Sincere Watch (Hong Kong) Limited

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

Annual Report 2012 年報

Contents

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)
Mrs. CHU Yuet Wah
Mr. CHU, Kingston Chun Ho

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

Nomination Committee

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

Company Secretary

Mr. CHAN Kwong Leung, Eric
ACIS

Authorised Representatives

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

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

Suites 5402–03 Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Auditor

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

Principal Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

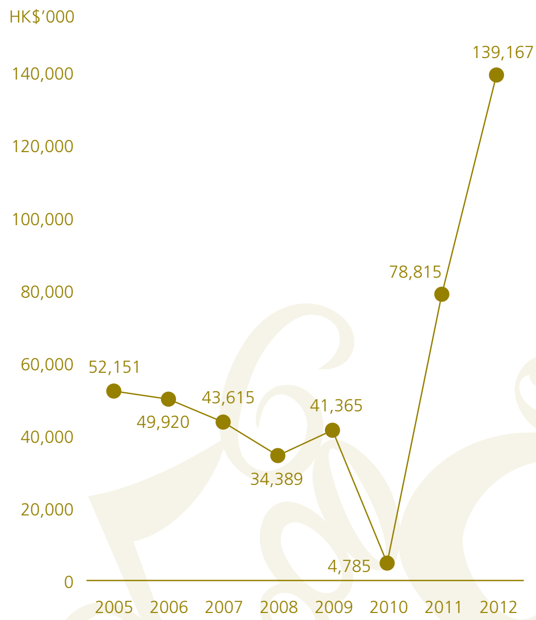
Principal Bankers

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

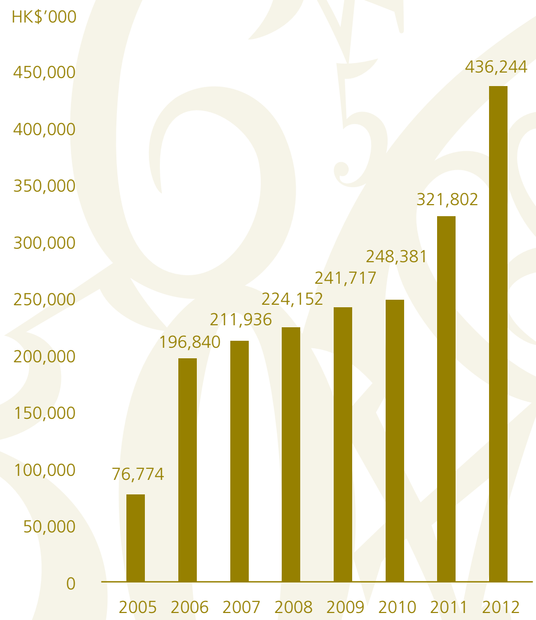
Financial Highlights

- Turnover for the financial year 2012 increased to HK$1,115,070,000 from HK$821,540,000 in the last financial year 2011 due to the robust conditions in the luxury retail market in Hong Kong in the year in review.
- Gross profit increased from HK$280,652,000 to HK$397,457,000.
- Excluding the foreign exchange gain and losses and loss on fair value change of derivative financial instruments in both years, the Group's Profit before taxation increased from HK$126,261,000 to HK$193,847,000.
- The realised foreign exchange loss for the year was HK$32,985,000 as compared with HK$2,612,000 last year. The unrealised foreign exchange gain this financial year was HK$12,797,000 as compared with unrealised foreign exchange loss of HK$29,532,000 last financial year.
- Net profit for the year was HK$139,167,000 (2011: HK$78,815,000).
- Earnings per share was 34.1 HK cents in this financial year and 19.3 HK cents in last financial year.
- The Board does not recommend the payment of any final dividend for the year ended 31 March 2012.

PROFIT FOR THE YEAR



NET ASSETS VALUE



Chairman's and Vice Chairman's Statement

Dear Shareholders,

We are pleased to report that The Group achieved another year of remarkable growth for the financial year ended 31 March 2012.

Group revenue surged to HK$1,115.1 million from HK$821.5 million in FY2011 representing an increase of 35.7%. Net profit gained 76.6% to HK$139.2 million from HK$78.8 million.

The record performance bear testimony to the success of our time-tested strategy of combining our culture of innovation and creativity as we delight our customers with the excellent quality of our products and services. The sterling results are also attributed to our prudent management of risks in volatile global economic and financial conditions and our continuous emphasis on enhancing operational efficiencies to gain better margins for the Group.

The Group has also benefited significantly from the unabated acceleration of wealth in Asia, which has continued to drive the demand for luxury watches in all our key markets — in particular China and Hong Kong. China and Hong Kong remain the two top global markets, accounting for 29.7% of the world's total Swiss watches' export in value terms in 2011.

According to the statistics from Federation of Swiss Watch Industry, 2011 was a record breaking year for the Swiss watch industry. The number of global export Swiss watches increased 13.8% to 29.8 million watches — the highest figure in the past ten years. Hong Kong and China, our main markets, chalked up the highest growth rate with growth of 28.3% and 48.7% respectively.

In view of this, we will remain focused on strengthening our core competencies and our leadership position as well as our strong capital base to take advantage of new opportunities that may arise to continually deliver positive returns to shareholders.

Key Financial Highlights

The positive growth in sales and profits was attributed to the rapid growth of luxury brands and strong consumer demand across all the key markets of Hong Kong, PRC, Macau and Taiwan. This resulted in a new historic peak in the Group's turnover surging above the HK$1 billion level.

The total turnover for the period reached HK$1,115.1 million in FY2012, up from HK$821.5 million in FY2011.

Gross profit grew by 41.6% to HK$397.5 million in FY2012 from HK$280.7 million in FY2011. The gross profit margin improved to 35.6% from 34.2%. Net Profit improved by 76.6% to HK$139.2 million from HK$78.8 million in the previous financial year.

Excluding the realised and unrealised exchange differences and loss on fair value change of derivative financial instruments, our profit before tax was HK$193.8 million — up 53.5% from HK$126.3 million for FY2011.

In line with the higher turnover and profits achieved, general operating costs went up. Selling & distribution expenses increased 46.5% to HK$61.7 million, while administrative expenses rose 25.9% to HK$142.0 million.

Reflecting the strong increase in net profit, our earnings per share (EPS) jumped 76.7% to 34.1 HK cents in FY2012 against 19.3 HK cents in FY2011. Net Asset Value (NAV) per share rose 35.5% to 106.9 HK cents as at 31 March 2012, up from 78.9 HK cents as at 31 March 2011.

We have further strengthened our financial position in FY2012. Our cash and bank balance increased by 41.2% to HK$414.3 million from HK$293.4 million as at 31 March 2011. We remain debt free, with no outstanding bank loans.

Dividends

The Board does not recommend the payment of any final dividend for the year ended 31 March 2012.

