Notes to the Consolidated Financial Statements

For the year ended 31 March 2006

1. GROUP RESTRUCTURING AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

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 a group reorganisation (the "Reorganisation"), the Company has become the holding company of the subsidiaries now comprising the Group since 19 September 2005. This was accomplished by the Company acquiring the entire share capital of Sincere Brand Holdings Limited ("SBHL"), the intermediate holding company of the Group, which holds the entire equity interest in Sincere Brand Management Limited ("SBML"). Details of the Reorganisation are set out in the prospectus dated 30 September 2005 issued by the Company.

Prior to 19 September 2005, the entire interests of the Company and the entities now controlled by the Company (the "Subsidiaries") were separately held by Sincere Watch Limited. On 19 September 2005, Sincere Watch Limited ("SWL") has transferred the entire interests in the Subsidiaries to the Company. The Group applied principles of merger accounting in respect of this business combination under common control. Accordingly, the consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement of the Group and relevant notes have been prepared as if the current group structure had been in existence throughout the two years ended 31 March 2006. The consolidated balance sheet as at 31 March 2005 and 31 March 2006 and relevant notes have been prepared to present the assets and liabilities of the Group as if the current group structure had been in existence as at that dates.

The Company's ultimate holding company is TBJ Holdings Pte Ltd., a company incorporated in the Republic of Singapore. The Company's immediate holding company is 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") with effect from 17 October 2005.

The Company is an investment holding company. The principal activities of the Group 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"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company and its principal subsidiaries.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new standards, interpretations and amendments that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, interpretations or amendments will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures [1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures [2]
HKAS 21 (Amendment)	Net investment in a foreign operation [2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions [2]
HKAS 39 (Amendment)	The fair value option [2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts [2]
HKFRS 6	Exploration for and evaluation of mineral resources [2]
HKFRS 7	Financial instruments: Disclosures [1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease [2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds [2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment [3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]
HK(IFRIC) – INT 8	Scope of HKFRS 2 [5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives [6]

1 *Effective for annual periods beginning on or after 1 January 2007*
2 *Effective for annual periods beginning on or after 1 January 2006*
3 *Effective for annual periods beginning on or after 1 December 2005*
4 *Effective for annual periods beginning on or after 1 March 2006*
5 *Effective for annual periods beginning on or after 1 May 2006.*
6 *Effective for annual periods beginning on or after 1 June 2006.*

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost, as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions and balances are eliminated on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when the goods are delivered and title has been passed.

Interest income from a financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

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

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight line method.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

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

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. 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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and amounts due from fellow subsidiaries) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and demand deposits that are subject to an insignificant risk of changes in value. Cash at bank and demand deposits are subsequently measured at amortised cost using the effective interest method.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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

Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Operating leases

Leases are classified as operating leases whenever the terms of the lease do not transfer substantially all the risks and rewards of ownership to the lessee.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant leases. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Retirement benefit cost

Payments to the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management had made the following estimate that has the most significant effect on the amounts recognised in the consolidated financial statements.

Income taxes

As at 31 March 2006, a deferred tax asset of HK$13,050,000 in relation to accelerated accounting depreciation and allowance for inventories has been recognised in the Group's consolidated balance sheet. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a reversal takes place.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Market risk

(i) Currency risk

Certain trade payables of the Group are denominated in foreign currencies which expose the Group to foreign currency risk. In order to mitigate the currency risk, the management closely monitors such risk and will consider hedging significant foreign currency exposure should the need arises.

(ii) Interest rate risk of financial assets

The Group's fair value interest rate risk relates primarily to short-term bank deposits. The exposure of interest rate risk of the Group is minimal.

Credit risk

The Group's maximum exposure to credit risk in the event of that counterparties fail to perform their obligations as at 31 March 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

In order to minimise the credit risk in relation to trade receivables, credit limits and credit terms granted to customers should be approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

In view of nature of business, the Group has targeted on a focused market. Concentration of credit risk on trade receivables may arise, the Group has closely monitored the recoverability of trade receivables and taken effective measures to ensure timely collection of outstanding balances.

