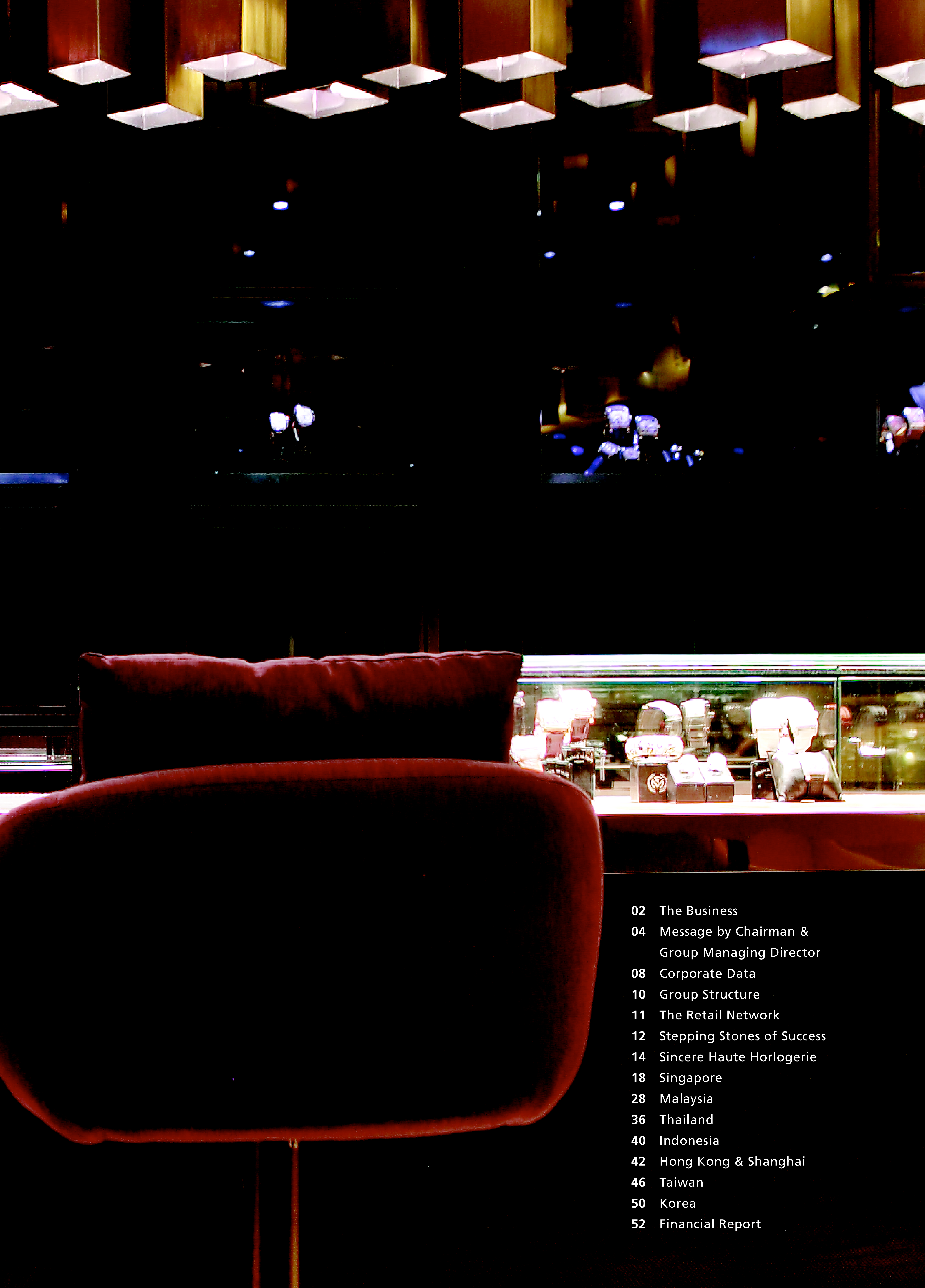

THE BUSINESS

Achievements are often measured with reference to time. For more than 50 years, one man's journey from a modest watch retail outlet in Singapore has weaved in lockstep with a nation's growth to become one of the most vibrant companies of its kind in the region. This has come with the ability and capacity to change with the times.

Tay Boo Jiang's venture into watch retailing along Singapore's North Bridge Road back in 1954 has grown into Sincere Watch Limited, a leading retailer and distributor of the world's top watch brands in Asia. The company's success through the years is predicated upon being able to feel the pulse of the thriving market for luxury items, and the foresight to shape a business to take advantage of that development.