Going Forward

Asia's vigorous wealth trend is expected to climb despite global economic and currency uncertainty. According to McKinsey Insights China research report released in 2011, China's wealthy households (those with annual incomes between US$45,000-US$150,000) will grow at 15% per year to 5.6 million households while those with household income of more than US$150,000 will grow more rapidly, at 20% per year, reaching 1 million households by 2015.

The latest figures from the Federation of Swiss Watch Industry continue to affirm Asia's lead in the demand for Swiss watches. Hong Kong and China achieved growth rates of 32.4% and 27.0% respectively, and continue to rank as the 1st and 3rd top markets for Swiss watch exports in the world in terms of value.

There are some signs of moderation in demand in HK and China following exceptional their growth chalked up in the past few years. This stabilising of demand is a likely market correction among the key watch markets in the world.

In light of the global economic challenges ahead, we will continue to pursue proactive yet prudent strategies on brand enhancement activities, new watch collections and expanding the retail and distribution network to boost revenue. Attracting and motivating promising talent as well as sharpening our core competencies will remain strategic priorities for our management.

With our gearing-free status, the Group will continue to be competitive and innovative while staying vigilant against market risks as we take advantage of growth opportunities in the ever-changing Asian economic landscape.

Given the Group's strengths and established leadership in the markets we serve, we remain optimistic of another profitable performance for the year.

A note of appreciation

On behalf of the Board of Directors, we would like to express our gratitude to our shareholders, business partners, suppliers, brand principals, customers and employees who maintained faith and confidence in the board and management. Thank you for your unwavering support, which has helped us deliver outstanding results time and again.

Tay Liam Wee
Executive Chairman

Chau Kwok Fun, Kevin
Executive Vice Chairman

Directors and Senior Management

Director

TAY Liam Wee

Executive Chairman

Mr. TAY Liam Wee, aged 53, 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 30 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 $500 m 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. 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 52, 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 Executive 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 48, is an Executive Director since 19 September 2005 and the Chief Executive Officer of the Company since 1 October 2005. Ms. Tay Liam Wuan has been a Director of SBML since 15 November 1995. She is responsible for all aspects of the Group's operations. Ms. Tay graduated with a bachelor degree in business administration from the National University of Singapore. Ms. Tay is the cousin of Mr. Tay Liam Wee, the Chairman of the Company. Ms. Tay joined the Group (as Director of SBML) in November 1995.

Mrs. CHU Yuet Wah

Executive Director

Mrs. Chu Yuet Wah, aged 53, is an Executive Director of the Company since 29 May 2012. Mrs. Chu has been a director of Sincere Watch Limited, the immediate holding company of the Company since 21 May 2012. Mrs. Chu is a business woman and possesses over 18 years of experience in finance in Hong Kong. Mrs. Chu is the chief executive officer, an executive director and the ultimate controlling shareholder of Kingston Financial Group Limited, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mrs. Chu is the Member of National Committee of Chinese People's Political Consultative Conference, Member of Guangdong Committee of Chinese People's Political Consultative Conference, Vice Chairman of Hong Kong Committee of the Chinese People's Political Consultative Conference (Provincial) Member Association Foundation, Vice Chairman of The Chamber of Hong Kong Listed Companies, Chairman of The Institute of Securities Dealers Limited, Director of Jet Li One Foundation, Vice Chairman of Po Leung Kuk, Chairman of Aplichau Promotion of Tourism Association, School Manager of Aplichau KaiFong Primary School, President of The Aplichau KaiFong Welfare Association, Honorary President of Hong Kong Federation of Women, Honorary Vice President of the Hong Kong Girl Guides Association, Vice President of Tung Koon General Association and 10th World Outstanding Chinese. She received an Honorary Doctorate of Philosophy in Business Management degree from York University, the U.S.A. and holds a Bachelor of Science in Management degree from Golden Gate University, the U.S.A. Mrs. Chu is the mother of Mr. Chu, Kingston Chun Ho.

Mr. CHU, Kingston Chun Ho

Executive Director

Mr. Chu, Kingston Chun Ho, aged 27, is an Executive Director of the Company since 29 May 2012. Mr. Chu has been a director of Sincere Watch Limited, the immediate holding company of the Company, since 21 May 2012. Mr. Chu is currently a senior manager of Kingston Corporate Finance Limited, and is responsible for the execution of corporate finance projects, such as private placements, secondary market placements, mergers and acquisitions, reverse takeovers and financial advisory on corporate reorganisation. Mr. Chu is also currently a director of KingSBI Investment Management Limited, an investment fund with a focus on private equities in the Greater China region. Mr. Chu is a licensed person under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Chu holds a Bachelor Degree of Business from the University of Southern California in the U.S.A. Mr. Chu is the son of Mrs. Chu Yuet Wah.

BATCHELOR, John Howard

Non-executive Director

Mr. Batchelor, aged 37, 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 15 years experience in corporate advisory, operational turnaround and general consulting.

KING Roger

Independent Non-executive Director

Dr. KING Roger, aged 71, is an Independent Non-executive Director. Dr. King is currently a Member of the Supervisory Board of TNT Express, 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 56, is an Independent Non-executive Director. He is currently an independent chairman of Pak Tak International Limited and an independent non-executive director and chairman of the audit committee of Pacific Andes International Holdings Limited. Both companies are listed on the main board of Hong Kong Stock Exchange. Mr. Lew is currently a director of a corporation of practicing certified public accountants in Hong Kong. He has over 24 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 59, has been practising as a solicitor in Hong Kong for over 31 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 58, 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 17 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 45, 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 22 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 42, 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 50, is the Sales Director of the Group. Mr. Pak has over 24 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 48, is the Operations Director of the Group. He has over 28 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 51, is the General Manager of Sincere Watch Limited, Taiwan since July 2003. Mr. Jeng is responsible for the general management and the administration of the company's operations. Prior to joining the company, he had over 15 years working experience in luxury and watch business in Taiwan handling S.T. Dupont, Alfred Dunhill and watch brands including Chopard, Bvlgari, Hermes and Rado. Mr. Jeng graduated with a master degree in business administration from the University of Wisconsin in 1989 and a bachelor degree in business administration from the National Taipei University in 1984.

Management Discussion and Analysis

Financial Review

The Group achieved another year of remarkable growth for the financial year ended 31 March 2012 ("FY2012"), outperforming its stellar record in FY2011. Group revenue surged 35.7% to HK$1,115.1 million from HK$821.5 million in the previous financial year due to the robust conditions in the luxury retail market in Hong Kong.

Gross profit grew by 41.6% to HK$397.5 million in FY2012 from HK$280.7 million in FY2011. The gross profit margin improved to 35.6% from 34.2%, Net Profit, soared 76.6% to HK$139.2 million from HK$78.8 million in the previous financial year.