6. TURNOVER

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances. An analysis of the Group's turnover for the year, for both continuing and discontinued operations, is as follows:

	2006 HK$'000	2005 HK$'000
Continuing operations		
Hong Kong	**325,323**	402,260
PRC other than Hong Kong	**17,007**	26,681
Other Asian countries	**17,939**	28,501
	360,269	457,442
Discontinued operations		
Taiwan	**13,174**	31,400
Thailand	**20,676**	24,896
	33,850	56,296
	394,119	513,738

7. SEGMENT INFORMATION

The Group's principal activity is brand management and distribution of branded luxury watches, timepieces and accessories as a single business segment.

An analysis of the Group's turnover and results by geographical market of its customers is as follows:

Year ended 31 March 2006

	Continuing operations				Discontinued operations	
	Hong Kong HK$'000	PRC other than Hong Kong HK$'000	Other Asian countries HK$'000	Total HK$'000	Taiwan & Thailand HK$'000	Consolidated HK$'000
REVENUE						
Sales	325,323	17,007	17,939	360,269	33,850	394,119
RESULT						
Segment result	100,303	5,178	2,141	107,622	4,746	112,368
Unallocated corporate expenses				(72,667)	–	(72,667)
Unallocated corporate income				21,999	–	21,999
Profit before tax				56,954	4,746	61,700
Income tax expenses				(10,949)	(831)	(11,780)
Profit for the year attributable to equity holders of the Company				46,005	3,915	49,920

7. SEGMENT INFORMATION *(Continued)*

Year ended 31 March 2005

	Continuing operations				Discontinued operations	
	Hong Kong	PRC other than Hong Kong	Other Asian countries	Total	Taiwan & Thailand	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE						
Sales	402,260	26,681	28,501	457,442	56,296	513,738
RESULT						
Segment result	112,741	8,019	3,933	124,693	6,465	131,158
Unallocated corporate expenses				(67,960)	–	(67,960)
Unallocated corporate income				70	–	70
Profit before tax				56,803	6,465	63,268
Income tax expenses				(9,986)	(1,131)	(11,117)
Profit for the year attributable to equity holders of the Company				46,817	5,334	52,151

7. SEGMENT INFORMATION *(Continued)*

	2006 HK$'000	2005 HK$'000
SEGMENT ASSETS (BY LOCATION OF CUSTOMERS)		
Continuing operations		
Hong Kong	**80,079**	70,499
PRC other than Hong Kong	**6,260**	4,576
Other Asian countries	**17**	1,888
	86,356	76,963
Discontinued operations		
Taiwan	**3,654**	19,403
Thailand	**–**	1,486
	3,654	20,889
	90,010	97,852
Unallocated corporate assets	**495,710**	338,132
	585,720	435,984
SEGMENT ASSETS (BY LOCATION OF ASSETS)		
Continuing operations		
Hong Kong	**558,581**	388,396
PRC other than Hong Kong	**10,418**	11,995
Other Asian countries	**17**	1,888
	569,016	402,279
Discontinued operations		
Taiwan	**3,654**	19,403
Thailand	**–**	1,486
	3,654	20,889
	572,670	423,168
Unallocated corporate assets	**13,050**	12,816
	585,720	435,984

Most of the Group's liabilities represent trade payables to suppliers in Europe. Accordingly, no segment liabilities by location of customers were presented.

7. SEGMENT INFORMATION *(Continued)*

	2006 HK$'000	2005 HK$'000
OTHER INFORMATION – CONTINUING OPERATIONS		
Capital additions (by location of assets)		
Hong Kong	**292**	470
Depreciation (by location of customers)		
Unallocated	**1,439**	2,481
Allowances for (reversal of allowances for) doubtful debts (by location of customers)		
Hong Kong	**823**	–
Hong Kong	**(3,892)**	–
PRC other than Hong Kong	**(109)**	–
Allowances for inventories (by location of customers)		
Unallocated	**5,070**	12,664
Loss on disposal of property, plant and equipment (by location of customers)		
Unallocated	**430**	–

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

8. DISCONTINUED SEGMENTS

On 19 September 2005, the Company's board of directors approved to terminate the Group's sales to Taiwan and Thailand upon listing of the shares of the Company on the Main Board of the Stock Exchange with effect from 17 October 2005. The financial information of the turnover, results, cash flows and net assets of the discontinued operations were as follows:

	Taiwan HK$'000	Thailand HK$'000	Discontinued total HK$'000
For the year ended 31 March 2006			
Turnover	13,174	20,676	33,850
Expenses	(12,467)	(16,637)	(29,104)
Profit before taxation	707	4,039	4,746
Income tax expense	(124)	(707)	(831)
Profit for the year	583	3,332	3,915
Net operating cash inflow and total net cash inflow	16,426	4,950	21,376
At 31 March 2006			
Total assets and net assets	3,654	–	3,654
For the year ended 31 March 2005			
Turnover	31,400	24,896	56,296
Expenses	(29,975)	(19,856)	(49,831)
Profit before taxation	1,425	5,040	6,465
Income tax expense	(249)	(882)	(1,131)
Profit for the year	1,176	4,158	5,334
Net operating cash inflow and total net cash inflow	2,539	4,532	7,071
At 31 March 2005			
Total assets and net assets	19,403	1,486	20,889

9. PROFIT BEFORE TAXATION

	2006 HK$'000	2005 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**12,947**	9,589
Other staff costs	**12,443**	11,407
Other staff's retirement benefits scheme contributions	**337**	320
Total staff costs	**25,727**	21,316
Realised exchange loss	**–**	5,652
Unrealised exchange loss	**–**	1,065
Total exchange loss	**–**	6,717
Allowances for doubtful debts (included in administrative expenses)	**823**	–
Allowances for inventories	**5,070**	12,664
Auditors' remuneration	**550**	194
Depreciation of property, plant and equipment	**1,439**	2,481
Loss on disposal of property, plant and equipment	**430**	–
Minimum lease payments in respect of rented premises	**8,494**	7,779
and after crediting:		
Realised exchange gain	**14,785**	–
Unrealised exchange gain	**5,753**	–
Total exchange gain	**20,538**	–
Interest income	**1,458**	70
Reversal of allowances for bad and doubtful debts (included in administrative expenses)	**4,001**	–

Note: Included in directors' remuneration are rentals of HK$162,000 (2005: HK$130,000) paid during the year in respect of a director's accommodation.

10. DIRECTORS' AND EMPLOYEES' REMUNERATION

Directors' remuneration

The remuneration of each director for the year ended 31 March 2006 is set out below:

Name of directors	Fees	Salary, allowance and benefits	Performance related incentive payments	Contributions to retirement benefits schemes	Total
	HK$'000	HK$'000	HK$'000 *(Note 1)*	HK$'000	HK$'000
Executive directors					
Mr. Tay Liam Wee	–	891	1,394	–	2,285
Mr. Chau Kwok Fun, Kevin	–	2,475	5,462	6	7,943
Ms. Tay Liam Wuan	–	1,627	900	12	2,539
Non-executive director					
Mr. Soh Gim Teik	–	–	–	–	–
Independent non-executive directors					
Mr. Lew, Victor Robert	60	–	–	–	60
Ms. Lim Suet Fern	60	–	–	–	60
Mr. King, Roger	60	–	–	–	60
	180	4,993	7,756	18	12,947

The remuneration of each director for the year ended 31 March 2005 is set out below:

Name of directors	Fee	Salary, allowance and benefits	Performance related incentive payments	Contributions to retirement benefits schemes	Total
	HK$'000	HK$'000	HK$'000 *(Note 1)*	HK$'000	HK$'000
Executive directors *(Note 2)*					
Mr. Tay Liam Wee	–	–	–	–	–
Mr. Chau Kwok Fun, Kevin	–	–	7,602	–	7,602
Ms. Tay Liam Wuan	–	975	1,000	12	1,987
Mr. Soh Gim Teik	–	–	–	–	–
	–	975	8,602	12	9,589

10. DIRECTORS' AND EMPLOYEES' REMUNERATION *(Continued)*

Directors' remuneration *(Continued)*

Notes:

1. *The performance related incentive payments are determined with reference to the operating results, individual performance and comparable market statistics during both years.*
2. *Mr. Tay Liam Wee was appointed as the director of the Company on 18 August 2004 while the other executive directors were appointed as the directors of the Company on 19 September 2005. However, all of them were the directors of SBML, the principal subsidiary of the Company, for the year ended 31 March 2005.*

Employees' emoluments:

For the year ended 31 March 2006, the five highest paid individuals included three (2005: two) directors, details of whose remuneration are included above. The remuneration of the remaining two (2005: three) highest paid individuals are as follows:

	2006 HK$'000	2005 HK$'000
Salaries, allowances and other benefits	**1,649**	1,778
Performance related incentive payments	**324**	260
Contributions to retirement benefits schemes	**12**	36
	1,985	2,074

The emoluments of each of the aforesaid employee were less than HK$1,000,000.

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 during the year.

11. TAXATION

	2006 HK$'000	2005 HK$'000
The charge comprises:		
Current tax – Hong Kong Profits Tax	**12,014**	13,627
Underprovision of Hong Kong Profits Tax in prior year	**–**	55
	12,014	13,682
Deferred tax *(note 22)*	**(234)**	(2,565)
	11,780	11,117
Represented by:		
Continuing operations	**10,949**	9,986
Discontinued operations	**831**	1,131
	11,780	11,117

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year.

The taxation charge for the year can be reconciled to the profit before taxation per the income statement as follows:

	2006 HK$'000	2005 HK$'000
Continuing operations	**56,954**	56,803
Discontinued operations	**4,746**	6,465
Profit before taxation	**61,700**	63,268
Tax at the domestic income tax rate of 17.5% (2005: 17.5%)	**10,798**	11,072
Tax effect of income that is not taxable in determining taxable profit	**(255)**	(12)
Tax effect of expenses that are not deductible in determining taxable profit	**934**	–
Tax effect of tax losses not recognised	**303**	2
Underprovision in prior year	**–**	55
Tax expense for the year	**11,780**	11,117

12. DIVIDEND

No dividend has been paid by the Company since its incorporation. A final dividend of HK$0.07 per share amounting to HK$28,560,000 for the year ended 31 March 2006 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

Dividend for 2005 amounting to HK$30,000,000 was paid in the current year by Sincere Brand Management Limited, a subsidiary of the Company, to its then shareholders prior to the Reorganisation.

13. EARNINGS PER SHARE

For continuing and discontinued operations

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the Company of HK$49,920,000 (2005: HK$52,151,000) and on the weighted average number of 353,506,849 shares (2005: number of 306,000,000 shares) that would have been in issue throughout the year. The 306,000,000 shares that were issued prior to the listing of the Company's shares on the Stock Exchange and pursuant to the Reorganisation are deemed to have been in issue throughout both years.

From continuing operations

Basic earnings per share from continuing operations is 13.0 HK cents per share (2005: 15.3 HK cents), based on the profit for the year from continuing operations of HK$46,005,000 (2005: HK$46,817,000). The denominators used are the same as those detailed above for basic earnings per share.

From discontinued operations

Basic earnings per share for the discontinued operation is 1.1 HK cents per share (2005: 1.7 HK cents), based on the profit for the year from the discontinued operations of HK$3,915,000 (2005: HK$5,334,000). The denominators used are the same as those detailed above for the basic earnings per share.

There were no potential dilutive 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
THE GROUP						
COST						
At 1 April 2004	8,558	396	1,461	406	204	11,025
Additions	415	13	29	13	–	470
At 1 April 2005	8,973	409	1,490	419	204	11,495
Additions	4	29	66	193	–	292
Disposals	(1,039)	–	–	–	–	(1,039)
At 31 March 2006	7,938	438	1,556	612	204	10,748
DEPRECIATION						
At 1 April 2004	4,451	351	1,274	335	68	6,479
Provided for the year	2,230	36	139	35	41	2,481
At 1 April 2005	6,681	387	1,413	370	109	8,960
Provided for the year	1,227	24	78	69	41	1,439
Eliminated on disposals	(609)	–	–	–	–	(609)
At 31 March 2006	7,299	411	1,491	439	150	9,790
CARRYING VALUES						
At 31 March 2006	639	27	65	173	54	958
At 31 March 2005	2,292	22	77	49	95	2,535

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

Leasehold improvements	50%
Furniture and fixtures	$33^1/_3$% – 50%
Office equipment	$33^1/_3$%
Computers	$33^1/_3$%
Motor vehicles	20%

15. INVENTORIES

All the inventories at 31 March 2006 are finished goods.