The many facets of the business and its markets dictate the need to address each one in a different way. As such, Sincere's success is built from four different strategic aspects – Brand Management; Fine Watch Retailing; Lifestyle Watch Retailing; and Travel Watch Retailing.

The company's innovative approach is reflected in the retail concepts that drive its business. Different products lend themselves to different marketing and sales strategies, and Sincere has used this understanding to segment its vast, diverse and comprehensive product range into three distinctive series.

The Series Technics is a technologically attuned segment that focuses on watches with great mechanical complexities. The market for engineering intricacies is a growing one, and the brands and models designated here border on the limits of man's ability to create complicated timepieces of the utmost quality.

Watches in Series Luxe thrive on the luxuries life provides. Gems and precious stones are the orders of the day in horological masterpieces that are as much art as they are technology. The timepieces here are for those who enjoy the finer things in life, and are willing to go the distance in obtaining them.

Today's active lifestyle aficionados will enjoy the timepieces under Series Active. Sporty, rigorous, these watches offer the best in performance, yet are able to take you from the rigors of an active lifestyle.

Brand Management

The astounding growth of brands such as Franck Muller, A. Lange & Söhne, F.P. Journe, de GRISOGONO, Pierre Kunz, Chaumet, Dubey & Schaldenbrand, Giuliano Mazzuoli, European Company Watch, CVSTOS, as well as exclusive retail brands like Zenith and L.U.C by Chopard Manufacture is well documented. They have penetrated the ceiling of repute, transcending into the upper echelons of watch making in the Asian context under dedicated care by Sincere Watch. Brand Management on this scale requires an in-depth appreciation of market demands as well as the ability to communicate this understanding and, to a large extent, enthusiasm to the emerging group of world-savvy watch collectors. Endeavors to deliver these goals are accomplished through various social and media events including press events, gala dinners, fashion shows, watch exhibitions and parties.

Fine Watch Retailing

Fine watch retailing continues to be an integral part of the company's operation. Through its boutiques and expansive retail network, Sincere is well poised to benefit from the world's increasing appetite for the best timepieces that watch houses have to offer. In an industry ruled by dynamic trends, Sincere prides itself on its ability to spot new talents, market needs and niches to be carved out. Furthermore, Sincere's dedicated staff is empowered with the watchmaking knowledge and understanding of how to best approach, and win over the confidence of customers looking for the best.

Travel Watch Retailing

Tourism is on the up trend, and sales from travelers are rising in tandem with the current phenomenon of escalating air travel. Sincere has addressed this heightened sense of travel with a dedicated strategy in pursuing revenue from traveling customers. The completion of Terminal 3 in early 2008 will see a staggering influx of visitors which points towards an enormous airport retail market to capitalize on. The retail outlets at the Singapore Changi International Airport, and at Vietnam's Ho Chi Minh City Airport has provided the group with the impetus at targeting this sector. These ideally located stores combine with a carefully planned marketing effort to ride the increasing wave of tourism from all quarters.

Lifestyle Watch Retailing

Sincere has carved a niche in lifestyle retailing through the emotus Time Culture retail concept. These stores and marketing directives target the vast potential that exists in a market where consumption is based on the hottest idea in time. As this group of upwardly mobile professionals step up their buying power, emotus is there to provide an ongoing list of unique brands. emotus stores reflect today's high expectation for design, parading an air of minimalism that stands the fickleness of time. The concept has garnered great success and feedback from the Singapore and Malaysia market and is destined to be a key aspect of Sincere's growth map.

MESSAGE BY CHAIRMAN & GROUP MANAGING DIRECTOR

The past year has been landmarked with major milestone achievements for Sincere and our earnings are at an all time high. Resonating with the up trend for tourism, luxury and retail vibrancy in Singapore and the region, the Group is committed to contribute to the Singapore tourism industry and strengthen its rising position in the world of horology. Customers, stakeholders and shareholders alike will be promised a top quality investment.

Sterling Financial Results

Once again, the Group achieved another year of record profit. Group profit increased 78% from S$19.1 million to S$34.1 million, the highest ever in the Group's history.

The profit included a one-time gain of S$10.6 million as a result of the listing of the Group's subsidiary, Sincere Watch (Hong Kong) Limited, on the Hong Kong Stock Exchange. However, even without taking this one-time gain into account, the adjusted pre-tax profit of S$31.7 million is still 33.8% higher than the previous year.