The Group reported a realised foreign exchange loss of HK$33.0 million in FY2012 against a realised foreign exchange loss of HK$2.6 million in FY2011. The loss on fair value change of derivative financial instruments is HK$4.9 million in FY2012.

The realised foreign exchange loss was offset partially by the unrealised foreign exchange gain of HK$12.8 million in FY2012, against an unrealised foreign exchange loss of HK$29.5 million in FY2011.

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

Excluding the realised and unrealised exchange differences and loss on fair value change of derivative financial instruments, the Group's profit before tax was HK$193.8 million — up 53.5% from HK$126.3 million for FY2011.

As a result of higher turnover, operating costs went up due to increased marketing activities in the expanded distribution network. Selling and distribution costs grew 46.5% to HK$61.7 million from HK$42.1 million last year. Administrative expenses rose 25.9% to HK$142.0 million from HK$112.8 million last year mainly due to increased staff and directors costs.

Reflecting the strong increase in net profit, Group earnings per share (EPS) jumped 76.7% to 34.1 HK cents in FY2012 against 19.3 HK cents in FY2011. Net Asset Value (NAV) per share climbed 35.5% to 106.9 HK cents as at 31 March 2012, up from 78.9 HK cents as at 31 March 2011.

The strong growth in sales and profits was attributed to the rapid growth of luxury brands and the exponential demand for luxury goods in China, prompted by the sharp increase of high networth individuals (HNWI) in recent years. According to Merrill Lynch Global Wealth Management research, China is the 2nd largest HNWI base in the Asia-Pacific region and 4th largest in the world, with 535,000 HNWIs in 2010, up 12.0% from the previous year. The Group also benefited from the immense growth in Swiss watch demand in Hong Kong and China — two of the world's top markets for Swiss watches in 2011. Hong Kong and China together accounted for 29.7% of the total Swiss watch exports in 2011, up from 26.9% in 2010.

The improved performance was also credited to the many brand enhancing activities and the opening of 17 new POS including 5 mono-brand boutiques during the year in review.

Liquidity, Financial Resources and Gearing Ratio

As at 31 March 2012, the Group has strengthened its financial position. The Group has enhanced its strong cash balance, with cash and bank balance increasing 41.2% to HK$414.3 million from HK$293.4 million as at 31 March 2011. The Group remains debt free, with no outstanding bank loans.

The Group finances its operations and investing activities with internally generated cash flows. As at 31 March 2012, the Group's net current asset rose 38.0% to HK$395.4 million from HK$286.5 million as at 31 March 2011. This is also a 23.6% improvement compared to HK$319.8 million recorded on 30 September 2011. 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 its working capital needs.

The Group recorded a realised exchange loss of HK$33.0 million in FY2012 against a realised loss of HK$2.6 million in FY2011. In addition, the Group registered an unrealised exchange gain of about HK$12.8 million in FY2012 against an unrealised exchange loss of about HK$29.5 million needed for FY2011. Besides, in FY2012, the Group recorded HK$4.9 million loss on fair value change of derivative financial instruments, which represents the "mark-to-market" loss on foreign currency forward contracts.

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

Charge on Assets

The Group did not have any charge on their assets as at 31 March 2012 (31 March 2011: Nil).

Significant Acquisition of Subsidiary

No significant acquisition of subsidiary was made in 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 2012.

Contingent Liabilities

The Group did not have any contingent liabilities as at 31 March 2012 (31 March 2011: Nil).

Staff and Employment

As at 31 March 2012, the Group's work force stood at 86 including Directors (31 March 2011: 73). The increase was mainly due to the need for more staff to support higher sales. Employees were paid at market rates with discretionary bonus and medical benefits, covered under the mandatory provident fund scheme.

The Group is constantly reviewing its staff remuneration to ensure it stays competitive with market practice.

Possible Mandatory Cash Offer

On 21 February 2012, Sincere Holdings Limited as vendor, Be Bright Limited as offeror and Mrs. Chu Yuet Wah as guarantor entered into a Share Purchase Agreement ("SPA"), pursuant to which Be Bright Limited agreed to purchase and Sincere Holdings Limited agreed to sell and/or procure the sale of 100% of the issued share capital of the Company's immediate holding company, Sincere Watch Limited, subject to conditions and completion as more particularly disclosed in the joint announcement of the Company and Be Bright Limited dated 29 March 2012. Should the SPA be completed, Be Bright limited will be obliged to make a mandatory cash offer for all the issued shares in the Company (other than those shares already owned by or agreed to be acquired by Be Bright Limited and parties acting in concert with it). The SPA was completed on 21 May 2012.

Business Review

The Group is the sole distributor of Franck Muller watches and accessories in Hong Kong, Macau, Taiwan and Mainland China. We also represent five other exclusive luxury brands — de Grisogono, CVSTOS, Pierre Kunz, European Company Watch and Backes & Strauss.

The Group continued to strengthen its position in North Asia by expanding its distribution network with a strong focus on China. The Group has consistently embarked on targeted marketing initiatives to engage its customers and focusing on the strengths of the global watch brands. This included several unique events aimed at brand exposure and enhancing customer relations.

Distribution network and market penetration

The Group has extended its distribution network during the year under review to 66 retail points of sales (POS), an increase from 49 in the previous corresponding year. The year in review saw an addition of 5 mono-brand Franck Muller boutiques in Hong Kong, China (Beijing, Ningbo, Dalian) and Taiwan (Taichung). We extended our distribution network in all our markets — Mainland China, Hong Kong, Macau, and Taiwan.

The 66 watch retail outlets in the region are run by 29 independent watch dealers throughout our markets in North Asia.

The year saw openings of Franck Muller retailer operated boutiques in Beijing, Ningbo, Dalian, Hong Kong and an own operated boutique in Taichung, Taiwan. Expansion of the distribution also saw new POS in China (Suzhou, Harbin), Taiwan (Taipei), Macau and Hong Kong.

Demand for the Group's new niche brand, Backes and Strauss showed positive growth. Two new POS was opened in Hong Kong and Macau.

Brand enhancement activities

The Group aims to not just delight our customers with the world's most coveted watch brands, but also to reinforce the history and culture of watchmaking in the market. Brand enhancement activities were consistently organised to bring these messages across. In early November 2011, customer loyalty was rewarded with a magnificent Franck Muller Super Car Tour which spanned three countries starting from Singapore, through Malaysia and Thailand.

To generate visibility for Franck Muller and showcase its high complications and expertise in bejewelled timepieces, the brand participated in a luxury exhibition "Top Marques" in Macau at the end of November 2011.

A boutique opening event was held in Taipei to celebrate the opening of our flagship store at the Regent Taipei. This branding event enabled us to reinforce Franck Muller's presence in the market. The event was officiated by Mr. Franck Muller himself which generated huge media interest and the evening's gala dinner was attended by the city's elite community.

