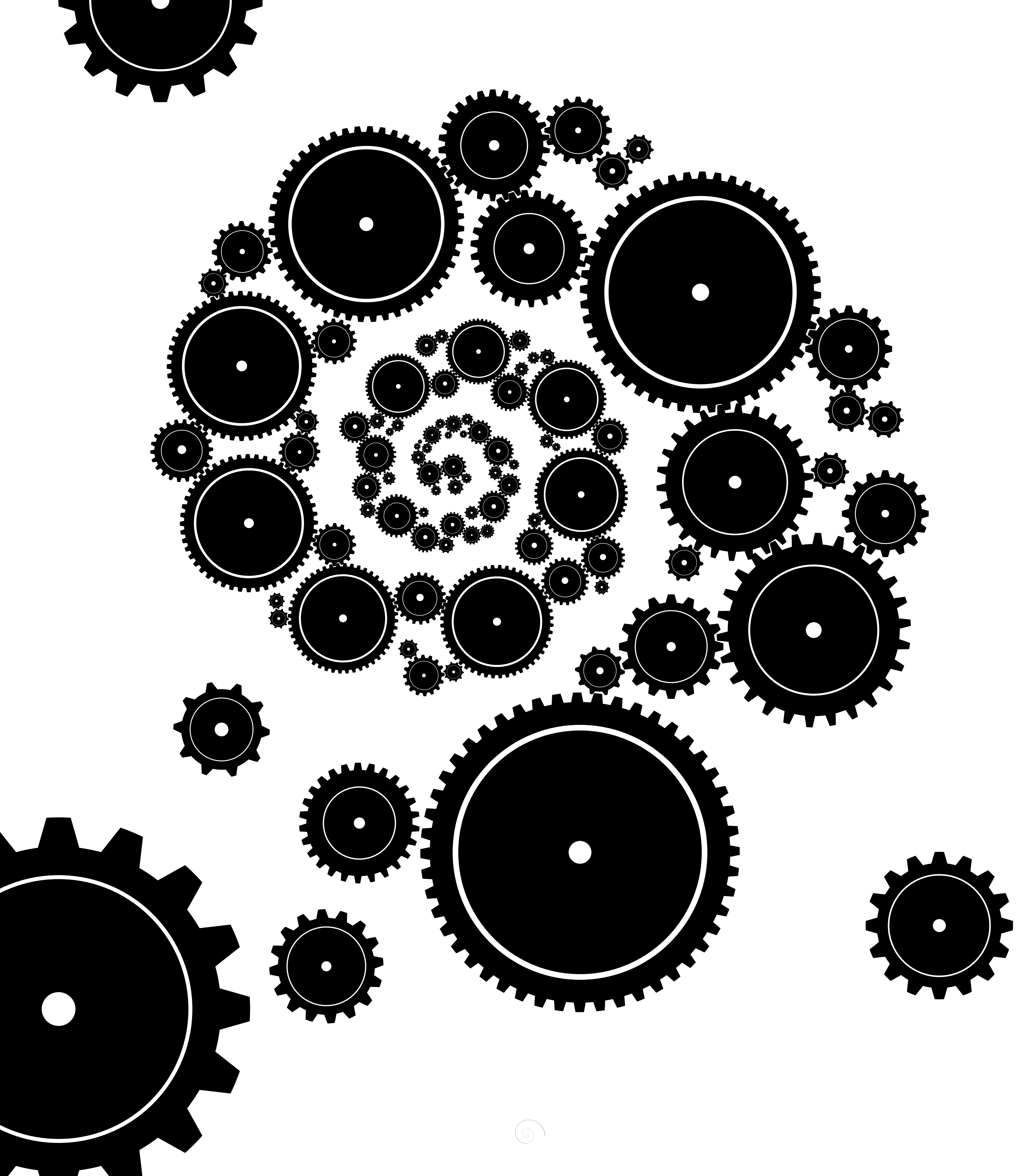
Sincere Watch (Hong Kong) Limited

ANNUAL REPORT 2011 年報

Stock Code 股份編號 : 00444

(incorporated in the Cayman Islands with limited liability)

Value Your Time,
Value Yourself



Let it Sparkle in Your Hand

Back to Your Memorable Moment

Forward to Your Visionary Dream

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Corporate Information

Directors

Executive Directors

Mr. TAY Liam Wee
(Executive Chairman)
Mr. CHAU Kwok Fun, Kevin
(Executive 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

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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

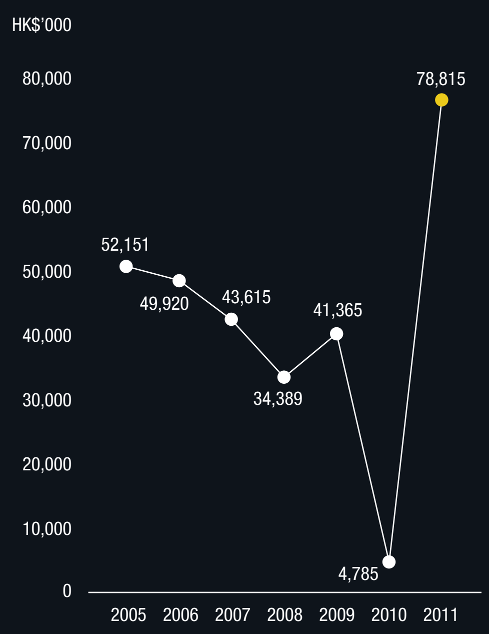
Principal Bankers

The Hongkong and Shanghai
Banking Corporation Limited
Malayan Banking Berhad,
Hong Kong Branch
Standard Chartered Bank
(Hong Kong) Limited

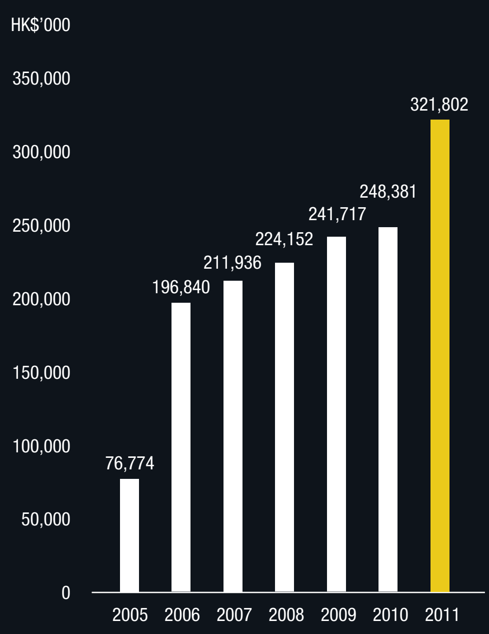
Financial Highlights

- Turnover for the financial year 2011 increased to HK$821,540,000 from HK$443,969,000 in the last financial year 2010 due to improving market conditions in the year in review.
- Gross profit more than doubled from HK$132,760,000 to HK$280,652,000.
- Excluding the foreign exchange losses in both years, the Group's Profit before taxation increased from HK$22,556,000 to HK$126,261,000.
- The realised foreign exchange loss for the year was HK$2,612,000 as compared with HK$16,829,000 last year. The unrealised foreign exchange loss this financial year was HK$29,532,000 as compared with HK$983,000 last financial year.
- Net profit for the year was HK$78,815,000 (2010: HK$4,785,000).
- Earnings per share was 19.3 HK cents (2010: 1.2 HK cents).
- Return on net assets increased from 1.9% for last financial year to 24.5% for this financial year.
- The Board has recommended the payment of a final dividend for the year ended 31 March 2011 of 6.0 HK cents per share amounting to HK$24,480,000.

