A MOMENT IN TIME

ANNUAL REPORT 2010 年報

Sincere Watch (Hong Kong) Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code 股份編號: 00444

TIME IS ABOUT PAST & FUTURE

TIME IS ABOUT PEOPLE

TIME IS ABOUT

UNIVERSE

TIME IS ABOUT
EVOLUTION

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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 Director

Mr. BATCHELOR, John Howard

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

Dr. 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

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 5402-03 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

HSBC Trustee (Cayman) Limited
PO Box 484
HSBC House
68 West Bay Road
Grand Cayman, Cayman Islands
KY1-1106

Hong Kong Branch Share Registrar and Transfer Office

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

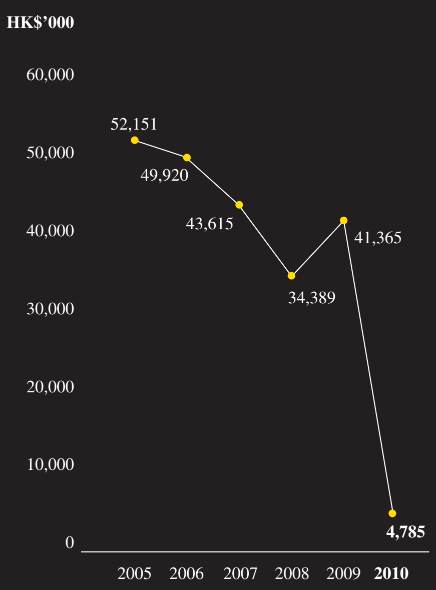
Principal Bankers

The Hongkong and Shanghai
Banking Corporation Limited
Malayan Banking Berhad,
Hong Kong Branch

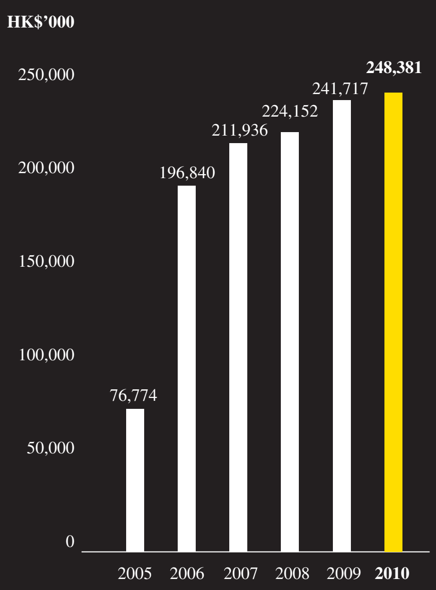
Financial Highlights

- Turnover for the financial year 2010 increased to HK$443,969,000 from HK$409,780,000 last financial year 2009 due to improving market conditions in the second half of the year in review.
- Gross profit decreased 6% from HK$141,380,000 to HK$132,760,000.
- Excluding the foreign exchange losses and gains in both years, the Group's Profit before taxation increased from HK$5,320,000 to HK$22,556,000.
- The realised foreign exchange loss for the year was HK$16,829,000 as compared with realised foreign exchange gain HK$25,641,000 last year. The unrealised foreign exchange loss this financial year was HK$983,000 as compared with unrealised foreign exchange gain HK$19,082,000 last financial year.
- Net profit for the year is HK$4,785,000 (2009: HK$41,365,000).
- Earnings per share is 1.2 HK cents in this financial year and 10.1 HK cents in last financial year.
- The Board has recommended the payment of a final dividend for the year ended 31 March 2010 of 2.0 HK cents per share amounting to HK$8,160,000.

PROFIT FOR THE YEAR



NET ASSETS VALUE



Chairman's and Vice Chairman's Statement

Dear Shareholders,

We are pleased to announce another profitable year for the group.

The Group performed well and enjoyed a healthy balance sheet in the financial year ended 31 March 2010 ("FY2010") amid a recovering global economy and a return of consumer spending. The Group, which remains debt free, had rebounded sharply in H2 FY2010 (October 2009 to March 2010) after a cautious start in the year under review.

In view of the commendable performance of the Group, the Board has recommended the payment of a final dividend for the year ended 31 March 2010 of 2.0 HK cents per share amounting to HK$8,160,000.

Key Financial Highlights

The Group's improved performance came on the back of an 8.3% year-on-year increase in turnover to HK$443,969,000 in FY2010, up from HK$409,780,000 in the year ended 31 March 2009 ("FY2009").

The Group reported a net profit of HK$4,785,000. The lower net profit in FY2010 (from HK$41,365,000 in FY2009) was primarily due to the HK$17,812,000 realised and unrealised exchange losses incurred. This is compared to a realised and unrealised foreign exchange gain of HK$44,723,000 in FY2009.

However, excluding the effect of the exchange losses and gains, the Group profit before tax rose an impressive four-fold to HK$22,556,000 in FY2010 from HK$5,320,000 in FY2009.

Earnings per share was 1.2 HK cents in FY2010 against 10.1 HK cents in FY2009. However, compared to H1 FY2010's loss per share of 6.9 HK cents, the Group earnings per share for FY2010 grew sharply to 1.2 HK cents, signalling a positive turnaround for the Group.

Net asset value (NAV) per share rose to 60.88 HK cents as at 31 March 2010, up from 59.24 HK cents as at 31 March 2009.

As at 31 March 2010, the Group maintained a healthy financial position with cash and bank deposits (including pledged bank deposit), up 29.1% to HK$109,021,000.

Strengthening our Brand Management

One of the cornerstones of our business strategy is sustaining long-term brand equity for the Group's portfolio of luxury brands.

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

Distribution network and market penetration

For the past year, the Group continues to operate via its extensive network of 44 luxury watch retail outlets throughout North Asia covering Hong Kong, Macau, the PRC and Taiwan.

To strengthen its foothold in the fast growing luxury market in China, the Group opened its third mono-brand Franck Muller boutique in China in July 2009 – in Kunming, the capital of Yunnan province. The boutique is located at the prestigious Gingko Shopping Centre in the heart of Kunming's city centre and home to all high- end luxury brands.

Going Forward

The 2009 annual industry report from the Federation of the Swiss Watch Industry for 2009 underlined Asia's eminent position as the main engine of growth for the Swiss watch industry – Asia took the lion's share of 48% of all Swiss watch exports at the end of 2009. The same report showed Hong Kong as the top destination of most watch industry products, capturing 16.4% of total world imports amounting to USD5.1 billion – ahead of other leading markets such as the United States and Japan.