In December 2011, to celebrate the revitalisation of our presence in Beijing, a lavish gala dinner was held at the Beijing Reignwood Theater. The opening of the Franck Muller boutique at the Beijing World Trade Center attracted local and international social elites and celebrities which included award winning actress Carina Lau, former actress Cherie Chung, actor Kenny Bee, amongst the many attendees. Mr. Franck Muller was also there to unveil the yet another exceptional complication — the GIGA Tourbillon to the Chinese public.

Early this year in February 2012, we once again celebrated the opening of another boutique in China, in the burgeoning city of Ningbo. This street level store allows maximum brand presence in a very high end luxury brands locality.

Geographical Markets

All of the Group's markets remained profitable with Hong Kong and China showing significant sales and profit growth.

Hong Kong and China remain the key revenue drivers, contributing to 95.7% of the Group's total turnover of HK$1,067.0 million in FY2012.

Hong Kong

Hong Kong continues to be the Group's major market, accounting for 74.5% of the Group's revenue in FY2012. Performance in this market recorded the largest increase in revenue — up HK$214.2 million, or 34.8% to HK$830.4 million from HK$616.2 million in the previous period.

Hong Kong recorded segmental profit of HK$283.2 million — up 42.7% from the corresponding period last year. This market accounted for 73.8% of the Group's segmental profit.

PRC other than Hong Kong

The percentage contribution of PRC other than Hong Kong (i.e. PRC and Macau) to the Group's total revenue rose from 19.2% in FY2011 to 21.2% in FY2012. Sales in this region showed the strongest increase, soaring 50.0% to HK$236.6 million from HK$157.8 million in the last year.

In 2011, Swiss watches exported to China reached CHF 1,636 million, up 48.7% from 2010. China accounted for 8.5% of the global total Swiss watch exports by value.

The market in China and Macau chalked up the strongest growth in segmental profit recording a segmental profit of HK$81.9 million, up 50.3% from HK$54.5 million in FY2011.

Other Asian markets

The Group's other Asian territories (i.e. Taiwan and Singapore) remained profitable. The segment recorded revenue of HK$48.1 million, 1.1% higher than HK$47.5 million in FY2011.

This region's contribution to the Group's overall revenue also eased to 4.3% against 5.8% of Group total revenue in the previous year. However, segmental profit increased 13.1% to HK$18.8 million from HK$16.6 million in FY2011.

Prospects

The year 2011 broke all export records for the Swiss watch industry in value and volume terms.

Asia accounted for 55% of the total value of Swiss watch exports in 2011 — recording the highest growth of 25.6% among all regions. Hong Kong retains its pole position as the largest market for Swiss watches in 2011 followed by the US and China. China's growth rate of 48.7% was the highest among the main markets followed by Hong Kong's with 28.3% in terms of Swiss watch export growth rates in 2011.

Prospects for luxury watch industry growth in China and Hong Kong in the mid term remain robust according to PWC's report *2012 Outlook for the Retail and Consumer Products Sector in Asia*. It said China will be the top contributor to growth in luxury sales worldwide through 2014. Luxury watches in Hong Kong will also enjoy rapid sales growth in 2011–2015. Hong Kong and China's demand for luxury watches are undergoing some corrections from the extraordinary growth of the year before. We should see some levelling off of the Swiss watch exports growth rate among top six countries in March 2012.

Given the reported economic slowdown in China and the global uncertainties exacerbated by the Euro crisis, the global outlook remains challenging. As we remain gearing-free, the Group will continue to remain competitive and innovative. The Group will continue to seize opportunities for business expansion in the Asian economic landscape.

Given the Group's strengths and established leadership in the markets we serve, we remain optimistic of our future prospects.

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"), which has been renamed as Corporate Governance Code with effect from 1 April 2012, 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 2012, except for certain deviation disclosed herein.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiries, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the year ended 31 March 2012.

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 consisted of seven members as at 31 March 2012, 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.

During the year, the Board held four regular 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. Under the code provision A.1.3, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. One of the regular Board meetings was convened by notice of less than 14 days, to enable the Board to make expeditious decision making in respect of transactions which were of significance to the Group's business. The Board will do its best endeavours to meet the requirement of code provision A.1.3 in future. 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)*	4/4
Chau Kwok Fun, Kevin *(Executive Vice Chairman)*	4/4
Tay Liam Wuan *(Chief Executive Officer)*	4/4
Non-executive Director	
Batchelor, John Howard	4/4
Independent Non-executive Directors	
Lew, Victor Robert	4/4
King Roger	4/4
Lam Man Bun, Alan	4/4

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 opened 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 2011. 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 6 to 8 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.

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

Independent Non-executive Directors	Number of attendance
King Roger *(Chairman)*	1/1
Lew, Victor Robert	1/1
Lam Man Bun, Alan	1/1

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;
- discussed the remuneration policy for the Executive Directors; and
- reviewed the terms of reference of the Remuneration Committee.

Nomination Committee

The Company has established a Nomination Committee on 2 August 2011. The duties and functions of the Nomination Committee include the following:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of independent non-executive directors;

4. to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive; and

5. to keep under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace.

No Director is involved in fixing his/her own terms of appointment and no Independent Non-executive Director is 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.

The Nomination Committee had not held any meeting since its formation up to 31 March 2012, and the Company had not appointed any new Director to the Board during the year.

Auditor's Remuneration

During the year, the Group was charged HK$793,000 for auditing services and HK$48,000 for non-auditing services by the Company's auditor, Deloitte Touche Tohmatsu.

Services rendered	**Fees paid/ payable** HK$
Audit services	793,000
Non-audit services:	
Review of continuing connected transactions	30,000
Review of results announcements	18,000

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 2011 and the audited financial statements for the year ended 31 March 2011 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 2011 and for the year ended 31 March 2012, 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 Chairman of the Board as well as the Chairman of the Audit Committee and of the Remuneration Committee were present at the AGM for 2011 to answer shareholders' questions.

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

Report of the Directors

The directors of the Company are pleased to present their annual report and the audited consolidated financial statements for the year ended 31 March 2012.

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 2012 are set out in note 27 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 March 2012 are set out in the consolidated statement of comprehensive income on page 26.

The directors do not recommend the payment of a dividend (in respect of year ended 31 March 2011: HK$0.06 per share) and propose that the profit for the year be retained.

Distributable Reserves of the Company

At 31 March 2012, 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 2012, the Company's reserves available for distribution to shareholders amounted in total to approximately HK$128,531,000.

Major Customers and Suppliers

The Group's five largest customers contributed approximately 54.2% of the Group's total sales for the year. The largest customer of the Group accounted for approximately 19.2% of the Group's total sales. The Group's five largest suppliers contributed approximately 100% of the Group's total purchases for the year. The largest supplier of the Group accounted for approximately 97.6% of the Group's total purchases.