PROFIT FOR THE YEAR



NET ASSETS VALUE



Chairman's and Vice Chairman's Statement

Dear Shareholders,

We are pleased to present an achievement of great performance that exceeded all historical records for the financial year that ended on 31 March 2011. The Group chalked up a 15-fold surge in net profit to HK$78.8 million on a record turnover of HK$821.5 million in the year under review.

This outstanding performance was buoyed by the accelerated growth in the Asian economies following the global financial crisis in 2008/2009 and the build-up of wealth in the region – particularly in China and Hong Kong.

The sterling results are also attributed to our adherence to prudent cost management policies and continuous improvement in our operational efficiencies to gain better margins for the Group. We remain focused on strengthening our capital base to take advantage of new opportunities that may arise to deliver even more positive returns to shareholders.

Key Financial Highlights

Leveraging on the robust economic performances and strong consumer demand across all the key markets of Hong Kong, PRC, Macau, and Taiwan, the Group almost doubled its revenue to HK$821.5 million from HK$444.0 million in the year ended 31 March 2010 ("FY2010").

Net Profit leapt more than 15-fold to HK$78.8 million from HK$4.8 million in the previous financial year. The steep spike in net profit was accomplished despite an increase in unrealized foreign exchange loss.

The Group incurred an unrealised foreign exchange loss of HK$29.5 million in the year under review compared to a loss of just HK$1.0 million in the last financial year. The Group also incurred a lower realised foreign exchange loss of HK$2.6 million against a loss of HK$16.8 million in FY2010.

Excluding the effect of the exchange losses and gains, the Group reported an impressive profit before tax of HK$126.3 million – up almost 4.6 times from HK$22.6 million registered in FY2010.

With the overall increase in turnover, the Group's promotional and marketing activities intensified. Selling and distribution expenses increased from HK$21.7 million to HK$42.1 million and administration expenses also went up by about 27% to HK$112.8 million in FY2011 from HK$89.0 million in FY2010.

Group gross profit more than doubled to HK$280.7 million from HK$132.8 million reported in the last financial year, which saw Gross margin improved to 34.2% against 29.9% in FY2010.

Reflecting the steep increase in net profit, Group Earnings per share (EPS) jumped to 19.3 HK cents in FY2011 against 1.2 HK cents in FY2010. Net Asset Value (NAV) per share rose to 78.87 HK cents as at 31 March 2011, up from 60.88 HK cents as at 31 March 2010.

As at 31 March 2011, the Group has strengthened its financial position resulting from higher sales and operating cash inflows. The Group has maintained a strong cash balance, with cash and bank balance surging 169.1% to HK$293.4 million from HK$109.0 million as at 31 March 2010. The Group has no outstanding bank loan and remains debt free.

Dividends

In view of the excellent results achieved, the Board has recommended the payment of a final dividend for the year ended 31 March 2011 of 6 HK cents per share amounting to HK$24.5 million. This represents a dividend yield of 4.2% against the share price of HK$1.43 per share as at 31 March 2011.

Going Forward

Global wealth is staging a dramatic leap towards Asia. According to the Boston Consulting Group, the phenomenal wealth flow to Asia was stimulated by the region's robust emerging economies. Indeed, China in 2010 has surpassed Japan as the world's second largest economy.

There is also increasing integration of the wealth markets in Hong Kong and China. With this sustained rising wealth influx, demand for Swiss watches grew rapidly in the region.

The latest figures from the Federation of the Swiss Watch Industry reinforced Asia's eminent position as the main engine of growth for the Swiss watch industry. In 2010, Asia took 52.6% of all Swiss watch exports of which Hong Kong as the top destination of most watch industry products, captured 19.7% amounting to CHF 3.2 billion (and the remaining 32.9% went to the rest of Asia) – outpacing other leading markets such as U.S. and Japan. Since 2007, Hong Kong has become the single largest market for Swiss watches, surpassing the United States and the other markets in Europe such as France and Italy. Compared with 2009, Hong Kong showed a particularly strong upturn of 46.9% in 2010. China's demand for Swiss watches also registered the highest rate of growth of 57% in 2010 from 2009. (Source: Federation of the Swiss Watch Industry)

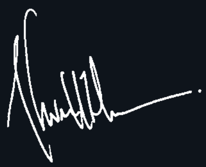
The Group will continue to identify and take advantage of the bright spots in Asia's economic landscape to usher in new initiatives to expand market share and grow its business network. The Group will set up new boutiques in suitable locations and appoint and grow the distribution retail partners in China.

With our current gearing-free status, we will remain prudent in managing our costs and risks. We will continue to seize opportunities to increase our market share and strengthen our brand positions in the growing network to deliver positive returns to shareholders who have shown strong support for the Group's long-term vision over the years.

A note of appreciation

On behalf of the Board of Directors, we would like to thank all our shareholders, business partners, brand principals, customers and employees for their continued support throughout the year, making this an outstanding year for us.

Tay Liam Wee
Executive Chairman



Chau Kwok Fun, Kevin
Executive Vice Chairman

Directors and Senior Management

Directors

TAY Liam Wee

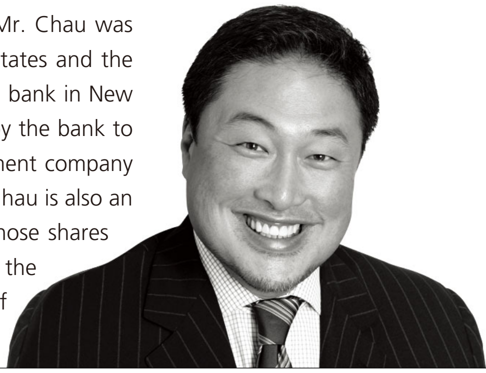
Executive Chairman

Mr. TAY Liam Wee, aged 52, is an Executive Director and Executive 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 29 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

Executive Vice Chairman

Mr. CHAU Kwok Fun, Kevin, aged 51, is an Executive Director since 19 September 2005 and the Executive 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 47, 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 Executive 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 36, 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 is a Senior Managing Director of FTI Consulting and had been an executive director of Ferrier Hodgson Limited, Hong Kong. He is also a director of Sincere Watch Limited. Mr. Batchelor joined the Group in April 2009. Mr. Batchelor has over 14 years experience in corporate advisory, operational turnaround and general consulting.

