

Report of the Directors

The directors present their first report and the audited consolidated financial statements for the year ended 31 March 2006.

CORPORATE REORGANISATION AND LISTING OF THE COMPANY'S SHARES ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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. Pursuant to group reorganisation (the "Reorganisation"), the Company has since 19 September 2005 become the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus dated 30 September 2005 issued by the Company.

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited with effect from 17 October 2005.

PRINCIPAL ACTIVITIES

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

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 March 2006 are set out in note 26 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2006 are set out in the consolidated income statement on page 30.

The directors recommend the payment of a final dividend of HK\$0.07 per share for the year ended 31 March 2006 amounting to HK\$28,560,000, and the retention of the remaining profit for the year of approximately HK\$21,360,000.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 21 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Company are set out in the consolidated statement of changes in equity on page 32 of the annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 March 2005, 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 2006, the Company's reserves available for distribution to shareholders amounted in total to approximately HK\$130,720,000 (2005: Nil).

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MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers contributed approximately 63.0% (2005: 60.8%) of the Group's total sales for the year. The largest customer of the Group accounted for approximately 14.8% (2005: 16.5%) of the Group total sales. The Group's five largest suppliers contributed approximately 99.0% (2005: 99.0%) of the Group's total purchase for the year. The largest supplier of the Group accounted for approximately 94.5% (2005: 93.7%) of the Group total purchases.

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\$292,000 on 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 (Chairman)	(appointed on 18 August 2004)
Chau Kwok Fun, Kevin (Vice Chairman)	(appointed on 19 September 2005)
Tay Liam Wuan (Chief Executive Officer)	(appointed on 19 September 2005)

Non-executive directors

Soh Gim Teik	(appointed on 19 September 2005)
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Independent non-executive directors

Lew, Victor Robert	(appointed on 19 September 2005)
Lim Suet Fern	(appointed on 19 September 2005)
King Roger	(appointed on 19 September 2005)

In accordance with Articles 108 and 112 of the Company's Articles of Association, all directors shall retire from office at the forthcoming annual general meeting and may offer themselves for re-election.

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

The independent non-executive directors were appointed for one year term expiring on 18 September 2006.

DIRECTORS' SERVICE CONTRACTS

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

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DIRECTORS' INTERESTS IN SHARES

At 31 March 2006, the beneficial interests of the directors and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of director	Company/name of associated corporation	Capacity	Number of securities	Approximate percentage of shareholding
Tay Liam Wee	The Company	Interest of a controlled corporation (Note)	306,000,000 shares	75%
Soh Gim Teik	Sincere Watch Limited	Interest of spouse	7,848,000 shares	4%

Note:

These shares are registered in the name of and beneficially owned by Sincere Watch Limited ("SWL"), 50.18% of its issued share capital is owned by TBJ Holdings Pte. Ltd. ("TBJ"), which is in turn beneficially wholly-owned by Mr. Tay Liam Wee. Mr. Tay Liam Wee is deemed to be interested in all the shares held by SWL under the SFO.

Other than as disclosed above, at 31 March 2006, none of the directors, chief executives, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

Continuing connected transactions

During the year, the Group had the following continuing connected transactions with SWL and its subsidiaries, namely Franck Muller Pte Ltd., Avante Marketing Pte Ltd., Heritage Distribution Pte Ltd.. Mr. Tay Liam Wee has beneficial interests in SWL in that SWL is owned as to 50.18% by TBJ, which is in turn beneficially wholly-owned by Mr. Tay Liam Wee.

- (i) The Group sold watches to SWL and its subsidiaries in Singapore for sale and distribution on an as needed basis when SWL and its subsidiaries in Singapore are out of certain models of watches. Such sales amounted to a total of approximately HK\$17,939,000.
- (ii) The Group purchased watches from SWL and its subsidiaries in Singapore on an as needed basis to meet customers' demand when certain models of watches are out of stock in Hong Kong, Macau, or the PRC. Such purchases amounted to a total of approximately HK\$3,858,000.

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

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DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS *(continued)*

Continuing connected transactions *(continued)*

For the period from 1 April 2005 to 18 September 2005 (before the Agreement was entered into), the gross profit margins of the Group's sales to SWL and its subsidiaries in Singapore were, on an average basis, lower than those of the Group's sales to independent watch dealers. The variances of the gross profit margin of the Group's sales to SWL and its subsidiaries in Singapore were attributable to the different business mode of the related companies (i.e. whether it is a watch retailer or wholesaler), and the fact that the prices of watches model differed depending on the product model, its year of made, its year of purchase, year of sales and its extent of popularity. Having accounted for the variance between the gross profit margin of the Group's sales to SWL and its subsidiaries in Singapore and to the independent watch dealers, the Group would have notionally understated its gross profit by approximately HK\$2.4 million for the period. For purchase of watches from SWL and its subsidiaries in Singapore, the purchase prices were on terms based on cost plus a fixed margin, which principally represented the administration expenses.

The Directors (including the independent non-executive directors not having interest in SWL) consider that these sales and purchases of watches to SWL and its subsidiaries in Singapore before the Agreement were conducted in the ordinary and usual course of business of the Group, and given the Group's overall performance and that the notional impact on the Group's gross profit was not material, these transactions were also on normal commercial terms.