In fact, Hong Kong surpassed the United States and Europe as the world's top market for Swiss watches for three consecutive years since 2007. By March 2010, Hong Kong and China posted a year-on-year increase of 67.7% and 89.9% respectively in Swiss watch imports.

By following the proven successful strategy of building brand awareness and capturing new customers, the Group will continue to strengthen its brand portfolio and enhance key marketing and branding activities.

The Group remains gearing-free and will continue to exercise prudence in expenditure to conserve capital, and improve its operations to enhance positive cash flows. The Group will also pursue strategic expansion opportunities especially in China.

As the global economic upturn gains further traction and with Asia leading the growth momentum, the Group will leverage on its strong branding, established reputation and sound financial fundamentals to strengthen its position in the coming year.

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.

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 51, 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. Mr. Tay is responsible for driving the business and is instrumental in transforming it from a traditional family owned watch company into an established Group with a strong pan-Asian presence. Mr. Tay graduated with a Bachelor of Business Administration Degree from Lakehead University, Canada and has over 28 years of experience in the retail and distribution of luxury watches within the Asia Pacific region. Awarded Chief Executive Officer of the Year 2007 at the Singapore Corporate Awards for mainboard listed companies with market capitalisation of $500m and below. Mr. Tay was also Ernst & Young's Entrepreneur of the Year Singapore 2004 and Singapore Tourism Board's Tourism Entrepreneur of the Year 2005. He is currently the President of the Singapore Clock & Watch Trade Association. Mr. Tay is the cousin of Ms. Tay Liam Wuan, the Executive Director and the Chief Executive Officer of the Company.

CHAU Kwok Fun, Kevin

Vice Chairman

Mr. CHAU Kwok Fun, Kevin, aged 50, 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 46, 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.

BATCHELOR, John Howard

Non-executive Director

Mr. BATCHELOR, John Howard, aged 35, 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 FS Asia Advisory Limited (previously Ferrier Hodgson), Hong Kong, since January 2007. He is also a director of Sincere Watch Limited. Mr. Batchelor joined the Group in April 2009. Mr. Batchelor has over 13 years experience in corporate advisory, operational turnaround and general consulting.

KING Roger

Independent Non-executive Director

Dr. KING Roger, aged 69, is an Independent Non-executive Director. Dr. 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 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 their Kellogg-HKUST EMBA and MBA programs. He is the Director of the Center for Asian Family Business and Entrepreneurship Studies and the Director of the Center for 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. Dr. 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. Dr. King joined the Group in September 2005.

LEW, Victor Robert

Independent Non-executive Director

Mr. LEW, Victor Robert, aged 54, 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 Man Bun, Alan, aged 57, 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. LEONG Joon Kim, Howe, aged 56, is the Managing Director of Sincere Brand Management Limited. Mr Leong is responsible for the Franck Muller business as well as developing other brands under the company's portfolio. Prior to joining the company in November 2009, he worked as the Managing Director of A Lange & Soehne (Asia Pacific) a German watch brand under the portfolio of the Richemont Group of luxury brands. He has over 15 years of work experience in the luxury and watch business in Asia. Mr Leong graduated from the University of Aston in Birmingham, UK with a Bachelor of Science degree in 1980.

Mr. SAN Kin Pong, Bond, aged 43, is the Financial Controller 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 20 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 40, is the Brand Director 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 48, is the Sales Director 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 46, is the Operations Director 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 49, 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 performed well in the financial year ended 31 March 2010 ("FY2010") with a healthy balance sheet amid a recovering global economy and a return of consumer spending. The Group, which remains debt free, had rebounded sharply in H2 FY2010 (October 2009 to March 2010) after a cautious start in the year under review.

The commendable performance came on the back of an 8.3% year-on-year increase in turnover to HK$443,969,000 in FY2010, up from HK$409,780,000 recorded in the year ended 31 March 2009 ("FY2009").

The second half of FY2010 (H2 FY2010) did particularly well with the Group returning to the black with a net profit of HK$4,785,000 for the year FY2010, against a net loss of HK$27,962,000 in H1 FY2010. This was fuelled by a strong rebound in consumer spending and improved market conditions.

For the whole of FY2010, the Group achieved lower net profit of HK$4,785,000, down from HK$41,365,000 in FY2009. This was primarily due to the HK$17,812,000 realised and unrealised exchange losses incurred in FY2010 as compared to the HK$44,723,000 realised and unrealised foreign exchange gains reported in FY2009.

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

With the streamlining of promotional and marketing activities, which resulted in lower advertising and promotion expenses, selling and distribution expenses fell by 42.3% from HK$37,519,000 to HK$21,651,000 while administration expenses also shrank by 9.9% from HK$98,833,000 in FY2009 to HK$89,007,000 in FY2010. As a result, overall operating expenses reduced from HK$136,352,000 in FY2009 to HK$110,658,000 in FY2010.

Excluding the effect of the exchange losses and gains, the Group profit before tax rose four-fold to HK$22,556,000 in FY2010 from HK$5,320,000 in FY2009.

The Group reported a healthy gross profit of HK$132,760,000 and a gross margin of 29.9% for FY2010. These figures are lower than the gross profit of HK$141,380,000 and 34.5% gross margin in FY2009. However the Group had emerged strongly against a backdrop of gloomy market conditions in H1 FY2010 to achieve a jump in whole year's revenue of more than 1.5 times as compared to H1 FY2010 – from HK$164,304,000 to HK$443,969,000.

The Group's gross margin had increased 8.6% from 21.3% in H1 FY2010 to 29.9% in FY2010 as a result of improved inventory management.

Group Net Asset Value per share (NAV) rose to 60.88 HK cents as at 31 March 2010, from 59.24 HK cents as at 31 March 2009. Compared with 52.79 HK cents at the end of H1 FY2010, this represented a 15.3% rise to 60.88 HK cents at the end of FY 2010.

Group earnings per share for FY2010 was 1.2 HK cents compared to 10.1 HK cents in FY2009. However, compared to H1 FY2010's loss per share of 6.9 HK cents, the Group earnings per share for FY2010 grew sharply to 1.2 HK cents, signalling a positive turnaround for the Group.

Liquidity, Financial Resources and Gearing Ratio

As at 31 March 2010, the Group maintained a healthy financial position with cash and bank deposits, including pledged bank deposit, of HK$109,021,000, up 29.1% from HK$84,469,000 in FY2009. The cash level also represents a substantial increase of 44.5% from HK$75,429,000 as at 30 September 2009. The Group has no outstanding bank loan.