KING Roger

Independent Non-executive Director

Dr. KING Roger, aged 70, is currently 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 of Finance 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. 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. 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 55, 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 58, 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 57, 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 16 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 44, 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 the Finance Manager-Group Financial Reporting of IDT International Limited whose shares are listed on the main board of Hong Kong Stock Exchange. He has over 21 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 the 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 41, 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 49, is the Sales Director of the Group. Mr. Pak has over 23 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 47, is the Operations Director of the Group. He has over 26 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 50, 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.





FRANCK MULLER
周大福
CHOW TAI FOOK
FRANCK MULLER


Management Discussion and Analysis

Financial Review

The Group turned in an excellent performance for the financial year ended 31 March 2011 ("FY2011"), continuing the positive trend at the start of year 2010. Group revenue almost doubled to HK$821.5 million from HK$444.0 million in the previous financial year. The surge in Group revenue was achieved across all its key markets of Hong Kong, PRC and Macau, and Taiwan.

Net Profit leapt more than 15-fold to HK$78.8 million from HK$4.8 million in the previous financial year. The steep spike in net profit was accomplished despite an increase in unrealised foreign exchange loss.

The Group incurred an unrealised foreign exchange loss of HK$29.5 million in the year under review compared to a loss of just HK$1.0 million in the last financial year. Besides, there was a lower realised foreign exchange loss of HK$2.6 million against a loss of HK$16.8 million for the financial year ended 31 March 2010 ("FY2010").

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 the income statement as unrealised gains or losses.

At the operating level, the Group reported a profit before taxation and exchange differences of HK$126.3 million in FY2011 – up almost 4.6 times from HK$22.6 million registered in FY2010.

With the achievement of higher turnover, promotional and marketing activities were intensified. Selling and distribution expenses almost doubled to HK$42.1 million from HK$21.7 million while administration expenses also went up by about 27% to HK$112.8 million in FY2011 from HK$89.0 million in FY2010.

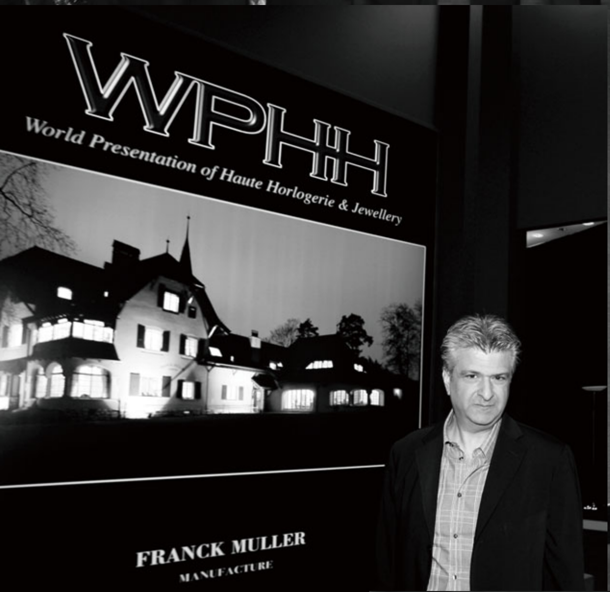
Gross profit for the Group more than doubled to HK$280.7 million from HK$132.8 million reported in the last financial year. Gross margin improved to 34.2% against 29.9% in FY2010.

Reflecting the strong increase in net profit, Group earnings per share (EPS) jumped to 19.3 HK cents in FY2011 against 1.2 HK cents in FY2010. Net Asset Value (NAV) per share rose to 78.87 HK cents as at 31 March 2011, up from 60.88 HK cents as at 31 March 2010.

The outstanding performance of the Group was attributed to the continued economic revival taking place in Asia and the improved overall business climate, resulting in a strong comeback of consumer demand in all of the Group's key markets.

The Group also gained from the immense growth in Swiss watch demand in Hong Kong and China which were two of the world's top markets for Swiss Watches in 2010. According to the Federation of the Swiss Watch Industry, in 2010, Hong Kong showed a particularly strong upturn of 46.9% which well surpassed its record level of 2008. China also registered the highest rate of growth at 57.0% and exceeded the one billion Swiss Franc for the first time.




WPHH
World Presentation of Haute Horlogerie & Jewellery
FRANCK MULLER
MANUFACTURE



Liquidity, Financial Resources and Gearing Ratio

As at 31 March 2011, the Group has strengthened its financial position resulting from higher sales and operating cash inflows. The Group continues to build up its cash balance, with cash and bank balance surging 169.1% to HK$293.4 million from HK$109.0 million as at 31 March 2010. The Group has no outstanding bank loan and remains debt free.

The Group finances its operations and investing activities with internally generated cash flows. As at 31 March 2011, the Group's net current asset rose 37.0% to HK$286.5 million from HK$209.1 million in FY2010. This is also a 22.6% improvement compared to HK$233.6 million recorded on 30 September 2010. 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 a lower realized exchange loss of HK$2.6 million in FY2011 compared to a loss of HK$16.8 million in FY2010. In addition, the Group registered an unrealised exchange loss of about HK$29.5 million in FY2011 against an unrealised exchange loss of about HK$1.0 million recorded for FY2010.

The Group pursued a prudent policy on financial risk management and the management of foreign currencies and interest rate. The Group continues to benefit from favourable payment terms from its suppliers that may result in unrealised gains or losses from time to time in applying Hong Kong Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates".

Charge on Assets

The Group had a pledged bank deposit of HK$6.9 million to secure undrawn banking facilities as at 31 March 2010. Such pledged deposit has been released and no deposit has been pledged as at 31 March 2011.

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 2011.

Contingent Liabilities

The Group did not have any contingent liabilities as at 31 March 2011 (31 March 2010: Nil).

Staff and Employment

As at 31 March 2011, the Group's work force stood at 73 including Directors (31 March 2010: 72). 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.


FRANCK MULLER
GENEVE


CVSTOS
THE TIME KEEPER

Business Review

The Group is the sole distributor of Franck Muller watches and accessories in Hong Kong, Macau, the PRC and Taiwan. Besides Franck Muller, the Group also represents five other exclusive luxury brands – de GRISOGONO, CVSTOS, Pierre Kunz, European Company Watch and the latest addition – Backes & Strauss.

The Group enhanced its overall brand portfolio as it focused its attention on strengthening its presence in North Asia, by extending 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 nestled in prime shopping areas, acting as a showcase for the exclusive luxury brands that the Group represents.