16. TRADE AND OTHER RECEIVABLES

	2006 HK$'000	2005 HK$'000
Trade receivables	**86,340**	74,766
Other receivables	**5,548**	7,304
	91,888	82,070

The following is an aged analysis of trade receivables:

	2006 HK$'000	2005 HK$'000
Within 30 days	**35,341**	58,244
31 – 60 days	**35,088**	4,694
61 – 90 days	**8,969**	15,435
91 – 120 days	**6,942**	–
Over 120 days	**1,072**	643
	87,412	79,016
Allowance for bad and doubtful debts	**(1,072)**	(4,250)
	86,340	74,766

The Group allows a credit period normally ranging from 30 to 90 days to its trade customers.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

17. AMOUNTS DUE FROM/TO GROUP COMPANIES

	2006 HK$'000	2005 HK$'000
Amounts due from fellow subsidiaries		
– trade	**3,642**	21,168
– non-trade	**29**	123
	3,671	21,291
Amount due to immediate holding company		
– non-trade	**26**	969
Amount due to a fellow subsidiary		
– trade	**–**	10

The following is an aged analysis of trade receivables from fellow subsidiaries:

	2006 HK$'000	2005 HK$'000
Within 30 days	**–**	5,547
31 – 60 days	**–**	3,025
61 – 90 days	**–**	1,982
91 – 120 days	**–**	4,046
Over 120 days	**3,642**	6,568
	3,642	21,168

The amounts are unsecured, interest free and repayable within one year. The directors consider that the carrying amount of amounts due from/to group companies approximates their fair value.

18. AMOUNTS DUE FROM ASSOCIATES OF IMMEDIATE HOLDING COMPANY

	2006 HK$'000	2005 HK$'000
Amounts due from associates of immediate holding company		
– trade, aged within 30 days	**–**	1,486
– non-trade	**–**	309
	–	1,795

The amounts were unsecured and interest-free.

19. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less at prevailing market interest rates ranged from 3.3% to 4.3% (2005: from 0.3% to 0.7%). The directors consider that the carrying amount of these assets approximates their fair value.

20. TRADE AND OTHER PAYABLES

	2006 HK$'000	2005 HK$'000
Trade payables	**359,280**	326,344
Other payables	**27,726**	25,574
	387,006	351,918

The following is an aged analysis of trade payables:

	2006 HK$'000	2005 HK$'000
Within 90 days	**121,032**	73,269
91 – 180 days	**123,194**	178,088
181 – 270 days	**61,973**	66,793
Over 270 days	**53,081**	8,194
	359,280	326,344

The amount of trade payables above includes an amount of HK$359,053,000 (2005: HK$326,344,000) which is denominated in Swiss Franc and an amount of HK$227,000 (2005: Nil) which is denominated in Euro.

The directors consider that the carrying amount of trade and other payables approximates their fair value.

21. SHARE CAPITAL

	Notes	Number of shares	Amount HK$'000
Ordinary shares of HK$0.10 each			
Authorised:			
Upon incorporation on 21 July 2004 and balance at 31 March 2005	(a)	1,000,000	100
Increase in authorised share capital	(b)	1,999,000,000	199,900
At 31 March 2006		2,000,000,000	200,000
Issued and fully paid:			
Issue of shares at nil-paid on 18 August 2004 and credited as fully paid in accordance with the Reorganisation	(a) & (c)	1,000,000	100
Issue of shares to shareholders in accordance with the Reorganisation	(c)	1,000,000	100
Capitalisation of share premium account	(d)	304,000,000	30,400
Placing of shares to professional and institutional investors	(e)	91,800,000	9,180
Issue of shares to public	(e)	10,200,000	1,020
At 31 March 2006		408,000,000	40,800

The amount of share capital at 1 April 2004 of HK$1,000,000 represented the issued and fully paid share capital of SBML while the amount of share capital of HK$1,001,000 shown on the consolidated balance sheet at 31 March 2005 represented the aggregate amount of the share capital of SBHL and SBML as at that date.