The Group finances its operations and investing activities with internally generated cash flows. As at 31 March 2010, the Group's net current asset rose 3.1% to HK$209,142,000 from HK$202,790,000 in FY2009. This is also a 19.0% improvement compared to HK$175,782,000 recorded on 30 September 2009. The directors believe the Group's existing financial resources are sufficient to fulfil its commitments and current working capital requirements.

Capital Structure and Foreign Exchange Exposure

The income of the Group is mainly denominated in Hong Kong Dollars and the Group has adequate recurring cash flow to meet the working capital needs.

The Group recorded realised exchange loss of HK$16,829,000 in FY2010 compared to a gain of HK$25,641,000 in FY2009. In addition, the Group had unrealised exchange loss of about HK$983,000 in FY2010 while unrealised exchange gain of about HK$19,082,000 was recorded in FY2009.

The Group pursued a prudent policy on financial risk management and the management of foreign currencies and interest rate. The Group benefits from favourable payment terms from its suppliers that may result in unrealised gain 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 (31 March 2009: HK$6,900,000) to secure undrawn banking facilities as at 31 March 2010.

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 2010.

Contingent Liabilities

The Group did not have any contingent liabilities as at 31 March 2010 (31 March 2009: Nil).

Staff and Employment

As at 31 March 2010, the Group strengthened its work force to 72 including directors (31 March 2009: 68) to cope with increased business activity. Employees were paid at market rates with discretionary bonus and medical benefits and covered under the mandatory provident fund scheme. The Group is constantly reviewing its staff remuneration to ensure it stays competitive with market practice.

Business Review

The Group is the sole distributor of Franck Muller watches and accessories in Hong Kong, Macau and the PRC. We also represent four other exclusive luxury brands – de GRISOGONO, CVSTOS, Pierre Kunz and European Company Watch. The Group maintained its overall brand portfolio as it focused its attention on strengthening its presence in North Asia, by growing its distribution network of independent watch retailers and its own operated mono-brand boutiques. These mono-brand boutiques form a vital part of the Group's brand management strategy, as they are located in prime shopping areas and act as a showcase for the exclusive luxury brands that the Group represents.

Distribution network and market penetration

The Group maintains its extensive network of 44 luxury watch retail outlets run by 23 independent watch dealers throughout North Asia – including Hong Kong, Macau, the PRC and Taiwan.

The Group opened its third mono-brand Franck Muller boutique in China in July 2009 – in Kunming, the capital of Yunnan province. The boutique is located at the prestigious Gingko Shopping Centre in the heart of Kunming's city centre and home to all high-end luxury brands.

With the opening of this latest boutique in Kunming, the Group now has 11 mono-brand boutiques – five in Hong Kong, two in Macau, three in the PRC and one in Taiwan.

Brand enhancement activities

The Group organized various activities to enhance brand awareness and reinforce it's leadership.

In September 2009, a promotional cocktail – dinner was held in collaboration with a leading German car manufacturer. Guests comprising of watch collectors, media and VIPs were treated to a special private preview of the Franck Muller collection with a hands-on watch appreciation session. This strategic tie up was part of the company's initiative to tap into a wider customer base and to promote horological knowledge via exciting co-branding marketing activities.

Franck Muller in early November unveiled the world's most complicated wrist-watch the Aeternitas Mega 4 – Grand Sonnerie Westminster Carillon at it's first World Presentation of Haute Horologerie in Monaco. The watch, which took 6 years to develop was delivered to it's first customer at the launch in Monte Carlo. Over 600 guests comprising, dignitaries, media, collectors, distributors and retailers attended this three day event.

The Group held a dinner in November in Kunming to celebrate the opening of the Franck Muller boutique in this city; Mr. Franck Muller was on hand to officiate at the event. Two press presentations in China to show the Franck Muller Tourbillon Collection in December were held in Beijing and Shanghai respectively.

Activities in Taiwan included, a presentation in December made to customers of a high end luxury store in collaboration with our retailer in Kaohsiung. The 'Infinity' jewellery watch collection was presented to the Taiwan media in Taipei in early December. A sales exhibition was also held in Taichung, Taiwan with an exclusive dinner and presentation to VIP clients of our retailer.

From 27 to 29 January 2010 a private dinner series highlighting the latest collections from the recent Geneva presentation was shown to the press, retailers and VIP guests and avid collectors.

In the month of March 2010, a Franck Muller regional event was held in Bangkok where the 'Infinity' collection was showcased with an exclusive event at the R Bar in the Rennaisance Hotel.

As part of the promotional efforts for the exclusive brand, de GRISOGONO – the Group treated their VIPs to an exhibition and dinner at a restaurant at the International Finance Center. The President and founder of the brand, Mr. Fawaz Gruosi was present to show the exquisite collection of high jewellery to the guests.

Geographic Markets

Hong Kong and the PRC (consisting of Macau, Beijing & Shanghai) markets, contributed to the bulk of the 8.3% increase in revenue from HK$409,780,000 in FY2009 to HK$443,969,000 in FY2010.

Hong Kong

Hong Kong continues to be the Group's major market, accounting for 71.9% or HK$319,156,000 of the Group's revenue in FY2010. Performance in this market recorded the greatest increase in revenue – up 12.5% from HK$283,775,000 in FY2009 to HK$319,156,000 in FY2010.

The Group's revenue in Hong Kong improved by 84.0% in H2 FY2010 as compared to H1 FY2010 from HK$112,382,000 to HK$206,774,000. This sector's percentage contribution to the Group's total revenue has also risen from 69.3% in FY2009 to 71.9% in FY2010.

PRC other than Hong Kong

PRC and Macau accounted for HK$98,335,000 or 22.1% of the Group's revenue in FY2010. With the return in momentum of consumer confidence, sales in this region grew 11.3% from HK$88,374,000 in FY2009.

Other Asian locations

Sales from the other Asian territories (including Taiwan and Singapore) eased 29.6% to HK$26,478,000 in FY2010 from HK$37,631,000, accounting for 6.0% of the Group's revenue in FY2010. Although there was a softening of sales in this sector compared to FY2009, the Group performed strongly in this sector in H2 FY2010 (HK$15,765,000) to report a 47.2% increase from H1 FY2010 (HK$10,713,000).