Distribution network and market penetration

The Group runs its extensive network of 49 luxury watch retail outlets run by 26 independent watch dealers throughout North Asia – including Hong Kong, Macau, the PRC and Taiwan.

The year in review saw the Group expand its strong network of retailers in Dalian, Shenyang, Beijing, Shenzhen, Macau and Hong Kong. The key retail appointment of Chow Tai Fook in Hong Kong was a vote of confidence for the brand Franck Muller amongst its large and growing Chinese clientele.

A second Franck Muller boutique was opened in Shanghai at IFC Mall. The Group introduced the first "House of Franck Muller" concept store in China. This new addition brings the total number of boutiques to nine. The boutiques form an integral part of the Group's branding strategy as they are located in major shopping clusters in each city thereby able to attract the growing luxury consumers for the brand.

The Group has also expanded its range of watch brands under its portfolio. It launched a new brand Backes & Strauss in September 2010. The Backes & Strauss brand combines a genius for horology with a passion for diamonds and has produced one of the world's finest and most luxurious jewellery watch collection.

Brand enhancement activities

To reinforce the Company's leadership position in the market, it is important to enhance the brand values of the portfolio of brands held by the Group.

In the past financial year, the Group had launched innovative platforms to brighten the brand image of its portfolio of global watch brands. These efforts have won rave reviews from the media and industry connoisseurs as well as at the same time enchanted our customers and business partners alike.

Following a successful annual watch fair in Geneva in January 2011, the Group hosted an appreciation private dinner at the Franck Muller Central boutique in Hong Kong with our network partners and the media. Franck Muller novelties were presented to the guests at the end of the event – providing them with a positive and lasting impression of Franck Muller as one of the most creative brands in the industry.

As part of the promotional efforts for Franck Muller's Infinity Collection, the Group held two press lunches at upscale venues in China – a Beijing Press Lunch in the luxurious Hilton Wangfujing hotel (held on 4 June 2010) and another Shanghai Press Lunch in JIA hotel (held on 2 June 2010). Like its sister hotel, the Starck-designed JIA Hong Kong, JIA Shanghai is a boutique hotel to pleasure the senses designed by a crack team of award-winning architect and designers, including Australian interior maestri Hecker, Phelan and Gutherie.

One of the highlights of the year was the collaboration between the Group and Chow Tai Fook, a premier jewellery brand in the Greater China region. This partnership resulted in the opening of the first-ever super luxurious shop-in-shop at iSQUARE in Hong Kong's premium shopping district – Tsim Sha Tsui. To celebrate this new collaboration, Chow Tai Fook and Franck Muller jointly held a reception in this unique-concept shop in July 2010 to reinforce the synergy that this strategic alliance will bring.

In Taiwan, the Group staged another industry innovation with the uber-luxe Franck Muller Gala Dinner in Kaohsiung Star Palace, which is famed for its sparkling façade, making it one of the most outstanding landmarks in southern Taiwan. This brilliant event was held in November 2010 to strengthen brand awareness and generate sales opportunities amongst the targeted clients.

In November 2010, to mark the collaboration between Franck Muller and Europe Watch, China, the Group also held a private dinner in the Franck Muller Central boutique in Hong Kong for business partners from China. Guests were welcomed by a table of stunning red peonies, while the signature watches were presented to them by charming models.

Geographic Markets

The Group recorded sterling performances from all its markets.

Hong Kong and China remain the key revenue drivers, contributing to 94.2% of the Group's total turnover of HK$821.5 million in FY2011.

Hong Kong

Hong Kong continues to be the Group's major market, accounting for 75.0% or HK$616.2 million of the Group's revenue in FY2011. Performance in this market recorded the greatest increase in revenue – up 93.1% from HK$319.2 million in FY2010 to HK$616.2 million in FY2011. Hong Kong also recorded a segmental profit of HK$198.5 million.

This sector's percentage contribution to the Group's total revenue has also risen from 71.9% in FY2010 to 75.0% in FY2011.

PRC other than Hong Kong

PRC other than Hong Kong (i.e. PRC and Macau) accounted for about 19.2% of the Group's revenue in FY2011. With the return in momentum of consumer confidence, sales in this region jumped to HK$157.8 million, up 60.4% from HK$98.3 million in FY2010.

This region's percentage contribution to the Group's total sales declined as the rate of sales growth was lower than that of Hong Kong. The PRC and Macau markets accounted for about 22.1% of Group's total sales in the previous year. This market recorded a segmental profit of HK$54.5 million in FY2011.

Other Asian locations

Sales from the other Asian territories rebounded strongly.

Revenue from the other Asian markets strengthened to reach HK$47.5 million in FY2011 from HK$26.5 million in FY2010. This was achieved despite the absence of sales to Singapore which was included in this market segment in FY2010.

This region's contribution to the Group's overall revenue eased marginally to about 5.8% against about 6.0% of Group's total revenue in the previous year.

Taiwan enjoyed a rebound in the business mainly due to recovery of the economy and improvement in both the distribution and retail performance.

Prospects

The centre of gravity for the luxury business is shifting rapidly to Asia with China forecasts to be the world's largest luxury market in the next few years (Source: Boston Consulting Group).

This trend is accelerated as global wealth staged a dramatic leap towards Asia with China enjoying one of the highest growth rates in the world. In the second quarter of 2010, China displaced Japan as the second largest economy in the world.

There is also an increasing integration of the wealth markets in Hong Kong and China as Hong Kong has become an increasingly important offshore wealth centre for China.

With the sustained rising wealth influx, demand for Swiss watches has grown at a rapid clip. The latest figures from the Federation of the Swiss Watch Industry reinforced Asia's eminent position as the main engine of growth for the Swiss watch industry. In 2010, Asia took 52.6% of all Swiss watch exports of which Hong Kong as the top destination of most watch industry products, captured 19.7% amounting to CHF 3.2 billion (and the remaining 32.9% went to the rest of Asia) – outpacing other leading markets such as U.S. and Japan. (Source: Federation of the Swiss Watch Industry)

The rising demand for Swiss watches in Asia has led to Hong Kong surpassing the United States and Europe as the world's top market for Swiss watches for four consecutive years since 2007.

The Group, which serves both the robust Hong Kong and China markets, is set to tap the wealth of opportunities arising from this multi-faceted growth.

The Group will continue to identify and take advantage of the bright sparks in Asia's economic landscape to usher in new initiatives to expand market share and grow its business network.

The Group will also scout for opportunities to open up new boutiques and appoint more distribution partners in China.

With its current gearing-free status, the Group will remain prudent in managing its costs and risks. At the same time, it stands ready to invest where needed and seize opportunities to enlarge its market share. The Group will continue to look for strategic expansion opportunities in order to continue to deliver positive returns to shareholders who have shown strong support for its long-term vision over the years.

