Watch Co., Ltd. in October 2006. Such distribution rights have definite useful life and are amortised on a straight line basis over their estimated useful life of approximately five years.

(b) 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 2009 and 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 five years approved by management using a discount rate of 15.5% (2008: 12.8%) which reflects current market assessments of the time value of money and the risks specific to the CGU. The CGU's cash flows beyond the five-year period are extrapolated without further growth rate. The growth rate per annum for the next five years is 2.5% (2008: 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

	2009	2008
	HK$'000	HK$'000
Trade receivables	**27,709**	99,704
Other receivables, deposits and prepayments	**17,045**	19,296
	44,754	119,000

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:

	2009	2008
	HK$'000	HK$'000
Within 30 days	**11,004**	75,280
31 – 90 days	**15,107**	17,545
91 – 120 days	**1,443**	6,868
Over 120 days	**639**	2,690
	28,193	102,383
Allowance for doubtful debts	**(484)**	(2,679)
	27,709	99,704

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$1,598,000 (2008: HK$6,879,000) 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:

	2009	2008
	HK$'000	HK$'000
91 – 120 days	**1,443**	6,868
Over 120 days	**155**	11
	1,598	6,879

Allowance for doubtful debts has been provided for 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

	2009 HK$'000	2008 HK$'000
Balance at beginning of the year	**2,679**	1,146
Currency realignment	**–**	2
Impairment losses recognised on trade receivables	**–**	1,945
Amounts written off as uncollectible	**(250)**	(75)
Recovered during the year	**(1,945)**	(339)
Balance at end of the year	**484**	2,679

17. Amounts due from/to Group Companies

	2009 HK$'000	2008 HK$'000
Amounts due to fellow subsidiaries		
– trade (Note)	**1,370**	1,741
– non-trade	**(228)**	(175)
	1,142	1,566

The amount due to immediate holding company is non-trade in nature.

The following is an aged analysis of trade payables due to fellow subsidiaries:

	2009 HK$'000	2008 HK$'000
Within 90 days	**335**	1,741
91 – 180 days	**1,035**	–
	1,370	1,741

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

18. Pledged Bank Deposits/Bank Balances and Cash

Pledged bank deposits represent deposits pledged for a bank to secure banking facilities granted to the Group. Deposits amounting to HK$6,900,000 (2008: Nil) have been pledged to secure undrawn facilities and are therefore classified as current assets.

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 0.2% to 1.8% (2008: from 1.8% to 5.3%) per annum.

19. Trade and Other Payables

	2009 HK$'000	2008 HK$'000
Trade payables	**207,520**	391,283
Other payables	**35,864**	32,932
	243,384	424,215

The following is an aged analysis of trade payables:

	2009 HK$'000	2008 HK$'000
Within 90 days	**12,224**	43,239
91 days – 365 days	**166,585**	325,994
Over 365 days	**28,711**	22,050
	207,520	391,283

The amount of trade payables above includes amounts of HK$207,384,000 (2008: HK$391,024,000) and HK$132,000 (2008: HK$236,000) which are denominated in Swiss Franc and Euro respectively.

20. Share Capital

	2009 & 2008 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 2007	645	10,688	(3,600)	78	7,811
Currency realignment	4	98	–	10	112
Charge to consolidated income statement for the year	97	2,294	900	(478)	2,813
At 31 March 2008	746	13,080	(2,700)	(390)	10,736
Currency realignment	(6)	(164)	–	16	(154)
Charge to consolidated income statement for the year	970	2,130	900	457	4,457
Effect of change in tax rate	(38)	(641)	–	–	(679)
At 31 March 2009	**1,672**	**14,405**	**(1,800)**	**83**	**14,360**

The Group has unused tax losses of approximately HK$5,900,000 (2008: HK$4,200,000) 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.

Under the laws and regulations in Taiwan, withholding tax is imposed on dividends declared in respect of profits earned by a subsidiary incorporated and operated in Taiwan. Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the undistributable retained profits earned by that Taiwan subsidiary amounting to HK$26,019,000 (2008: HK$27,578,000) as the Group is able to control the timing of the reversal of the temporary differences and hence it is probable that the temporary differences will not reverse in the foreseeable future.

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:

	2009 HK$'000	2008 HK$'000
Deferred tax assets	**16,160**	13,436
Deferred tax liability	**(1,800)**	(2,700)
	14,360	10,736

22. 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:

	2009	2008
	HK$'000	HK$'000
Within one year	**37,610**	38,783
In the second to fifth years inclusive	**32,014**	65,839
	69,624	104,622

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.

23. 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 a monthly contribution of maximum HK$1,000 for each employee 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.

24. Related Party Transactions

(a) Transactions

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

	2009	2008
	HK$'000	HK$'000
Sales to a fellow subsidiary	**153**	–
Purchases from fellow subsidiaries	**6,928**	6,661

(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.

25. Subsidiaries

Details of the Company's subsidiaries at 31 March 2009 and 31 March 2008 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	NTD5,000,000 (note)	-	100%	Trading of watches
Pendulum (Macau) Limited	Macau	MOP25,000	-	100%	Trading of watches
Pendulum Limited	Hong Kong	HK$2	-	100%	Inactive

Note: The issued and fully paid share capital of Sincere Watch Co. Ltd. increased from NTD1,000,000 to NTD5,000,000 during the year ended 31 March 2009.

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

Financial Summary

Results

	For the year ended 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**409,780**	733,211	470,833	394,119	513,738
Profit before taxation	**50,043**	41,840	53,298	61,700	63,268
Income tax expenses	**(8,678)**	(7,451)	(9,683)	(11,780)	(11,117)
Profit for the year	**41,365**	34,389	43,615	49,920	52,151
Earnings per share					
Basic (HK cents)	**10.1**	8.4	10.7	14.1	17.0

Assets and Liabilities

	At 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**496,594**	657,396	541,087	585,720	435,984
Total liabilities	**(254,877)**	(433,244)	(329,151)	(388,880)	(359,210)
Total equity	**241,717**	224,152	211,936	196,840	76,774

Notes:

1. *The results for the year 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 were extracted from the prospectus of the Company dated 30 September 2005.*