Prospects

The 2009 annual industry report from the Federation of the Swiss Watch Industry reinforced Asia's eminent position as the main engine of growth for the Swiss watch industry – Asia took the lion's share of 48.0% of all Swiss watch exports at the end of 2009. The same report showed Hong Kong as the top destination of most watch industry products, capturing 16.4% of total world imports amounting to USD5.1 billion – outpacing other leading markets such as U.S. and Japan.

The demand for Swiss watches in Asia was such that Hong Kong surpassed the United States and Europe as the world's top market for Swiss watches for three consecutive years since 2007. By March 2010, Hong Kong and China posted a year-on-year increase of 67.7% and 89.9% respectively in Swiss watch imports.

The Group's immediate holding company Sincere Watch Limited is now controlled by a consortium of investors including Triple A Enterprises Pte Ltd (which is owned by Mr. Tay Liam Wee – CEO and Managing Director of Sincere Watch Ltd), Standard Chartered Private Equity Limited, L Capital Sincere Cayman Limited (a member of the world's top luxury group – LVMH), and a group of banks. With the resources of this global consortium and in the light of the improved outlook, the Group is optimistic of its prospects in the coming months.

By following the proven successful strategy of building brand awareness and capturing new customers, the Group will continue to strengthen its brand portfolio and enhance key marketing and branding activities.

The Group remains gearing-free and will continue to exercise prudence in expenditure to conserve capital, and improve our operations to enhance positive cash flows. The Group will pursue strategic expansion opportunities especially in China.

As the global economic upturn gains further traction and with Asia leading the growth momentum, the Group will leverage on its strong branding, established reputation and sound financial fundamentals to strengthen its position in the coming year.

Corporate Governance Report

Corporate Governance Practice

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

In the opinion of the Directors, the Company has complied with the Code throughout the year ended 31 March 2010, except for certain deviation 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 2010.

Board of Directors

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

The Board currently consists of seven members, including three Executive Directors (the Chairman, the Vice Chairman, and the Chief Executive Officer respectively), one Non-executive Director and three Independent Non-executive Directors. The Company appointed two Non-executive Directors on 16 April 2009 and had not met the requirements of the Code Provision A.5.1 upon their appointments. Under the code provision, every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development as is necessary, to ensure that he has a proper understanding of the operations and business of the issuer and that he is fully aware of his responsibilities under statute and common law, the Exchange Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the issuer. The two Non-executive Directors are respectively the Provisional Liquidator of Peace Mark (Holdings) Limited ("Peace Mark"), the then ultimate holding company of the Company until 21 October 2009 and a listed company on the Stock Exchange, and a Senior Colleague of the Provisional Liquidator. While the principal business of Peace Mark was similar in nature to that of the Company and in view of the knowledge gained by the two Non-executive Directors while handling matters relating to Peace Mark and given both the Provisional Liquidator and his Senior Colleague are experienced in matters of Corporate Governance, the Company considers that the induction and briefing can be dispensed with.

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 regular 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	
Sutton, Roderick John *(Note 1)*	1/4
Batchelor, John Howard *(Note 2)*	3/4
Independent Non-executive Directors	
Lew, Victor Robert	3/4
King Roger	3/4
Lam Man Bun, Alan	3/4

Notes:

1. *Mr. Sutton, Roderick John was appointed as Non-executive Director on 16 April 2009 and resigned on 18 November 2009. During his tenure there were two Board meetings held.*
2. *Mr. Batchelor, John Howard was appointed as Non-executive Director on 16 April 2009 and there were three Board meetings held after his appointment.*

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 2010. 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 8 to 10 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 three meetings. The members of the Remuneration Committee and the attendance of each member are as follows:

Independent Non-executive Directors	Number of attendance
King Roger *(Chairman)*	3/3
Lew, Victor Robert	2/3
Lam Man Bun, Alan	2/3

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 the new managing director of a subsidiary company; 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 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$653,000 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	653,000
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
King Roger	2/2
Lam Man Bun, Alan	1/2

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 2009 and the audited financial statements for the year ended 31 March 2009 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 2009 and for the year ended 31 March 2010, 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 annual report and the audited consolidated financial statements for the year ended 31 March 2010.

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 2010 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 2010 are set out in the consolidated statement of comprehensive income on page 30.

The directors recommend the payment of a final dividend of HK$0.02 per share for the year ended 31 March 2010 amounting to HK$8,160,000.

Distributable Reserves of the Company

At 31 March 2010, 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 2010, the Company's reserves available for distribution to shareholders amounted in total to approximately HK$137,628,000.

Major Customers and Suppliers

The Group's five largest customers contributed approximately 45.8% of the Group's total sales for the year. The largest customer of the Group accounted for approximately 17.5% of the Group total sales. The Group's five largest suppliers contributed approximately 98.5% of the Group's total purchase for the year. The largest supplier of the Group accounted for approximately 81.5% 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$3,803,000 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
Batchelor, John Howard
Sutton, Roderick John (resigned on 18 November 2009)

Independent non-executive directors
Lew, Victor Robert
King Roger
Lam Man Bun, Alan

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

The non-executive director was appointed for one year term expiring on 16 April 2011.

Lam Man Bun, Alan was appointed for one year term expiring on 1 March 2011 while the other two independent non-executive directors were appointed for one year term expiring on 18 September 2010.

Directors' Service Contracts

No director of the Company has a service contract with any company in the Group 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 2010, 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 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.

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 subsidiary, Franck Muller Pte Limited.

(i) The Group sold watches to SWL and its subsidiary in Singapore for sale and distribution on an as needed basis when SWL and its subsidiary in Singapore are out of certain models of watches. Such sales amounted to a total of approximately of HK$426,000.

(ii) The Group purchased watches from SWL and its subsidiary 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$7,784,000.

For the purpose of the listing of the shares of the Company on the Stock Exchange, a sale and purchase agreement (the "Agreement") for the period commencing on the date 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 auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported the 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 2009 to 31 March 2010 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 2009 to 31 March 2010 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.

Save as disclosed above, no contracts of significance to which the Company, any of its holding companies, fellow subsidiaries or 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.

Report of the Directors

Appointment of Independent Non-Executive Directors

The Company has received from each of the independent non-executive directors an annual confirmation of the independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The Company considers all of the independent non-executive directors are independent.