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 2011, except for certain deviations disclosed herein.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiries, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the year ended 31 March 2011.

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 Executive Chairman, the Executive Vice Chairman and the Chief Executive Officer respectively), one Non-executive Director and three Independent Non-executive Directors. One of our Independent Non-executive Directors has the professional and accounting qualifications required by the Listing Rules.

Under the code provision A.1.1 of the Code, board meetings should be held at least four times a year at approximately quarterly intervals. During the year, the Board held two regular Board meetings. All the significant matters concerning the business activities and operation of the Group had been adequately and duly reported, discussed and resolved at the two Board meetings. The Company Secretary assists the Executive 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 *(Executive Chairman)*	2/2
Chau Kwok Fun, Kevin *(Executive Vice Chairman)*	2/2
Tay Liam Wuan *(Chief Executive Officer)*	2/2
Non-executive Director	
Batchelor, John Howard	1/2
Independent Non-executive Directors	
Lew, Victor Robert	2/2
King Roger	2/2
Lam Man Bun, Alan	2/2

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 9 of this annual report respectively.

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

Executive Chairman, Executive Vice Chairman and Chief Executive Officer

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

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

Remuneration Committee

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

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

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

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

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

– reviewed the restoration of the remuneration of the Executive Directors and the senior management;

– discussed the remuneration policy for the Executive Directors; and

– reviewed the terms of reference of the Remuneration Committee.

Nomination of Directors

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

During the year, the Company has not appointed any new Director to the Board.

Auditor's Remuneration

During the year, the Group was charged HK$713,000 for auditing services and HK$100,000 for non-auditing services by the Company's auditor, Deloitte Touche Tohmatsu.

Services rendered	**Fees paid/payable**
Audit services	713,000
Non-audit services:	
Taxation services	55,000
Review of continuing connected transactions	28,000
Review of results announcements	17,000

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	2/2

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 2010 and the audited financial statements for the year ended 31 March 2010 with recommendations to the Board for approval;

– reviewed reports on internal control system covering corporate governance, 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 2010 and for the year ended 31 March 2011, 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 corporate governance, 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 Executive Vice Chairman of the Board as well as members of the Audit Committee and the Remuneration Committee were present at the AGM for 2010 to answer shareholders' questions.

Under the code provision E.1.2 of the Code, the chairman of the board should attend the annual general meeting. Mr. Tay Liam Wee, the Executive Chairman of the Company, did not attend the AGM of the Company held on 27 August 2010 as he was engaged in other business of the Company. The AGM was chaired by Mr. Chau Kwok Fun, Kevin, the Executive Vice Chairman and Executive Director of the Company.

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 2011.

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 principal subsidiaries as at 31 March 2011 are set out in note 26 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 March 2011 are set out in the consolidated statement of comprehensive income on page 32.

The directors recommend the payment of a final dividend of HK$0.06 per share for the year ended 31 March 2011 amounting to HK$24,480,000.

Distributable Reserves of the Company

At 31 March 2011, 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 2011, the Company's reserves available for distribution to shareholders amounted in total to approximately HK$135,115,000.

Major Customers and Suppliers

The Group's five largest customers contributed approximately 48.7% of the Group's total sales for the year. The largest customer of the Group accounted for approximately 15.4% of the Group total sales. The Group's five largest suppliers contributed approximately 99.4% of the Group's total purchase for the year. The largest supplier of the Group accounted for approximately 89.2% 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.

Property, Plant and Equipment

During the year, the Group spent approximately HK$7,683,000 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 14 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 *(Executive Chairman)*
Chau Kwok Fun, Kevin *(Executive Vice Chairman)*
Tay Liam Wuan *(Chief Executive Officer)*

Non-executive director:
Batchelor, John Howard

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

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

The non-executive director was appointed for one year term expiring on 16 April 2012.

Lam Man Bun, Alan was appointed for one year term expiring on 1 March 2012 while the other two independent non-executive directors were appointed for one year term expiring on 18 September 2011.

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).

Directors' Interests in Shares

At 31 March 2011, 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 Franck Muller Pte Limited, a subsidiary of the controlling shareholder of the Company, Sincere Watch Limited ("SWL").

(i) 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$7,867,000.

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. Following the expiry of the Agreement on 31 March 2011, the Company and SWL entered into the Inventory Control Agreement on 24 May 2011 for a term from 24 May 2011 to 31 March 2014 to govern the continuing connected transactions with the annual cap of (a) HK$11,000,000 for sale of the products by the Group to members of the SWL Group, and (b) HK$11,000,000 for purchase of the products by the Group from members of the SWL Group for each of the three financial years ending 31 March 2012, 31 March 2013 and 31 March 2014.

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 auditor 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 2010 to 31 March 2011 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 2010 to 31 March 2011 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.

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 2011, 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 2011.

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 on Corporate Governance Practices contained in Appendix 14 to the Listing Rules during the year, except for certain deviations as disclosed in the Corporate Governance Report for the year ended 31 March 2011.

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 Articles of Association, 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 2011.

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
22 June 2011

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 32 to 62, which comprise the consolidated statement of financial position as at 31 March 2011, 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 information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2011 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
22 June 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	NOTES	2011 HK$'000	2010 HK$'000
Turnover		**821,540**	443,969
Cost of sales		**(540,888)**	(311,209)
Gross profit		**280,652**	132,760
Other income		**512**	454
Selling and distribution costs		**(42,119)**	(21,651)
General and administrative expenses		**(112,784)**	(89,007)
Profit before taxation and exchange losses		**126,261**	22,556
Realised exchange loss	8	**(2,612)**	(16,829)
Unrealised exchange loss		**(29,532)**	(983)
Profit before taxation		**94,117**	4,744
Income tax (expense) credit	9	**(15,302)**	41
Profit for the year attributable to owners of the Company	10	**78,815**	4,785
Other comprehensive income			
Exchange differences on translation of foreign operations		**2,766**	1,879
Total comprehensive income for the year attributable to owners of the Company		**81,581**	6,664
Earnings per share	13		
– basic		**19.3 HK cents**	1.2 HK cents

Consolidated Statement of Financial Position

As at 31 March 2011

	NOTE	**2011 HK$'000**	2010 HK$'000
Non-current assets			
Property, plant and equipment	14	**8,199**	8,015
Intangible assets	15	**8,092**	9,247
Deferred tax assets	22	**19,057**	22,877
		35,348	40,139
Current assets			
Inventories	16	**272,854**	243,052
Trade and other receivables	17	**159,749**	105,379
Amount due from immediate holding company	18	**–**	132
Amount due from a fellow subsidiary	18	**5**	–
Pledged bank deposits	19	**–**	6,900
Bank balances and cash	19	**293,414**	102,121
		726,022	457,584
Current liabilities			
Trade and other payables	20	**431,736**	233,327
Amount due to immediate holding company	18	**188**	–
Amount due to a fellow subsidiary	18	**536**	7,996
Taxation payable		**7,108**	7,119
		439,568	248,442
Net current assets		**286,454**	209,142
Total assets less current liabilities		**321,802**	249,281
Non-current liability			
Deferred tax liability	22	**–**	900
Net assets		**321,802**	248,381
Capital and reserves			
Share capital	21	**40,800**	40,800
Reserves		**281,002**	207,581
Equity attributable to owners of the Company		**321,802**	248,381