Each of Mr. Tay Liam Wee and Mr. Chau Kwok Fun, Kevin has less than 5% interest 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 is a supplier to the Group and 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$21,329,000 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

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

As at 31 March 2012, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long Positions in shares in Associated Corporation — Sincere Holdings Limited

Name of Directors	Number of shares held as personal interests	Approximate percentage of interest %
Chau Kwok Fun, Kevin	596,421	1
Tay Liam Wuan	298,210	0.5

Other than as disclosed above, at 31 March 2012, neither the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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"), and with SWL.

(i) The Group sold watches to SWL and its subsidiary in Singapore for sale and distribution on an as needed basis when SWL and its subsidiary in Singapore were out of certain models of watches. Such sales amounted to a total of approximately of HK$2,317,000.

(ii) The Group purchased watches from SWL and its subsidiaries in Singapore on an as needed basis to meet customers' demand when certain models of watches were out of stock in Hong Kong, Macau, Taiwan or the PRC. Such purchases amounted to a total of approximately HK$10,692,000.

The Company and SWL entered into the Inventory Control Agreement ("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 any interest in SWL and its subsidiaries had reviewed the continuing connected transactions and the report of the auditors and have confirmed that the transactions (the "Continuing Connected Transactions") under the Agreement (i) have been conducted in the ordinary and usual course of its business, (ii) on the terms and conditions on arm's length basis and normal commercial terms, are fair and reasonable and in the interests of the Company and the shareholders 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 2011 to 31 March 2012 did not exceed the maximum annual cap of HK$11,000,000 as set out in the announcement of the Company dated 24 May 2011; and (iv) the aggregate amount of the purchase of watches from SWL and its subsidiaries in Singapore for the year from 1 April 2011 to 31 March 2012 did not exceed the maximum annual cap of HK$11,000,000 as set out in the announcement of the Company dated 24 May 2011.

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 2012, the following persons (other than the interests disclosed above in respect of Directors or chief executive 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%
Be Bright Limited	Interest of a controlled corporation *(Note 4)*	306,000,000 (L)	75%
Chu Yuet Wah	Interest of a controlled corporation *(Note 4)*	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.*
4. *On 21 February 2012, Sincere Holdings Limited as vendor, Be Bright Limited as offeror and Mrs. Chu Yuet Wah as guarantor entered into a Share Purchase Agreement, pursuant to which Be Bright Limited agreed to purchase and Sincere Holdings Limited agreed to sell and/or procure the sale of 100% of the issued share capital of SWL, subject to conditions and completion as more particularly disclosed in the joint announcement of the Company and Be Bright Limited dated 29 March 2012. Accordingly, Be Bright Limited and Mrs. Chu Yuet Wah as the sole beneficial owner of Be Bright Limited are taken to be interested in the 306,000,000 shares held by SWL by virtue of the SFO.*

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 2012.

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

During the year, 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, except for the certain deviation. The Corporate Governance Report is set out on pages 15 to 18 of this annual report.

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 2012.

Possible Mandatory Cash Offer

On 21 February 2012, Sincere Holdings Limited as vendor, Be Bright Limited as offeror and Mrs. Chu Yuet Wah as guarantor entered into a Share Purchase Agreement ("SPA"), pursuant to which Be Bright Limited agreed to purchase and Sincere Holdings Limited agreed to sell and/or procure the sale of 100% of the issued share capital of the Company's immediate holding company, Sincere Watch Limited, subject to conditions and completion as more particularly disclosed in the joint announcement of the Company and Be Bright Limited dated 29 March 2012. Should the SPA be completed, Be Bright limited will be obliged to make a mandatory cash offer for all the issued shares in the Company (other than those shares already owned by or agreed to be acquired by Be Bright Limited and parties acting in concert with it). The SPA was completed on 21 May 2012.

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
21 May 2012

Deloitte.
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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 26 to 59, which comprise the consolidated statement of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, 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 of consolidated financial statements that give a true and fair view 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 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 May 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012

	NOTES	2012 HK$'000	2011 HK$'000
Turnover		**1,115,070**	821,540
Cost of sales		**(717,613)**	(540,888)
Gross profit		**397,457**	280,652
Other income		**84**	512
Selling and distribution costs		**(61,690)**	(42,119)
General and administrative expenses		**(142,004)**	(112,784)
Profit before taxation, exchange gain (losses) and loss on fair value change of derivative financial instruments		**193,847**	126,261
Realised exchange loss	8	**(32,985)**	(2,612)
Unrealised exchange gain (loss)		**12,797**	(29,532)
Loss on fair value change of derivative financial instruments		**(4,859)**	—
Profit before taxation		**168,800**	94,117
Income tax expense	9	**(29,633)**	(15,302)
Profit for the year attributable to owners of the Company	10	**139,167**	78,815
Other comprehensive income			
Exchange differences on translation of foreign operations		**(245)**	2,766
Total comprehensive income for the year, attributable to owners of the Company		**138,922**	81,581
Earnings per share	13		
— basic		**34.1 HK cents**	19.3 HK cents

Consolidated Statement of Financial Position

As at 31 March 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	14	**20,600**	8,199
Intangible assets	15	**8,092**	8,092
Deferred tax assets	23	**12,180**	19,057
		40,872	35,348
Current assets			
Inventories	16	**386,245**	272,854
Trade and other receivables	17	**105,283**	159,749
Amount due from a fellow subsidiary	18	**—**	5
Bank balances and cash	19	**414,279**	293,414
		905,807	726,022
Current liabilities			
Trade and other payables	20	**491,509**	431,736
Amount due to immediate holding company	18	**28**	188
Amount due to fellow subsidiaries	18	**27**	536
Derivative financial instruments	21	**4,859**	—
Taxation payable		**14,012**	7,108
		510,435	439,568
Net current assets		**395,372**	286,454
Total assets less current liabilities		**436,244**	321,802
Net assets		**436,244**	321,802
Capital and reserves			
Share capital	22	**40,800**	40,800
Reserves		**395,444**	281,002
Equity attributable to owners of the Company		**436,244**	321,802

The consolidated financial statements on pages 26 to 59 were approved and authorised for issue by the Board of Directors on 21 May 2012 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 2012

	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 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 and 1 April 2011	40,800	59,546	801	3,593	217,062	321,802
Exchange difference arising from translation of foreign operations	—	—	—	(245)	—	(245)
Profit for the year	—	—	—	—	139,167	139,167
Total comprehensive income for the year	—	—	—	(245)	139,167	138,922
2011 final dividend paid	—	—	—	—	(24,480)	(24,480)
At 31 March 2012	**40,800**	**59,546**	**801**	**3,348**	**331,749**	**436,244**