Substantial Shareholders

At 31 March 2010, the following persons (other than the interests disclosed above in respect of directors or chief executives of the Company) had interests in the share capital of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	**Capacity**	**Number of shares held** (Note 1)	**Percentage of shareholding in the Company**
Sincere Watch Limited ("SWL")	Beneficial owner (Note 2)	306,000,000 (L)	75%
Sincere Holdings Limited	Interest of a controlled corporation (Note 3)	306,000,000 (L)	75%
Chartered Asset Management Pte Ltd.	Investment manager	27,408,000 (L)	6.72%
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. *Sincere Holdings 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.*

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 2010.

Report of the Directors

Arrangements to Purchase Shares or Debentures

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

Purchase, Sale or Redemption of Listed Securities

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

Compliance with Code on Corporate Governance Practices and Model Code

The Company has complied with the code provisions set out in the Code of Corporate Governance Practices contained in Appendix 14 to the Listing Rules during the year, except for certain deviation as disclosed in the Corporate Governance Report for the year ended 31 March 2010.

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 ended 31 March 2010.

Report of the Directors

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, 21 June 2010

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF SINCERE WATCH (HONG KONG) LIMITED
(incorporated in the 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 30 to 63, which comprise the consolidated statement of financial position as at 31 March 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows 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.

Independent Auditor's Report

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 2010 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 21 June 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	NOTES	2010 HK$'000	2009 HK$'000
Turnover		**443,969**	409,780
Cost of sales		**(311,209)**	(268,400)
Gross profit		**132,760**	141,380
Other income		**454**	292
Selling and distribution costs		**(21,651)**	(37,519)
General and administrative expenses		**(89,007)**	(98,833)
Profit before taxation and exchange (losses) gains		**22,556**	5,320
Realised exchange (loss) gain		**(16,829)**	25,641
Unrealised exchange (loss) gain		**(983)**	19,082
Profit before taxation		**4,744**	50,043
Income tax credit (expense)	8	**41**	(8,678)
Profit for the year, attributable to owners of the Company	9	**4,785**	41,365
Other comprehensive income			
Exchange differences on translation of foreign operations, representing other comprehensive income (expense)		**1,879**	(3,400)
Total comprehensive income for the year, attributable to owners of the Company		**6,664**	37,965
Earnings per share	12		
– basic		**1.2 HK cents**	10.1 HK cents

Consolidated Statement of Financial Position

As at 31 March 2010

	NOTES	**2010** **HK$'000**	2009 HK$'000
Non-current assets			
Property, plant and equipment	13	**8,015**	14,011
Intangible assets	14	**9,247**	10,556
Deferred tax assets	21	**22,877**	16,160
		40,139	40,727
Current assets			
Inventories	15	**243,052**	326,396
Trade and other receivables	16	**105,379**	44,754
Amount due from immediate holding company	17	**132**	–
Taxation recoverable		**–**	248
Pledged bank deposits	18	**6,900**	6,900
Bank balances and cash	18	**102,121**	77,569
		457,584	455,867
Current liabilities			
Trade and other payables	19	**233,327**	243,384
Amount due to immediate holding company	17	**–**	118
Amounts due to fellow subsidiaries	17	**7,996**	1,142
Taxation payable		**7,119**	8,433
		248,442	253,077
Net current assets		**209,142**	202,790
Total assets less current liabilities		**249,281**	243,517
Non-current liability			
Deferred tax liability	21	**900**	1,800
Net assets		**248,381**	241,717
Capital and reserves			
Share capital	20	**40,800**	40,800
Reserves		**207,581**	200,917
Equity attributable to owners of the Company		**248,381**	241,717

The consolidated financial statements on pages 30 to 63 were approved and authorised for issue by the Board of Directors on 21 June 2010 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 2010

	Attributable to owners 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 2008	40,800	59,546	801	2,348	120,657	224,152
Exchange difference arising from translation of foreign operations	–	–	–	(3,400)	–	(3,400)
Profit for the year	–	–	–	–	41,365	41,365
Total comprehensive income for the year	–	–	–	(3,400)	41,365	37,965
2007/2008 dividend paid	–	–	–	–	(20,400)	(20,400)
At 31 March 2009 and 1 April 2009	40,800	59,546	801	(1,052)	141,622	241,717
Exchange difference arising from translation of foreign operations	–	–	–	1,879	–	1,879
Profit for the year	–	–	–	–	4,785	4,785
Total comprehensive income for the year	–	–	–	1,879	4,785	6,664
At 31 March 2010	**40,800**	**59,546**	**801**	**827**	**146,407**	**248,381**

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 Statement of Cash Flows

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
Operating activities		
Profit before taxation	**4,744**	50,043
Adjustments for:		
Interest income	**(9)**	(292)
Amortisation of intangible asset	**1,309**	1,309
Depreciation of property, plant and equipment	**9,865**	10,158
Allowance for inventories	**37,315**	11,486
Reversal of allowance for doubtful debts	**–**	(1,945)
Unrealised exchange loss (gain)	**983**	(19,082)
Operating cash flows before movements in working capital	**54,207**	51,677
Decrease (increase) in inventories	**47,976**	(59,618)
(Increase) decrease in trade and other receivables	**(60,290)**	74,471
Decrease in trade and other payables	**(11,096)**	(161,690)
Increase in amount due (from) to immediate holding company	**(250)**	47
Increase (decrease) in amounts due to fellow subsidiaries	**6,854**	(424)
Cash generated from (used in) operating activities	**37,401**	(95,537)
Hong Kong Profits Tax paid	**(7,024)**	(2,086)
Tax in other jurisdictions paid	**(1,439)**	(5,365)
Net cash from (used in) operating activities	**28,938**	(102,988)
Investing activities		
Interest received	**9**	292
Purchase of property, plant and equipment	**(3,803)**	(7,903)
Increase in pledged bank deposit	**–**	(6,900)
Net cash used in investing activities	**(3,794)**	(14,511)
Financing activity		
Dividends paid	**–**	(20,400)
Net cash used in financing activity	**–**	(20,400)
Net increase (decrease) in cash and cash equivalents	**25,144**	(137,899)
Cash and cash equivalents at beginning of the year	**77,569**	214,228
Effect of foreign exchange rate changes	**(592)**	1,240
Cash and cash equivalents at end of the year, represented by bank balances and cash	**102,121**	77,569

Notes to the Consolidated Financial Statements

For the year ended 31 March 2010

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 Sincere Holdings Limited, ("SHL"), a company incorporated in the Cayman Islands and controlled by a consortium of investors. The Company's immediate holding company is Sincere Watch Limited ("SWL"), a company incorporated in the Republic of Singapore. On 30 September 2009, SHL announced that it would make a voluntary conditional cash offer for all the issued ordinary shares of SWL and the cash offer has been executed on 22 December 2009.