The consolidated financial statements on pages 32 to 62 were approved and authorised for issue by the Board of Directors on 22 June 2011 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 2011

	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 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 and 1 April 2010	40,800	59,546	801	827	146,407	248,381
Exchange difference arising from translation of foreign operations	–	–	–	2,766	–	2,766
Profit for the year	–	–	–	–	78,815	78,815
Total comprehensive income for the year	–	–	–	2,766	78,815	81,581
2010 final dividend paid	–	–	–	–	(8,160)	(8,160)
At 31 March 2011	**40,800**	**59,546**	**801**	**3,593**	**217,062**	**321,802**

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 2011

	2011 HK$'000	2010 HK$'000
Operating activities		
Profit before taxation	**94,117**	4,744
Adjustments for:		
Interest income	**(19)**	(9)
Gain on disposal of property, plant and equipment	**(16)**	–
Amortisation of intangible asset	**1,155**	1,309
Depreciation of property, plant and equipment	**7,521**	9,865
(Reversal of) allowance for inventories	**(21,235)**	37,315
Unrealised exchange loss	**29,532**	983
Operating cash flows before movements in working capital	**111,055**	54,207
(Increase) decrease in inventories	**(6,033)**	47,976
Increase in trade and other receivables	**(53,700)**	(60,290)
Increase (decrease) in trade and other payables	**168,793**	(11,096)
Increase in amount due to (from) immediate holding company	**320**	(250)
(Decrease) increase in amounts due from/to fellow subsidiaries	**(7,465)**	6,854
Cash generated from operations	**212,970**	37,401
Hong Kong Profits Tax paid	**(10,708)**	(7,024)
Tax in other jurisdictions paid	**(1,571)**	(1,439)
Net cash from operating activities	**200,691**	28,938
Investing activities		
Interest received	**19**	9
Purchase of property, plant and equipment	**(7,683)**	(3,803)
Proceeds from disposal of property, plant and equipment	**29**	–
Decrease in pledged bank deposits	**6,900**	–
Net cash used in investing activities	**(735)**	(3,794)
Financing activity		
Dividends paid	**(8,160)**	–
Net cash used in financing activity	**(8,160)**	–
Net increase in cash and cash equivalents	**191,796**	25,144
Cash and cash equivalents at beginning of the year	**102,121**	77,569
Effect of foreign exchange rate changes	**(503)**	(592)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**293,414**	102,121

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.

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

The Company acts as 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 section 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").

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (as revised in 2008)	Business combinations
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 32 (Amendments)	Classification of rights issues
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC*) – INT 17	Distributions of non-cash assets to owners
HK – INT 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

* *IFRIC represents the IFRS Interpretations Committee (formerly known as the International Financial Reporting Interpretations Committee).*

The application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[3]
HKFRS 9	Financial instruments[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[5]
HKAS 24 (Revised)	Related party disclosures[6]
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[2]

[1] *Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.*
[2] *Effective for annual periods beginning on or after 1 July 2010.*
[3] *Effective for annual periods beginning on or after 1 July 2011.*
[4] *Effective for annual periods beginning on or after 1 January 2013.*
[5] *Effective for annual periods beginning on or after 1 January 2012.*
[6] *Effective for annual periods beginning on or after 1 January 2011.*

The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements.

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 and 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.

3. Significant Accounting Policies (continued)

Goodwill

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

For the purposes of impairment testing, goodwill 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 combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If 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 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 in the consolidated statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

On 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, net of discounts.

Revenue from sales of goods is recognised when the goods are delivered and title has been passed.

Interest income from a financial asset 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.

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. Significant Accounting Policies (continued)

Intangible asset acquired in a business combination

Exclusive distribution rights acquired in a business combination are recognised as intangible assets separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, an intangible asset with a finite useful life is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for an intangible asset with a 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.

Financial instruments

Financial assets and financial liabilities are recognised in 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets consist of 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.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

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, amount due from a fellow subsidiary and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

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
- breach of contract, such as 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.

The carrying amount of loans and receivables is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is 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 trade 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.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Equity instruments

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

Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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 in its entirety, 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 and accumulated in equity 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.

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 differences 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.

3. Significant Accounting Policies (continued)

Taxation (continued)

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 a deferred tax asset 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 rates (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.

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 in equity (translation reserve).

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.

3. Significant Accounting Policies (continued)

Leasing

Leases are classified 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 lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense 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 2011, the carrying amount of goodwill is approximately HK$8,092,000 (2010: 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 2011, the carrying amount of inventories is approximately HK$272,854,000 (2010: HK$243,052,000), net of allowance for inventories of approximately HK$99,300,000 (2010: HK$119,601,000).

Income taxes

At 31 March 2011, a deferred tax asset of approximately HK$19,057,000 (2010: HK$22,877,000) mainly relating to the 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 associated 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

	2011	2010
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**431,054**	197,263
Financial liabilities		
Amortised cost	**355,913**	204,724

6b. Financial risk management objectives and policies

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

Market risk

Currency risk

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

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

		Assets		**Liabilities**	
	Currency	**2011**	2010	**2011**	2010
		HK$'000	HK$'000	**HK$'000**	HK$'000
Euro	EUR	**229**	82	**231**	227
Renminbi	RMB	**1,212**	1,360	**–**	–
Singapore dollars	SGD	**–**	–	**1,232**	10,454
Swiss Franc	CHF	**9,261**	8,914	**351,384**	193,070
United States dollars	USD	**52**	52	**–**	–

6. Financial Instruments (continued)

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

Market risk (continued)

Currency risk (continued)

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% (2010: 10%) increase and decrease in Hong Kong dollars against Swiss Franc. 10% (2010: 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% (2010: 10%) change in foreign currency rate. The analysis illustrates the impact for a 10% (2010: 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% (2010: 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	
	2011	2010
	HK$'000	HK$'000
Decrease in post-tax profit for the year	**28,567**	15,377

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.

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 2011 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 are 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 (2010: bank balances and pledged bank deposits) which are deposited with several banks with high credit ratings.

6. Financial Instruments (continued)

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

Market risk (continued)

Credit risk (continued)

The Group's concentration of credit risk on trade receivables as at 31 March 2011 is mainly from five major customers which accounted for 74% (2010: 88%) 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 76% (2010: 72%) of the total turnover. The Group has closely monitored the sales performance and diversified its customer bases.