This remarkable achievement enabled the Group to improve on its average gross margin although the year saw a slight drop in revenue of 1.9% from S$324.3 million to S$318.2 million. The improvement in the average margin mitigated the decline in revenue. Reasons for this decline were principally due to refurbishment of key shops that led to the temporary discontinuance of sale as well as the cessation of one of the Group's travel retail concessions in Singapore Changi Airport. In addition, sales in Hong Kong were slightly slower for the first half of the year.

Group performance remained robust with the South East Asian business segment contributing 73% of total Group revenue. The North East Asian market accounted for the remaining 27%.

Given this year's sterling performance, Earnings per Share for the Group was 17.36 cents compared with 9.75 cents recorded in the previous year. Group Net Asset Value also rose to 62.02 cents, up from 46.88 cents.

HIGHLIGHTS FOR THE YEAR

Listing of Sincere Watch (Hong Kong) Limited

Seizing the opportunity to capitalize on the strong economic growth and to enhance its presence in the region, the Group listed its subsidiary, Sincere Watch (Hong Kong) Limited in October 2005 on the Hong Kong Stock Exchange. The IPO formed part of the Group's strategic re-structuring process where Hong Kong is established as the operational base for the Group's further penetration into the North East Asian market.

Listing in Hong Kong will enable the Group to leverage on Hong Kong's trend setting advantage in the region and capitalize on its position as a gateway to China for our unique watch brands. The funds raised will be used for its business expansion in the region where the luxury, retail and tourism industries are all experiencing robust growth.

Rewarding Shareholders

In view of the Group's outstanding performance, the Board has proposed a total dividend of 2.65 cents a share, comprising a first and final dividend of 1 cent per share less tax and a special dividend of 1.65 cents per share less tax for the year.

Going forward, the Group will review its financial needs and performance of the Company after the next six months with a view to recommending additional dividends for the purpose of discharging the Section 44 tax credit balance of approximately S$5 million.

Strengthening of Management Team

The Group prides itself on being innovative and dynamic. This winning characteristic of the Group is well aligned with the Corporate and Business Divisions. The management team was restructured for future growth. Our key management appointments will stand us in good stead, giving us the competitive edge for progress.

Launch of Innovative Retail Concepts

The Group continued to reach out to its many important market segments with innovative new retail concepts. The Group's key boutiques were refurbished to give a new contemporary look in order to provide constant vibrancy for clienteles. The Group continued working closely with the various strategic partners and principals, which led to many successful joint marketing efforts and collaboration for the retail boutiques. Sincere Haute Horlogerie at the Hilton performed well and appealed to a loyal following of discerning customers and watch connoisseurs. Together with the Sincere Fine Watches and emotus Time Culture boutiques, Sincere was able to penetrate a wider segment of the market.

Expansion of Brand Management Division

With the 10 brands and 2 exclusive retail brands that Sincere holds exclusive distribution rights to, the Brand Management Division was expanded so that each individual brand will be assured dedicated attention. In North East Asia, apart from the 3 boutiques owned by Sincere Watch (Hong Kong), the Group has 10 independent dealers covering 29 locations to ensure accessibility to its discerning customers. The team also achieved a new milestone with Sincere's first major Shanghai event in September 2005 and the opening of

the first Franck Muller boutique in Taipei as the Taiwan market grew in importance. In South East Asia, brand management activities were stepped up with the acquisition of more distribution brands.

Launch of Sincere Watch Academy

To strengthen its market leadership position, Sincere has continued to introduce new initiatives in the industry. As reported previously, the Group officially announced the launch of the Sincere Watch Academy in the last quarter of our financial year 2005/2006. The Sincere Watch Academy, which is the first of its kind in the world, aims to promote the culture of horology to the general public, watch enthusiasts and members of the media. Through the cultivation of watch appreciation by the Sincere Watch Academy, the Group will be able to contribute and strengthen Singapore's rising position on the global watch map.

Awards and Recognition

As a testament to our record achievements, Sincere's top executives received two national accolades last year. Group Managing Director, Mr Tay Liam Wee was conferred the "Tourism Entrepreneur of the Year" by the Singapore Tourism Board. Chief Financial Officer, Mr Soh Gim Teik was honored with the "Chief Financial Officer of the Year" at the inaugural Singapore Corporate Awards.