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 2012

	2012 HK$'000	2011 HK$'000
Operating activities		
Profit before taxation	**168,800**	94,117
Adjustments for:		
Interest income	**(84)**	(19)
Gain on disposal of property, plant and equipment	**—**	(16)
Amortisation of intangible asset	**—**	1,155
Depreciation of property, plant and equipment	**8,914**	7,521
Unrealised exchange (gain) loss	**(12,797)**	29,532
Loss on fair value change of derivative financial instruments	**4,859**	—
Operating cash flows before movements in working capital	**169,692**	132,290
Increase in inventories	**(113,582)**	(27,268)
Decrease (increase) in trade and other receivables	**54,400**	(53,700)
Decrease in amount due from a fellow subsidiary	**5**	—
Increase in trade and other payables	**72,578**	168,793
(Decrease) increase in amount due to immediate holding company	**(160)**	320
Decrease in amounts due to fellow subsidiaries	**(509)**	(7,465)
Cash generated from operations	**182,424**	212,970
Hong Kong Profits Tax paid	**(12,289)**	(10,708)
Tax in other jurisdictions paid	**(3,569)**	(1,571)
Net cash from operating activities	**166,566**	200,691
Investing activities		
Interest received	**84**	19
Purchase of property, plant and equipment	**(21,329)**	(7,683)
Proceeds from disposal of property, plant and equipment	**—**	29
Decrease in pledged bank deposits	**—**	6,900
Net cash used in investing activities	**(21,245)**	(735)
Financing activity		
Dividends paid	**(24,480)**	(8,160)
Cash used in financing activity	**(24,480)**	(8,160)
Net increase in cash and cash equivalents	**120,841**	191,796
Cash and cash equivalents at beginning of the year	**293,414**	102,121
Effect of foreign exchange rate changes	**24**	(503)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**414,279**	293,414

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 ("HKFRSs")

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standard ("HKAS"), amendments and interpretation ("INT") (hereinafter collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related party disclosures
Amendments to HK(IFRIC*) – INT 14	Prepayments of a minimum funding requirement
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments

* *IFRIC represents the IFRS 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 ("HKFRSs") (continued)

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

Amendments to HKFRS 7	Disclosures — Transfers of financial assets[1]
	Disclosures — Offsetting financial assets and financial liabilities[2]
	Mandatory effective date of HKFRS 9 and transition disclosures[3]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
Amendments to HKAS 1	Presentation of items of other comprehensive income[5]
Amendments to HKAS 12	Deferred tax — Recovery of underlying assets[4]
HKAS 19 (as revised in 2011)	Employee benefits[2]
HKAS 27 (as revised in 2011)	Separate financial statements[2]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[6]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[2]

[1] *Effective for annual periods beginning on or after 1 July 2011.*
[2] *Effective for annual periods beginning on or after 1 January 2013.*
[3] *Effective for annual periods beginning on or after 1 January 2015.*
[4] *Effective for annual periods beginning on or after 1 January 2012.*
[5] *Effective for annual periods beginning on or after 1 July 2012.*
[6] *Effective for annual periods beginning on or after 1 January 2014.*

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

HKFRS 9 "Financial instruments" (continued)

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of HKFRS 9 may have significant impact on the Group's financial assets and financial liabilities should the Group has such relevant items in the future.

HKFRS 13 "Fair value measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. This standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 "Presentation of items of other comprehensive income"

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

3. Significant Accounting Policies

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

The consolidated financial statements have been prepared under the historical cost basis except for the derivative financial instruments which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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.

Goodwill

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

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 recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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.

3. Significant Accounting Policies (continued)

Property, plant and equipment

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

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 the 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.

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.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

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 asset 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 immediately in profit or loss.

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

3. Significant Accounting Policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised 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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets 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.

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 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.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Impairment of loans and receivables (continued)

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 as either financial liabilities or as equity in accordance with 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 (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 liability, or, where appropriate, a shorter period to the net carrying value on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

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

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.

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to immediate holding company and amount due to a fellow subsidiary 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 when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. Significant Accounting Policies (continued)

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary 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.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax 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.

Current and 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, deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

3. Significant Accounting Policies (continued)

Foreign currencies (continued)

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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

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) using exchange rates 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).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

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

Leasing

Leases are 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 including 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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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 2012, the carrying amount of goodwill is approximately HK$8,092,000 (2011: HK$8,092,000).

4. Key Sources of Estimation Uncertainty (continued)

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 2012, the carrying amount of inventories is approximately HK$386,245,000 (2011: HK$272,854,000), net of allowance for inventories of approximately HK$55,197,000 (2011: HK$99,300,000).

Income taxes

At 31 March 2012, a deferred tax asset of approximately HK$12,180,000 (2011: HK$19,057,000) 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

	2012 **HK$'000**	2011 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**482,683**	431,054
Financial liabilities		
Amortised cost	**402,633**	355,913
Derivative financial instruments classified as held for trading	**4,859**	—

6b. Financial risk management objectives and policies

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

6. Financial Instruments (continued)

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

Market risk

Currency risk

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

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

		Assets		Liabilities	
	Currency	**2012**	2011	**2012**	2011
		HK$'000	HK$'000	**HK$'000**	HK$'000
Euro	EUR	**108**	229	**171**	231
Renminbi	RMB	**1,975**	1,212	**—**	—
Singapore dollars	SGD	**—**	—	**737**	1,232
Swiss Franc	CHF	**22,378**	9,261	**394,378**	351,810
United States dollars	USD	**780**	52	**—**	—
New Taiwan Dollar	NTD	**692**	—	**26**	—

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% (2011: 10%) increase and decrease in Hong Kong dollars against Swiss Franc. 10% (2011: 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% (2011: 10%) change in foreign currency rate. The analysis illustrates the impact for a 10% (2011: 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% (2011: 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 trade payables net of bank balances denominated in Swiss Franc at the year end.

	Swiss Franc impact	
	2012	2011
	HK$'000	HK$'000
Decrease in post-tax profit for the year	**31,022**	28,567

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

6. Financial Instruments (continued)

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

Market risk (continued)

Other price risk

The Group is exposed to price risk for the outstanding foreign exchange contracts. The Group has appointed a special team to monitor the price risk and used foreign currency forward contracts to hedge significant future transactions and cash flows.

Sensitivity analysis

For the outstanding foreign exchange contracts, if the forward foreign exchange rate of Hong Kong dollars against Swiss Franc had been 10% weaken/strengthen and other factor remain constant, post-tax profit for the year would increase/decrease by HK$13,145,000 (2011: nil).

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 2012 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 which are deposited with several banks with high credit ratings.

The Group's concentration of credit risk on trade receivables as at 31 March 2012 is mainly from five major customers which accounted for 81% (2011: 74%) 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 74% (2011: 76%) of the total turnover. The Group has closely monitored the sales performance and diversified its customer bases.