Liquidity risk

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

	Weighted average effective interest rate %	Within 90 days HK$'000	Over 90 days and less than 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying Amount HK$'000
As at 31 March 2011					
Trade and other payables	–	**185,445**	**169,744**	**355,189**	**355,189**
Amount due to immediate holding company	–	**188**	–	**188**	**188**
Amount due to a fellow subsidiary	–	**536**	–	**536**	**536**
		186,169	**169,744**	**355,913**	**355,913**
As at 31 March 2010					
Trade and other payables	–	108,186	88,542	196,728	196,728
Amounts due to fellow subsidiaries	–	7,996	–	7,996	7,996
		116,182	88,542	204,724	204,724

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 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. The Group has only one business segment which is the trading of watches.

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 2011

	Hong Kong HK$'000	PRC other than Hong Kong HK$'000	Other Asian locations HK$'000	Consolidated HK$'000
REVENUE				
External sales	**616,241**	**157,758**	**47,541**	**821,540**
RESULT				
Segment result	**198,469**	**54,538**	**16,600**	**269,607**
Unallocated expenses				**(176,686)**
Unallocated income				**1,196**
Profit before taxation				**94,117**

7. Segment Information (continued)

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

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:

	2011 HK$'000	2010 HK$'000
Customer A	**126,295**	77,650
Customer B	**N/A**[1]	46,195
Customer C	**125,789**	N/A[1]

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

Other segment information

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

	2011 HK$'000	2010 HK$'000
Hong Kong	**3,701**	6,598
PRC other than Hong Kong	**4,149**	860
Other Asian locations	**8,441**	9,804
	16,291	17,262

Note: Non-current assets above exclude deferred tax assets.

8. Realised Exchange Loss (Gain)

The realised exchange loss (gain) comprise:

	2011 HK$'000	2010 HK$'000
Realised exchange loss	**15,281**	16,829
Realised gain from foreign currency forward contracts	**(12,669)**	–
Net realised exchange loss	**2,612**	16,829

No derivative financial instruments were held by the Group as at 31 March 2010 and 2011.

9. Income Tax (Expense) Credit

	2011 HK$'000	2010 HK$'000
The (charge) credit comprises:		
Current tax		
Hong Kong	**(8,810)**	(5,354)
Other jurisdictions	**(3,376)**	(2,046)
	(12,186)	(7,400)
Underprovision in prior years:		
Other jurisdictions	**(18)**	–
Deferred tax (charge) credit (note 22)		
Current year	**(2,694)**	7,980
Attributable to change in tax rate	**(404)**	(539)
	(3,098)	7,441
	(15,302)	41

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profit for the year.

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

9. Income Tax (Expense) Credit (continued)

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

	2011 HK$'000	2010 HK$'000
Profit before taxation	**94,117**	4,744
Tax at the domestic income tax rate of 16.5% (2010: 16.5%)	**(15,529)**	(783)
Tax effect of income not taxable in determining taxable profit	**1**	144
Tax effect of expenses that deductible in determining taxable profit	**(215)**	(124)
Tax effect of tax losses not recognised	**(415)**	–
Tax effect of utilisation of tax losses previously not recognised	**–**	297
Tax effect of change in tax rate	**(404)**	(539)
Underprovision in prior years	**(18)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,391**	1,046
Others	**(113)**	–
Tax (charge) credit for the year	**(15,302)**	41

10. Profit for the Year

	2011 HK$'000	2010 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration	**21,760**	7,826
Other staff costs	**22,237**	15,391
Other staff's retirement benefits scheme contributions	**379**	336
Total staff costs	**44,376**	23,553
Allowance for inventories (included in cost of sales)	**–**	37,315
Auditor's remuneration	**713**	653
Amortisation of intangible assets (included in general and administrative expenses)	**1,155**	1,309
Depreciation of property, plant and equipment	**7,521**	9,865
Minimum lease payments in respect of rented premises (note a)	**43,874**	42,665
and after crediting:		
Gain on disposal of property, plant and equipment	**16**	–
Interest income	**19**	9
Reversal of allowance for inventories (included in cost of sales)	**21,235**	–

Note:

(a) The minimum lease payments in respect of rented premises included contingent rent of HK$848,000 (2010: HK$387,000). 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.

11. Directors' and Employees' Remuneration

Directors' remuneration

The remuneration of each director for the year ended 31 March 2011 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	–	2,218	5,229	–	7,447
Mr. Chau Kwok Fun, Kevin	–	5,445	5,229	12	10,686
Ms. Tay Liam Wuan	–	2,145	990	12	3,147
Non-executive director					
Mr. Batchelor John Howard	–	–	–	–	–
Independent non-executive directors					
Mr. Lam Man Bun, Alan	160	–	–	–	160
Mr. Lew Victor Robert	160	–	–	–	160
Dr. King Roger	160	–	–	–	160
	480	9,808	11,448	24	21,760

11. Directors' and Employees' Remuneration (continued)

Directors' remuneration (continued)

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

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

Employees' emoluments

For the year ended 31 March 2011, the five highest paid individuals included three (2010: three) directors, details of whose remuneration are included above. The remuneration of the remaining two (2010: two) highest paid individuals are as follows:

	2011 HK$'000	2010 HK$'000
Salaries, allowances and other benefits	**2,639**	1,232
Performance related incentive payments	**1,237**	627
Contributions to retirement benefits schemes	**24**	17
	3,900	1,876

11. Directors' and Employees' Remuneration (continued)

Employees' emoluments (continued)

The emoluments of the employees were within the following bands:

	Number of employees	
	2011	2010
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	–

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

12. Dividend

During the year ended 31 March 2011, a final dividend of HK$0.02 in respect of the year ended 31 March 2010 per share amounting to HK$8,160,000 was paid. No dividend was paid during the year ended 31 March 2010.

The Board has recommended the payment of a final dividend for the year ended 31 March 2011 of HK$0.06 per share (2010: HK$0.02) amounting to HK$24,480,000 subject to shareholders' approval in the forthcoming annual general meeting.

13. 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$78,815,000 (2010: HK$4,785,000) and on the number of shares of 408,000,000 (2010: 408,000,000) that were in issue throughout the year.

There were no potential ordinary shares outstanding during both years.