For the period from 19 September 2005 (after the Agreement was entered) to 31 March 2006, the Company is required to comply with Rule 14A.35 to Rule 14A.40.

Pursuant to Rule 14A.38 of the Listing Rules, the board of directors engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditors have reported their factual findings on these procedures to the board of directors. The independent non-executive directors not having interest in SWL and its subsidiaries had reviewed the continuing connected transactions and the report of the auditors and have confirmed that the transactions (the "Continuing Connected Transactions") contemplated under the Agreement (i) have been entered into by the Group in the ordinary course of its business; (ii) on terms no less favourable than terms available to (from) independent third parties, and in accordance with the terms of the Agreement governing such Continuing Connected Transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole; (iii) the aggregate amount of the sales of watches to SWL and its subsidiaries in Singapore for the year from 1 April 2005 to 31 March 2006 did not exceed the maximum annual cap of HK\$30,000,000 as set out in the prospectus of the Company dated 30 September 2005; and (iv) the aggregate amount of the purchase of watches from SWL and its subsidiaries in Singapore for the year from 1 April 2005 to 31 March 2006 did not exceed the maximum annual cap of HK\$8,000,000 as set out in the prospectus of the Company dated 30 September 2005.

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DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS *(continued)*

Discontinued connected transactions

Before the listing of the shares of the Company on the Stock Exchange on 17 October 2005 (the "Listing"), the Group had the following connected transactions which were discontinued upon the Listing.

(i) Payment of management fee

For the period from 1 April 2005 to 30 September 2005, the Group paid a fixed management fee of HK\$1,800,000 to SWL.

(ii) Sale of watches to a wholly-owned subsidiary and an associated company of SWL in Taiwan and Thailand, respectively ("Discontinued Sales")

For the period from 1 April 2005 to 16 October 2005, the Group sold Franck Muller brand of watches to a wholly-owned subsidiary and an associated company of SWL in Taiwan and Thailand, respectively, for their respective sale and distribution in the local markets.

The Directors (including the independent non-executive directors) are of the opinion that the Discontinued Sales were conducted in the ordinary course of business of the Group. The gross profit margin of the Discontinued Sales was, on an average basis, lower than those sales to independent watch dealers during the period, which were affected by the prices of watches model differed depending on the product model, its year of made, its year of purchase, its year of sales, and the business mode of the related companies (whether it is a watch retailer or wholesaler). Having accounted for the variance between the gross profit margin of the Discontinued Sales and those of the sales to the independent watch dealers, the Group would have notionally understated its gross profit by approximately HK\$0.9 million for the period. The Directors (including the independent non-executive directors) consider that the contribution of the Discontinued Sales was not material to the Group and that its notional impact had no significant impact on the financial performance of the Group. The Discontinued Sales was discontinued upon Listing.

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

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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SUBSTANTIAL SHAREHOLDERS

At 31 March 2006, shareholders (other than directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company were as follows:

Name	Capacity	Number of securities (Note 1)	Approximate percentage of shareholding
SWL	Beneficial owner	306,000,000 shares (L)	75%
TBJ	Interest of a controlled Corporation (Note 2)	306,000,000 shares (L)	75%
Mr. Tay Boo Jiang	Interest of a controlled Corporation (Note 2)	306,000,000 shares (L)	75%
Mr. Tay Liam Wee	Interest of a controlled Corporation (Note 2)	306,000,000 shares (L)	75%
Chartered Asset Management Pte Ltd.	Investment Fund	24,633,000 shares (L)	6.04%
CAM-GFT Limited	Investment Fund	21,547,000 shares (L)	5.28%

Notes:

1. The letter "L" denotes the person's long position in the shares.
2. SWL is owned as to 50.18% by TBJ, which is in turn beneficially wholly-owned by Mr. Tay Liam Wee. By virtue of the voting deed entered into between Mr. Tay Boo Jiang and Mr. Tay Laim Wee on 24 August 2005, Mr. Tay Liam Wee agreed to consult and agree with Mr. Tay Boo Jiang on the action to be taken before exercising the voting rights with respect to Mr. Tay Liam Wee's shares in TBJ as from 24 August 2005. Accordingly, each of TBJ, Mr. Tay Liam Wee and Mr. Tay Boo Jiang is by virtue of the SFO deemed to be interested in all the shares in which SWL is interested.

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 2006.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Since the listing of the shares of the Company on the Stock Exchange on 17 October 2005, 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.

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COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES AND MODEL CODE

The Company was listed on 17 October 2005 on the Main Board of the Stock Exchange. From 17 October 2005 to the date of this report, 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.

From 17 October 2005 to the date of this 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. Having made specific enquiry of all Directors, the Company confirmed that, in respect of the period from 17 October 2005 to the date of this report, all Directors have complied with the required standard set out in the Model Code.

The Company has received annual confirmations from each of the independent non-executive directors as regards to their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

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 period from the date of Listing to the end of the year.

AUDITORS

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

On behalf of the Board

Tay Liam Wee
Chairman

Hong Kong, 10 May 2006