The movements in the Company's authorised and issue share capital during the period from 21 July 2004 (date of incorporation) to 31 March 2006 are as follows:

(a) Upon incorporation, the authorised share capital of the Company was HK$100,000 divided into 1,000,000 ordinary shares of HK$0.10 each, all of which were allotted and issued at nil-paid on 18 August 2004.

(b) On 19 September 2005, the authorised share capital of the Company was increased from HK$100,000 to HK$200,000,000 by the creation of an additional 1,999,000,000 ordinary shares of HK$0.10 each.

21. SHARE CAPITAL *(Continued)*

(c) On 19 September 2005, as part of the Reorganisation, the Company (i) issued to SWL an aggregate of 1,000,000 new ordinary shares of HK$0.10 each credited as fully paid at par, and (ii) credited as fully paid at par for the then existing 1,000,000 ordinary shares issued at nil-paid on 18 August 2004 held by SWL as set out in (a) above, in consideration of and in exchange for the acquisition of the entire share capital of SBHL.

(d) On 13 October 2005, 304,000,000 ordinary shares of HK$0.10 each were allotted and issued as fully paid at par to the then shareholders of the Company in proportion to their then respective shareholdings at the close of business on 19 September 2005, by way of capitalisation of the sum of HK$30,400,000 standing to the credit of the share premium account of the Company, conditional on the share premium account being credited as a result of the new issue and placing of shares as set out in (e) below. For the purpose of calculating earnings per share, these shares were deemed to have been in issue throughout both years.

(e) On 13 October 2005, 102,000,000 ordinary shares of HK$0.10 each were issued by way of placing to professional and institutional investors and public offer to the public at a price of HK$1.08 per share.

All the shares which were issued by the Company during the period from 21 July 2004 (date of incorporation) to 31 March 2006 rank pari passu with each other in all respect.

The Company uses the net proceeds from the new issue of shares to further develop the Group's business and for general working capital purposes.

22. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised and movements thereon during the current and prior accounting periods.

	Accelerated accounting depreciation HK$'000	Allowance for inventories HK$'000	Allowance for doubtful debts HK$'000	Total HK$'000
At 1 April 2004	587	8,964	700	10,251
Credit to income statement for the year *(note 11)*	349	2,216	–	2,565
At 31 March 2005 and 1 April 2005	936	11,180	700	12,816
Credit (charge) to income statement for the year *(note 11)*	47	887	(700)	234
At 31 March 2006	983	12,067	–	13,050

The Group has unused tax losses of approximately HK$1,743,000 (2005: HK$11,000) available for offset against future profits. Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams. The unused tax losses will be carried forward indefinitely.

23. OPERATING LEASE COMMITMENTS

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

	2006 HK$'000	2005 HK$'000
Within one year	**6,219**	7,307
In the second to fifth years inclusive	**3,061**	9,212
	9,280	16,519

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

24. RETIREMENT BENEFITS SCHEME

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 contribution 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.

25. RELATED PARTY TRANSACTIONS

(a) Transactions

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

	2006 HK$'000	2005 HK$'000
Sales to immediate holding company	**12,484**	23,135
Sales to fellow subsidiaries	**18,629**	36,766
Purchases from fellow subsidiaries	**3,858**	2,152
Management fee paid to immediate holding company	**1,800**	3,600

During the year ended 31 March 2005, the immediate holding company had given a guarantee to a bank to secure backing facilities of HK$5,000,000 and foreign exchange line of up to HK$10,000,000 granted to the Group. The guarantee was released during the year ended 31 March 2006.

25. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel

The remuneration of directors during the year was as follows:

	2006 HK$'000	2005 HK$'000
Short-term benefits	**12,947**	9,589

The remuneration of directors is determined by the remuneration committee and management respectively having regard to the performance of individuals and market trends.

26. SUBSIDIARIES

Details of the Company's subsidiaries 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 Directly	Indirectly	Principal activities
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
Pendulum Limited	Hong Kong	HK$2	–	100%	Inactive

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