6. Financial Instruments (continued)

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

Liquidity risk

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

	Weighted average effective interest rate %	Within 90 days HK$'000	Over 90 days and less than 1 year HK$'000	Total contractual undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 March 2012					
Non-derivative financial liabilities					
Trade and other payables	—	**185,047**	**217,531**	**402,578**	**402,578**
Amount due to immediate holding company	—	**28**	—	**28**	**28**
Amount due to a fellow subsidiary	—	**27**	—	**27**	**27**
		185,102	**217,531**	**402,633**	**402,633**
Derivatives — gross settlement					
Foreign exchange forward Contracts					
— inflow		(77,208)	(25,736)	(102,944)	(102,944)
— outflow		80,852	26,951	107,803	107,803
		3,644	1,215	4,859	4,859
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

6. Financial Instruments (continued)

6c. Fair value

The fair value of financial assets and financial liabilities carried at amortised cost is determined using generally accepted pricing models based on discounted cash flow analysis.

The fair value of derivative instruments is calculated using quoted foreign exchange rate where it is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives.

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

6d. Fair value measurements recognised in the statement of financial position

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification of the measurement of the derivative financial instruments at March 2012 using the fair value hierarchy is Level 2.

There were no transfers between Level 1 and 2 in the current year.

7. Segment Information

The Group determines its operating segments based on the internal reports reviewed by the Executive Directors of the Company, who are the chief operating decision maker, that are used to allocate resources and assess performance, which are analysed based on the geographical locations of the sales. The Group has only one business operation, which is the distribution of branded luxury watches, timepieces and accessories.

Segment results represent 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.

7. Segment Information (continued)

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

Year ended 31 March 2012

	Hong Kong HK$'000	PRC other than Hong Kong HK$'000	Other Asian locations HK$'000	Consolidated HK$'000
REVENUE				
External sales	**830,391**	**236,628**	**48,051**	**1,115,070**
RESULT				
Segment result	**283,228**	**81,947**	**18,782**	**383,957**
Unallocated expenses				**(215,241)**
Unallocated income				**84**
Profit before taxation				**168,800**

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 and gains				1,196
Profit before taxation				94,117

No assets, liabilities and other segment information are included in the measure of the segment profits or provided to the Executive Directors on a regular basis.

7. Segment Information (continued)

Information about major customers

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

	2012 HK$'000	2011 HK$'000
Customer A	214,401	126,295
Customer B	138,245	N/A[1]
Customer C	N/A[1]	125,789

[1] *The corresponding revenue did not contribute over 10% of the total sales of the Group. Thus disclosure of 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:

	2012 HK$'000	2011 HK$'000
Hong Kong	6,405	3,701
PRC other than Hong Kong	10,255	4,149
Other Asian location	12,032	8,441
	28,692	16,291

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

8. Realised Exchange Loss (Gain)

The realised exchange loss comprise:

	2012 HK$'000	2011 HK$'000
Realised exchange loss on monetary items	(35,765)	(15,281)
Realised gain from foreign currency forward contracts	2,780	12,669
Net realised exchange loss	(32,985)	(2,612)

9. Income Tax Expense

	2012 **HK$'000**	2011 HK$'000
The charge comprises:		
Current tax		
Hong Kong	**(17,109)**	(8,810)
Other jurisdictions	**(5,642)**	(3,376)
	(22,751)	(12,186)
Underprovision in prior years:		
Other jurisdictions	**(16)**	(18)
Deferred tax charge (note 23)		
Current year	**(6,866)**	(2,694)
Attributable to change in tax rate	**—**	(404)
	(6,866)	(3,098)
	(29,633)	(15,302)

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit for the year.

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

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

	2012 **HK$'000**	2011 HK$'000
Profit before taxation	**168,800**	94,117
Tax at the domestic income tax rate of 16.5% (2011: 16.5%)	**(27,852)**	(15,529)
Tax effect of income not taxable in determining taxable profit	**12**	1
Tax effect of expenses not deductible in determining taxable profit	**(1,939)**	(215)
Tax effect of tax losses not recognised	**(705)**	(415)
Tax effect of change in tax rate	**—**	(404)
Underprovision in prior years	**(16)**	(18)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**867**	1,391
Others	**—**	(113)
Tax charge for the year	**(29,633)**	(15,302)

10. Profit for the Year

	2012 HK$'000	2011 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration	**31,917**	21,760
Other staff costs	**30,582**	22,237
Other staff's retirement benefits scheme contributions	**472**	379
Total staff costs	**62,971**	44,376
Auditor's remuneration	**793**	713
Amortisation of intangible assets (included in general and administrative expenses)	**—**	1,155
Depreciation of property, plant and equipment	**8,914**	7,521
Minimum lease payments in respect of rented premises (note)	**51,501**	43,874
and after crediting:		
Gain on disposal of property, plant and equipment	**—**	16
Interest income	**84**	19

Note: The minimum lease payments in respect of rented premises included contingent rent of HK$3,570,000 (2011: HK$848,000). 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 2012 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	—	2,232	9,378	—	11,610
Mr. Chau Kwok Fun, Kevin	—	5,445	9,378	12	14,835
Ms. Tay Liam Wuan	—	2,145	2,835	12	4,992
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	9,822	21,591	24	31,917

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

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

11. Directors' and Employees' Remuneration (continued)

Employees' emoluments

For the year ended 31 March 2012, the five highest paid individuals included three (2011: three) directors, details of whose remuneration are included above. The remuneration of the remaining two (2011: two) highest paid individuals are as follows:

	2012	2011
	HK$'000	HK$'000
Salaries, allowances and other benefits	**4,209**	2,639
Performance related incentive payments	**728**	1,237
Contributions to retirement benefits schemes	**24**	24
	4,961	3,900

The emoluments of the employees were within the following bands:

	Number of employees	
	2012	2011
HK$1,500,001 to HK$2,000,000	**—**	1
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	—

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

12. Dividend

During the year ended 31 March 2012, a final dividend of HK$0.06 (2011: HK$0.02 in respect of year ended 31 March 2010) per share in respect of the year ended 31 March 2011 amounting to HK$24,480,000 (2011: HK$8,160,000) was paid.

The Board does not recommend the payment of any final dividend for the year ended 31 March 2012 (2011: HK$0.06 per share).

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$139,471,000 (2011: HK$78,815,000) and on the number of shares of 408,000,000 (2011: 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 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
Currency realignment	(31)	(2)	(11)	(1)	—	(45)
Additions	15,906	5,146	112	165	—	21,329
At 31 March 2012	**47,984**	**13,332**	**3,718**	**1,258**	**408**	**66,700**
DEPRECIATION						
At 1 April 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
Currency realignment	(18)	(2)	(10)	(1)	—	(31)
Provided for the year	5,130	3,596	47	80	61	8,914
At 31 March 2012	**32,612**	**8,508**	**3,489**	**1,083**	**408**	**46,100**
CARRYING VALUES						
At 31 March 2012	**15,372**	**4,824**	**229**	**175**	**—**	**20,600**
At 31 March 2011	4,609	3,274	165	90	61	8,199

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, whichever is shorter period
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 2010, 31 March 2011 and **31 March 2012**	**6,208**	**8,092**	**14,300**
AMORTISATION			
At 1 April 2010	5,053	—	5,053
Charge for the year	1,155	—	1,155
At 31 March 2011 and 2012	6,208	—	6,208
CARRYING VALUES			
At 31 March 2012	**—**	**8,092**	**8,092**
At 31 March 2011	—	8,092	8,092

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. The distribution rights were fully depreciated during the year.