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 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 new and revised Hong Kong Accounting Standards ("HKAS"s), HKFRS, amendments and interpretations ("INT"s) (hereinafter collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC*) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

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

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) "Presentation of Financial Statements"

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 "Operating Segments"

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 Segment Reporting, the predecessor standard (see note 7), nor change in measurements of segment result.

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)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related party disclosures[3]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of rights issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[5]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[7]
HKFRS 1 (Revised)	First-time adoption of HKFRSs[1]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[5]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[6]
HK(IFRIC) – INT 14 (Amendment)	Prepayments to a minimum funding requirement[3]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[7]

1 *Effective for annual periods beginning on or after 1 July 2009.*
2 *Amendment that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.*
3 *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011 as appropriate.*
4 *Effective for annual periods beginning on or after 1 February 2010.*
5 *Effective for annual periods beginning on or after 1 January 2010.*
6 *Effective for annual periods beginning on or after 1 January 2013.*
7 *Effective for annual periods beginning on or after 1 July 2010.*

The directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements of the Group.

3. Significant Accounting Policies

The consolidated financial statements have been prepared under the historical cost basis and 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 (the "Listing Rules") 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 statement of comprehensive income 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, balances, income and expenses are eliminated on consolidation.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

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 profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

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

Revenue recognition

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

Revenue from sales of goods is 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 on initial recognition.

3. Significant Accounting Policies (continued)

Property, plant and equipment

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

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

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

Intangible asset acquired in a business combination

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

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

Inventories

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

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

At the end of the reporting period, 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 any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. 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 income immediately.

3. Significant Accounting Policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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 to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from immediate holding company and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. 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 financial asset, the estimated future cash flows of financial assets have been affected.

Objective evidence of impairment could include:

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

Loans and receivables assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30 days to 90 days and observable changes in national or local economic conditions that correlate with default on receivables.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Impairment of loans and receivables (continued)

The carrying amount of loans and receivables are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a loan or receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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 to the net carrying value on initial recognition.

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.

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 in other comprehensive income is recognised in profit or loss.

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 profit or loss.

3. Significant Accounting Policies (continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income 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 end of the reporting period.

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference 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 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 associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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 the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

3. Significant Accounting Policies (continued)

Foreign currencies (continued)

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 dollars) at the rate of exchange prevailing at the end of the reporting period, 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 in other comprehensive income and accumulated equity (translation reserve) and will be reclassified from equity to profit or loss on disposal of the foreign operation.

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 end of the reporting period. Exchange differences arising are recognised in the translation reserve.

Leasing

Leases are reclassified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant leases. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expenses over the lease term on a straight-line basis.

Retirement benefit costs

Payments to defined contribution retirement benefit plans/the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

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 2010, the carrying amount of goodwill is approximately HK$8,092,000 (2009: 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 2010, the carrying amount of inventories is approximately HK$243,052,000 (2009: HK$326,396,000), net of allowance for inventories of approximately HK$119,601,000 (2009: HK$82,342,000).

4. Key Sources of Estimation Uncertainty (continued)

Income taxes

At 31 March 2010, a deferred tax asset of approximately HK$22,877,000 (2009: HK$16,160,000) mainly resulted from allowance for inventories has been recognised in the Group's consolidated statement of financial position. 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 charged to the consolidated statement of comprehensive income 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 cash and cash equivalents and equity attributable to owners 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

	2010	2009
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**197,263**	119,204
Financial liabilities		
Amortised costs	**204,724**	209,791

6b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from immediate holding company, bank balances and cash, trade and other payables and amounts due to fellow subsidiaries. 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.

6. Financial Instruments (continued)

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

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 entities' foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

		Assets		Liabilities	
	Currency	2010	2009	2010	2009
		HK$'000	HK$'000	HK$'000	HK$'000
Euro	EUR	82	74	227	132
Renminbi	RMB	1,360	1,363	–	–
Singapore dollars	SGD	–	–	10,454	1,820
Swiss Franc	CHF	8,914	1,607	193,070	207,384
United States dollars	USD	52	59	–	–

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.

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% (2009: 10%) increase and decrease in Hong Kong dollars against Swiss Franc. 10% (2009: 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% (2009: 10%) change in foreign currency rate. The analysis illustrates the impact for a 10% (2009: 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% (2009: 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	
	2010	2009
	HK$'000	HK$'000
Decrease in post-tax profit for the year	15,377	17,182

In management's 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.

6. Financial Instruments (continued)

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

Market risk (continued)

Credit risk

The Group's maximum exposure to credit risk in the event of that counterparties' failure to perform their obligations as at 31 March 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In order to manage 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 Group reviews the recoverable amount of each individual trade debt at the end of the reporting period 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 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.

The Group's concentration of credit risk on trade receivables as at 31 March 2010 is mainly from five major customers which accounted for 88% (2009: 84%) of trade receivables mainly from Hong Kong. They are assessed by the management as high credit rating customers as they are reputable watch retailers with major operations in Hong Kong and with good repayment record during the past years.

The Group's concentration of geographical risk on turnover is mainly from Hong Kong which accounted for 72% (2009: 69%) of the total turnover. The Group has closely monitored the sales performance and diversified its customer bases.

6. Financial Instruments (continued)

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

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 2010					
Trade and other payables	**–**	**108,186**	**88,542**	**196,728**	**196,728**
Amounts due to a fellow subsidiary	**–**	**7,996**	**–**	**7,996**	**7,996**
		116,182	**88,542**	**204,724**	**204,724**
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

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.

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 has adopted HKFRS 8 "Operating Segments" with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. The chief operating decision makers of the Group have been identified as the executive directors of the Company (the "Executive Directors"). The adoption of HKFRS 8 has not resulted in a re-designation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 nor change in measurement of segment results.

The Group determines its operating segments based on the internal reports reviewed by the Executive Directors that are used to allocate resources and assess performance, which are analysed based on the geographical locations of the sales.

Segment results represents the profit before taxation earned by each segment and excluding unallocated other income and unallocated corporate expenses such as central administration costs, selling and distribution costs, exchange gain or loss and directors' salaries. This is the measure reported to the Executive Directors for the purpose of resource allocation and assessment of segment performance.