14. 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 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
Currency realignment	192	26	138	16	–	372
Additions	3,216	4,336	34	97	–	7,683
Disposals	(2,427)	–	(39)	–	–	(2,466)
At 31 March 2011	**32,109**	**8,188**	**3,617**	**1,094**	**408**	**45,416**
DEPRECIATION						
At 1 April 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
Currency realignment	173	25	124	15	–	337
Provided for the year	5,402	1,756	223	58	82	7,521
Eliminated on disposals	(2,427)	–	(26)	–	–	(2,453)
At 31 March 2011	**27,500**	**4,914**	**3,452**	**1,004**	**347**	**37,217**
CARRYING VALUES						
At 31 March 2011	**4,609**	**3,274**	**165**	**90**	**61**	**8,199**
At 31 March 2010	6,776	693	353	50	143	8,015

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%

15. Intangible Assets

	Distribution rights HK$'000 (note a)	Goodwill HK$'000 (note b)	Total HK$'000
COST			
At 1 April 2009, 31 March 2010 and **31 March 2011**	**6,208**	**8,092**	**14,300**
AMORTISATION			
At 1 April 2009	3,744	–	3,744
Charge for the year	1,309	–	1,309
At 31 March 2010	5,053	–	5,053
Charge for the year	1,155	–	1,155
At 31 March 2011	**6,208**	**–**	**6,208**
CARRYING VALUES			
At 31 March 2011	**–**	**8,092**	**8,092**
At 31 March 2010	1,155	8,092	9,247

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 2011 and 2010, 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 rates 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 12.2% (2010: 12.7%) 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% (2010: 15%) in light of the industry growth forecast. No impairment loss was considered necessary.

16. Inventories

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

17. Trade and Other Receivables

	2011 HK$'000	2010 HK$'000
Trade receivables	**129,637**	74,349
Other receivables, deposits and prepayments	**30,112**	31,030
	159,749	105,379

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:

	2011 HK$'000	2010 HK$'000
Within 30 days	**71,352**	35,129
31 – 90 days	**48,488**	38,043
91 – 120 days	**9,791**	1,177
Over 120 days	**490**	484
	130,121	74,833
Allowance for doubtful debts	**(484)**	(484)
	129,637	74,349

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$9,796,000 (2010: HK$1,177,000) which are aged over 90 days at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

17. Trade and Other Receivables (continued)

The following is an aged analysis of trade receivables which are aged over 90 days but not impaired:

	2011 HK$'000	2010 HK$'000
91 – 120 days	**9,791**	1,177
Over 120 days	**6**	–
	9,797	1,177

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

	2011 HK$'000	2010 HK$'000
Balance at beginning and end of the year	**484**	484

18. Amounts due from/to Group Companies

	2011 HK$'000	2010 HK$'000
Amounts due (to) from immediate holding company		
– trade	**426**	426
– non-trade	**(614)**	(294)
	(188)	132
Amount due from a fellow subsidiary		
– non-trade	**5**	–
Amounts due to (from) a fellow subsidiary		
– trade	**573**	8,817
– non-trade	**(37)**	(821)
	536	7,996

The amounts due from immediate holding company in trade nature is aged over 365 days at the end of the reporting period (2010: 181 to 365 days), and it has been subsequently recovered.

18. Amounts due from/to Group Companies (continued)

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

	2011 HK$'000	2010 HK$'000
Within 90 days	**573**	–
91 – 180 days	**–**	3,149
181 – 365 days	**–**	4,635
Over 365 days	**–**	1,033
	573	8,817

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

19. Pledged Bank Deposits/Bank Balances and Cash

Pledged bank deposits represent deposits pledged to a bank to secure banking facilities granted to the Group. At 31 March 2010, deposits amounting to HK$6,900,000 were pledged to secure undrawn facilities and are classified as current assets. Such pledged deposits have been released and no deposits have been pledged at 31 March 2011.

Bank balances and cash comprise cash held by the Group at prevailing market interest rates ranging from 0.001% to 0.16% (2010: 0.001% to 0.1%) per annum.

20. Trade and Other Payables

	2011 HK$'000	2010 HK$'000
Trade payables	**352,053**	194,373
Other payables and accrued charges	**79,683**	38,954
	431,736	233,327

The following is an aged analysis of trade payables:

	2011 HK$'000	2010 HK$'000
Within 90 days	**155,556**	87,843
91 days – 365 days	**159,730**	70,825
Over 365 days	**36,767**	35,705
	352,053	194,373

20. Trade and Other Payables (continued)

The amount of trade payables above includes amounts of approximately HK$351,810,000 (2010: HK$193,070,000), HK$231,000 (2010: HK$227,000) and nil (2010: HK$1,008,000) which are denominated in Swiss Franc, Euro and SGD respectively.

21. Share Capital

	2011 & 2010 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.

22. 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 2009	1,672	14,405	(1,800)	83	14,360
Currency realignment	6	168	–	2	176
Credit (charge) to profit or loss for the year	954	6,241	900	(115)	7,980
Effect of changes in tax rate	(19)	(503)	–	(17)	(539)
At 31 March 2010	2,613	20,311	(900)	(47)	21,977
Currency realignment	8	172	–	(2)	178
Credit (charge) to profit or loss for the year	15	(3,647)	900	38	(2,694)
Effect of changes in tax rate	(15)	(396)	–	7	(404)
At 31 March 2011	**2,621**	**16,440**	**–**	**(4)**	**19,057**

The Group has unused tax losses of approximately HK$6,618,000 (2010: HK$4,103,000) 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.

22. 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$33,160,000 (2010: HK$25,630,000) 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:

	2011 **HK$'000**	2010 HK$'000
Deferred tax assets	**19,057**	22,877
Deferred tax liability	**–**	(900)
	19,057	21,977

23. Operating Lease Commitments

At 31 March 2011, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2011 **HK$'000**	2010 HK$'000
Within one year	**36,147**	26,505
In the second to fifth years inclusive	**58,408**	11,261
	94,555	37,766

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

24. 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.

25. Related Party Transactions

(a) Transactions

In addition to the balance with related parties as disclosed in note 18, the Group had the following transactions with the following related parties:

	2011	2010
	HK$'000	HK$'000
Sales to immediate holding company	**–**	426
Purchases from fellow subsidiaries	**7,867**	7,784

(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 11.

26. Subsidiaries

Details of the Company's subsidiaries at 31 March 2011 and 31 March 2010 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				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**821,540**	443,969	409,780	733,211	470,833
Profit before taxation	**94,117**	4,744	50,043	41,840	53,298
Income tax (expense) credit	**(15,302)**	41	(8,678)	(7,451)	(9,683)
Profit for the year	**78,815**	4,785	41,365	34,389	43,615
Earnings per share					
Basic (HK cents)	**19.3**	1.2	10.1	8.4	10.7

Assets and Liabilities

	At 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**761,370**	497,723	496,594	657,396	541,087
Total liabilities	**(439,568)**	(249,342)	(254,877)	(433,244)	(329,151)
Total equity	**321,802**	248,381	241,717	224,152	211,936

Concept, design and printing: iOne Financial Press Limited Account Servicing Centre: + 852 2879 8787 www.ione.com.hk