(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 2012 and 2011, 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 most recent financial budget for the next five years approved by management using a discount rate of 13.8% (2011: 12.2%) which reflects current market assessments of the time value of money and the risks specific to the CGU. The average growth rate per annum for the next five years is 15% (2011: 15%) in light of the industry growth forecast. The CGU's cash flows beyond the five-year period are extrapolated without further growth rate. 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

	2012 HK$'000	2011 HK$'000
Trade receivables	**68,842**	130,121
Less: Allowance for doubtful debts	**(484)**	(484)
	68,358	129,637
Other receivables, deposits and prepayments	**36,925**	30,112
	105,283	159,749

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:

	2012 HK$'000	2011 HK$'000
Within 30 days	**34,950**	71,352
31–90 days	**33,056**	48,488
91–120 days	**352**	9,791
Over 120 days	**—**	6
	68,358	129,637

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 balances are debtors with aggregate carrying amount of HK$352,000 (2011: HK$9,797,000) which are aged over 90 days at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

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

	2012 HK$'000	2011 HK$'000
91–120 days	**352**	9,791
Over 120 days	**—**	6
	352	9,797

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.

17. Trade and Other Receivables (continued)

Movement in the allowance for doubtful debts

	2012 HK$'000	2011 HK$'000
Balance at beginning and end of the year	**484**	484

18. Amounts due from/to Group Companies

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

19. Bank Balances and Cash

Bank balances and cash comprise cash held by the Group at prevailing market interest rates ranging from 0.001% to 0.17% (2011: 0.001% to 0.16%) per annum.

20. Trade and Other Payables

	2012 HK$'000	2011 HK$'000
Trade payables	**394,504**	352,053
Other payables and accrued charges	**97,005**	79,683
	491,509	431,736

The following is an aged analysis of trade payables:

	2012 HK$'000	2011 HK$'000
Within 90 days	**155,847**	155,556
91 days–365 days	**237,770**	159,730
Over 365 days	**887**	36,767
	394,504	352,053

The amount of trade payables above includes amounts of approximately HK$394,378,000 (2011: HK$351,810,000) and HK$171,000 (2011: HK$231,000) which are denominated in Swiss Franc and Euro respectively.

21. Derivative Financial Instruments

	2012 HK$'000	2011 HK$'000
Foreign currency forward contracts	**4,859**	—

The Group has used foreign currency forward contracts to hedge future transactions and cash flows. The above derivatives are measured at fair value at the end of the reporting period.

At 31 March 2012

Notional amount	Maturity	Exchange rates
Buy CHF12,000,000	Range from 24 April 2012 to 24 July 2012	HKD/CHF at 8.9835

22. Share Capital

	2012 & 2011 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.

23. 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 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
Currency realignment	(1)	(10)	—	—	(11)
Credit (charge) to profit or loss for the year	382	(7,281)	—	33	(6,866)
At 31 March 2012	3,002	9,149	—	29	12,180

The Group has unused tax losses of approximately HK$10,894,000 (2011: HK$6,618,000) 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 can be carried forward indefinitely.

Under the laws and regulations in Taiwan, withholding tax is imposed on dividends declared in respect of profits earned by a subsidiary incorporated and operated in Taiwan. Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the undistributable retained profits earned by that Taiwan subsidiary amounting to HK$36,280,000 (2011: HK$33,160,000) 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.

24. Operating Lease Commitments

At 31 March 2012, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2012 **HK$'000**	2011 HK$'000
Within one year	**39,088**	36,147
In the second to fifth years inclusive	**30,818**	58,408
	69,906	94,555

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

Certain rented premises included payment obligations with rentals varied with turnover. The 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.

25. Retirement Benefits Schemes

The Group operates a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employers and the employees are each required to make 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.

26. Related Party Transactions

(a) Transactions

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

	2012 **HK$'000**	2011 HK$'000
Sales to a fellow subsidiary	**2,317**	—
Purchases from fellow subsidiaries	**10,692**	7,867

(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.

27. Subsidiaries

Details of the Company's subsidiaries at 31 March 2012 and 31 March 2011 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
Emotus Limited	Hong Kong	HK$1	—	100%	Inactive

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

28. Information about the Financial Position of the Company

Information about the financial position of the Company at the end of the reporting period includes:

	2012 HK$'000	2011 HK$'000
Non-current assets		
Amounts due from subsidiaries	**57,692**	57,692
Unlisted investments in subsidiaries	**76,980**	76,980
	134,672	134,672
Current assets		
Amounts due from subsidiaries	**51,067**	42,161
Other current assets	**3,843**	10,775
	54,910	52,936
Current liabilities	**(20,251)**	(11,693)
Net current assets	**34,659**	41,243
	169,331	175,915
Capital and reserves		
Share capital (see note 22)	**40,800**	40,800
Reserves (Note)	**128,531**	135,115
	169,331	175,915

Note:

The movement of the reserves of the Company is as follows:

	HK$'000
At 1 April 2010	137,628
Profit for the year	5,647
2010 final dividend paid	(8,160)
At 31 March 2011 and 1 April 2011	135,115
Profit for the year	17,896
2011 final dividend paid	(24,480)
At 31 March 2012	128,531

29. Subsequent Event

On 21 February 2012, Sincere Holdings Limited, the Company's ultimate holding company, entered into a share purchase agreement with Be Bright Limited, a company incorporated in the British Virgin Islands in which Be Bright Limited will acquire all the issued share capital of Sincere Watch Limited, the Company's immediate holding company, subject to conditions and completion disclosed in the joint announcement of the Company and Be Bright Limited dated 29 March 2012. The transaction was completed on 21 May 2012.

Financial Summary

Results

	For the year ended 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**1,115,070**	821,540	443,969	409,780	733,211
Profit before taxation	**168,800**	94,117	4,744	50,043	41,840
Income tax (expense) credit	**(29,633)**	(15,302)	41	(8,678)	(7,451)
Profit for the year	**139,167**	78,815	4,785	41,365	34,389
Earnings per share					
Basic (HK cents)	**34.1**	19.3	1.2	10.1	8.4

Assets and Liabilities

	At 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**946,679**	761,370	497,723	496,594	657,396
Total liabilities	**510,435**	(439,568)	(249,342)	(254,877)	(433,244)
Total equity	**436,244**	321,802	248,381	241,717	224,152