The Group's principal activity is distribution of branded luxury watches, timepieces and accessories.

An analysis of the Group's turnover and results by operating segments:

Year ended 31 March 2010

	Hong Kong HK$'000	PRC other than Hong Kong HK$'000	Other Asian locations HK$'000	Consolidated HK$'000
REVENUE				
External sales	**319,156**	**98,335**	**26,478**	**443,969**
RESULT				
Segment result	**77,978**	**42,220**	**5,426**	**125,624**
Unallocated expenses				**(122,077)**
Unallocated income				**1,197**
Profit before taxation				**4,744**

7. **Segment Information** (continued)

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				
External 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

No current assets, liabilities and other segment information (including allowance for inventories, depreciation and amortisation) are included in the measure of the Group's segment reporting or provided to the Executive Directors.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2010 HK$'000	2009 HK$'000
Customer A	**77,650**	70,721
Customer B	**46,195**	N/A[1]

[1] *The corresponding revenue did not contribute over 10% of the total sales of the Group, thus disclosure for the specific customer is not applicable ("N/A").*

7. Segment Information (continued)

Other segment information

The information of the Group's non-current assets by geographical location is detailed below:

	2010 HK$'000	2009 HK$'000
Hong Kong	**6,598**	10,019
PRC other than Hong Kong	**860**	2,789
Other Asian locations	**9,804**	11,759
	17,262	24,567

Note: Non-current assets excluded deferred tax assets.

8. Income Tax Credit (Expense)

	2010 HK$'000	2009 HK$'000
The credit (charge) comprises:		
Current tax		
Hong Kong	**(5,354)**	(10,376)
Other jurisdictions	**(2,046)**	(2,165)
	(7,400)	(12,541)
Overprovision in prior years		
Hong Kong	**–**	80
Other jurisdictions	**–**	5
	–	85
Deferred tax credit (note 21)		
Current year	**7,980**	4,457
Attributable to a change in tax rate	**(539)**	(679)
	7,441	3,778
	41	(8,678)

8. Income Tax Credit (Expense) (continued)

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% of the estimated assessable profit for both years.

Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax credit (charge) for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2010 **HK$'000**	2009 HK$'000
Profit before taxation	**4,744**	50,043
Tax at the domestic income tax rate of 16.5% (2009: 16.5%)	**(783)**	(8,257)
Tax effect of income that is not taxable in determining taxable profit	**144**	58
Tax effect of expenses that are not deductible in determining taxable profit	**(124)**	(121)
Tax effect of tax losses not recognised	**–**	(286)
Utilisation of tax losses not previously recognised	**297**	–
Tax effect of change in tax rate	**(539)**	(679)
Overprovision in prior years	**–**	85
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,046**	522
Tax credit (charge) for the year	**41**	(8,678)

9. Profit for the Year

	2010 HK$'000	2009 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (note a)	**7,826**	15,783
Other staff costs	**15,391**	18,002
Other staff's retirement benefits scheme contributions	**336**	418
Total staff costs	**23,553**	34,203
Allowance for inventories	**37,315**	11,486
Auditor's remuneration	**653**	651
Amortisation of intangible assets (included in general and administrative expenses)	**1,309**	1,309
Depreciation of property, plant and equipment	**9,865**	10,158
Minimum lease payments in respect of rented premises (note b)	**42,665**	39,627
and after crediting:		
Interest income	**9**	292
Reversal of allowance for doubtful debts	**–**	1,945

Notes:

(a) The directors' remuneration included rentals of nil (2009: HK$105,000) 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$387,000 (2009: HK$253,000). 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.

10. Directors' and Employees' Remuneration

Directors' remuneration

The remuneration of each director for the year ended 31 March 2010 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	–	1,407	264	–	1,671
Mr. Chau Kwok Fun, Kevin	–	3,862	264	12	4,138
Ms. Tay Liam Wuan	–	1,525	–	12	1,537
Non-executive directors					
Mr. Batchelor John Howard	–	–	–	–	–
Mr. Sutton Roderick John	–	–	–	–	–
Independent non-executive directors					
Mr. Lam Man Bun, Alan	160	–	–	–	160
Mr. Lew, Victor Robert	160	–	–	–	160
Dr. King, Roger	160	–	–	–	160
	480	6,794	528	24	7,826

10. Directors' and Employees' Remuneration (continued)

Directors' remuneration (continued)

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

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

10. Directors' and Employees' Remuneration (continued)

Employees' emoluments

For the year ended 31 March 2010, the five highest paid individuals included three (2009: three) directors, details of whose remuneration are included above. The remuneration of the remaining two (2009: two) highest paid individuals are as follows:

	2010	2009
	HK$'000	HK$'000
Salaries, allowances and other benefits	**1,232**	1,350
Performance related incentive payments	**627**	578
Contributions to retirement benefits schemes	**17**	24
	1,876	1,952

The emoluments of the employees were within following bands:

	Number of employees	
	2010	2009
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	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.

11. Dividend

No dividend was paid during the year. During the year ended 31 March 2009, a final dividend of HK$0.05 in respect of the year ended 31 March 2008 per share amounting to HK$20,400,000 was paid.

The Board has recommended the payment of a final dividend for the year ended 31 March 2010 of HK$0.02 per share (2009: Nil) amounting to HK$8,160,000 subject to shareholders' approval at the forthcoming annual general meeting.

12. Earnings Per Share

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately HK$4,785,000 (2009: HK$41,365,000) and on the number of shares of 408,000,000 (2009: 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 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
Currency realignment	138	20	107	11	–	276
Additions	3,018	738	40	7	–	3,803
At 31 March 2010	**31,128**	**3,826**	**3,484**	**981**	**408**	**39,827**
DEPRECIATION						
At 1 April 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
Currency realignment	108	17	75	10	–	210
Provided for the year	7,929	1,246	515	94	81	9,865
At 31 March 2010	**24,352**	**3,133**	**3,131**	**931**	**265**	**31,812**
CARRYING VALUES						
At 31 March 2010	**6,776**	**693**	**353**	**50**	**143**	**8,015**
At 31 March 2009	11,657	1,198	796	136	224	14,011

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

Leasehold improvements	$33^1/_3$% or 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$'000 (note a)	Goodwill HK$'000 (note b)	Total HK$'000
COST			
At 1 April 2008, 31 March 2009 and **31 March 2010**	**6,208**	**8,092**	**14,300**
AMORTISATION			
At 1 April 2008	2,435	–	2,435
Charge for the year	1,309	–	1,309
At 31 March 2009	3,744	–	3,744
Charge for the year	1,309	–	1,309
At 31 March 2010	**5,053**	**–**	**5,053**
CARRYING VALUES			
At 31 March 2010	**1,155**	**8,092**	**9,247**
At 31 March 2009	2,464	8,092	10,556

Notes:

(a) The exclusive distribution rights were acquired through the acquisition of Sincere Watch Co., Ltd. in October 2006. Such distribution rights have finite 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 2010 and 2009, 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 12.7% (2009: 15.5%) 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 average growth rate per annum for the next five years is 15% (2009: 2.5%) in light of the industry growth forecast. No impairment loss was considered necessary.

15. Inventories

All the inventories are finished goods at the end of both reporting periods.

16. Trade and Other Receivables

	2010 HK$'000	2009 HK$'000
Trade receivables	**74,349**	27,709
Other receivables, deposits and prepayments	**31,030**	17,045
	105,379	44,754

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:

	2010 HK$'000	2009 HK$'000
Within 30 days	**35,129**	11,004
31 – 90 days	**38,043**	15,107
91 – 120 days	**1,177**	1,443
Over 120 days	**484**	639
	74,833	28,193
Allowance for doubtful debts	**(484)**	(484)
	74,349	27,709

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$1,177,000 (2009: HK$1,598,000) 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.

16. Trade and Other Receivables (continued)

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

	2010 HK$'000	2009 HK$'000
91 – 120 days	**1,177**	1,443
Over 120 days	**–**	155
	1,177	1,598

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 end of each reporting period and the Group has not provided for impairment loss are subsequently recovered.

Movement in the allowance for doubtful debts

	2010 HK$'000	2009 HK$'000
Balance at beginning of the year	**484**	2,679
Amounts written off as uncollectible	**–**	(250)
Recovered during the year	**–**	(1,945)
Balance at end of the year	**484**	484

17. Amounts due from/to Group Companies

	2010	2009
	HK$'000	HK$'000
Amounts due from (to) immediate holding company		
– trade	**426**	–
– non-trade	**(294)**	(118)
	132	(118)
Amounts due to (from) fellow subsidiaries		
– trade	**8,817**	1,370
– non-trade	**(821)**	(228)
	7,996	1,142

The amounts due from immediate holding company in trade nature is aged from 181 to 365 days at the end of the reporting period (2009: nil).

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

	2010	2009
	HK$'000	HK$'000
Within 90 days	**–**	335
91 – 180 days	**3,149**	1,035
181 – 365 days	**4,635**	–
Over 365 days	**1,033**	–
	8,817	1,370

The amounts are unsecured, interest-free and repayable within one year from the end of the reporting period.

18. Pledged Bank Deposits/Bank Balances and Cash

Pledged bank deposits represent deposits pledged to a bank to secure banking facilities granted to the Group. Deposits amounting to HK$6,900,000 (2009: HK$6,900,000) have been pledged to secure undrawn facilities and are therefore classified as current assets.

Bank balances and cash comprise cash held by the Group at prevailing market interest rates ranged from 0.001% to 0.1% (2009: 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%) per annum.

19. Trade and Other Payables

	2010	2009
	HK$'000	HK$'000
Trade payables	**194,373**	207,520
Other payables and accrued charges	**38,954**	35,864
	233,327	243,384

The following is an aged analysis of trade payables:

	2010	2009
	HK$'000	HK$'000
Within 90 days	**87,843**	12,224
91 days – 365 days	**70,825**	166,585
Over 365 days	**35,705**	28,711
	194,373	207,520

The amount of trade payables above includes amounts of approximately HK$193,070,000 (2009: HK$207,384,000), HK$227,000 (2009: HK$132,000) and HK$1,008,000 (2009: nil) which are denominated in Swiss Franc, Euro and SGD respectively.

20. Share Capital

	2010 & 2009 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

A summary of the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior years is as follows:

	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 2008	746	13,080	(2,700)	(390)	10,736
Currency realignment	(6)	(164)	–	16	(154)
Credit to profit or loss 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
Currency realignment	6	168	–	2	176
Credit to profit or loss for the year	954	6,241	900	(115)	7,980
Effect of change in tax rate	(19)	(503)	–	(17)	(539)
At 31 March 2010	**2,613**	**20,311**	**(900)**	**(47)**	**21,977**

The Group has unused tax losses of approximately HK$4,103,000 (2009: HK$5,900,000) 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.

21. Deferred Taxation (continued)

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$25,630,000 (2009: HK$26,019,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2010 **HK$'000**	2009 HK$'000
Deferred tax assets	**22,877**	16,160
Deferred tax liability	**(900)**	(1,800)
	21,977	14,360

22. Operating Lease Commitments

At 31 March 2010, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2010 **HK$'000**	2009 HK$'000
Within one year	**26,505**	37,610
In the second to fifth years inclusive	**11,261**	32,014
	37,766	69,624

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.

During the year, the Group has entered into an operating leases arrangements in respect of its rented premises in the shopping mall located in the PRC. The formal rental agreement has not been signed up to the date of the report.

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

In addition to the balance with related parties as disclosed in note 17, the Group had the following transactions with the following related parties:

	2010	2009
	HK$'000	HK$'000
Sales to immediate holding company	**426**	–
Sales to a fellow subsidiary	**–**	153
Purchases from fellow subsidiaries	**7,784**	6,928

(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 10.

25. Subsidiaries

Details of the Company's subsidiaries at 31 March 2010 and 31 March 2009 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	–	100%	Trading of watches
Pendulum (Macau) Limited	Macau	MOP25,000	–	100%	Trading of watches
Pendulum Limited	Hong Kong	HK$2	–	100%	Inactive

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

Financial Summary

Results

	For the year ended 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**443,969**	409,780	733,211	470,833	394,119
Profit before taxation	**4,744**	50,043	41,840	53,298	61,700
Income tax credit (expenses)	**41**	(8,678)	(7,451)	(9,683)	(11,780)
Profit for the year	**4,785**	41,365	34,389	43,615	49,920
Earnings per share					
Basic (HK cents)	**1.2**	10.1	8.4	10.7	14.1

Assets and Liabilities

	At 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**497,724**	496,594	657,396	541,087	585,720
Total liabilities	**(249,343)**	(254,877)	(433,244)	(329,151)	(388,880)
Total equity	**248,381**	241,717	224,152	211,936	196,840