The awards reflect their determination in working towards the vision of excellence that repeatedly brought outstanding results for the Group.

In addition, we are proud to make it into Forbes' "Best Under a Billion" list of companies in the Asia-Pacific for 2005 and we are the only local company to do so for the second consecutive year.

The Road Ahead: Prospects and Future Plans

Going forward, the Group will persist with its pace of innovation and expansion to bring further growth for Sincere. Given its close relationship with all the major principals and coupled with the positive economic prospects in the region, the Group is confident of enlarging its presence in the various markets where it operates.

New markets, distribution brands and retail locations will be pursued to reinforce Sincere's leading position. In Singapore, two new emotus Time Culture shops at Tampines Mall and Marina Square have recently opened and two new Sincere Fine Watches boutiques are planned for the coming financial year.

The opening of our Franck Muller boutique in Macau is strategic and timely as Macau announced major plans for their integrated resorts, the first of which is expected to open before the end of 2006. The experience will be invaluable to the Group as it acclimates itself readily for opportunities arising from upcoming establishment of Singapore's own Integrated Resorts (IR) at Marina Bay and Sentosa. Together with Singapore's IR projects and Singapore Tourism Board's drive to develop the retail landscape and boost tourism arrivals, the Group is well poised to capitalize on this tremendous potential in the years to come.

In the light of these positive developments, we are optimistic that the Group will remain profitable for the year and will continue to reward our shareholders and stakeholders.

A Note of Appreciation

We would like to thank all our customers, business associates and shareholders for their continuous support throughout the year. In particular, we would like to acknowledge our appreciation to our retiring Director, Mr Lua Cheng Eng, who has served us and contributed substantially to the Board since our IPO in 1993.

Thank you.

Tay Boo Jiang
Chairman

Tay Liam Wee
Group Managing Director

CORPORATE DATA

BOARD OF DIRECTORS

FROM LEFT Lua Cheng Eng • Tay Ngiap Jiang • Tay Boo Jiang Chairman • Soh Gim Teik • Tay Liam Wee Group Managing Director • Tay Chok Yan • Khong Teck Kim • Cecil Vivian Richard Wong

AUDIT COMMITTEE

Mr Cecil Vivian Richard Wong Chairman
Mr Lua Cheng Eng
Mr Khong Teck Kim

REMUNERATION COMMITTEE

Mr Lua Cheng Eng Chairman
Mr Khong Teck Kim Acting Chairman (WEF November 8, 2005)
Mr Cecil Vivian Richard Wong
Mr Tay Liam Wee

NOMINATING COMMITTEE

Mr Khong Teck Kim Chairman
Mr Cecil Vivian Richard Wong
Mr Lua Cheng Eng
Mr Tay Liam Wee
Mr Soh Gim Teik

COMPANY SECRETARIES

Mr Soh Gim Teik
Mr Lim Gwee Koon

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Partner-in-charge:
Mr Kenny Horlley Young
(wef FY March 31, 2004)

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- Sincere Watch Limited
  - Avante Investment Pte Ltd 100%
    - Culina Pte Ltd 50%
      - Culina Products Sdn Bhd 100%
  - Culina Holdings Pte Ltd 100%
    - Culina Pte Ltd 50%
    - Food Resources Pte Ltd 100%
  - Avante Marketing Pte Ltd 100%
  - British Master Time Pte Ltd 100%
  - Emotus Pte Ltd 100%
    - Emotus Sdn Bhd 100%
  - Franck Muller Pte Ltd 100%
  - Heirloom Restoration Services Pte Ltd 100%
  - Heritage Distribution Pte Ltd 100%
  - Parisian Time Pte Ltd 100%
  - Quantum Communications Pte Ltd 100%
  - Richburgh Holdings Pte Ltd 50%
  - Sincere Watch Duty Free Pte Ltd 50%
  - Swiss Master Time Pte Ltd 100%
  - Times Legend International Pte Ltd 100%
  - Sincere Watch Limited Hong Kong Branch
    - Avante Marketing (M) Sdn Bhd 100%
      - Sincere Watch Sdn Bhd 15%
    - Sincere Watch Sdn Bhd 65%
    - BVL Partner Co Ltd 49%
    - Pendulum Ltd 49%
    - Leoco Enterprise Limited 75%
    - Sincere Watch (Hong Kong) Limited 75%
      - Sincere Brand Holdings Limited 100%
        - Sincere Brand Management Limited 100%
          - Pendulum Limited 100%
    - Unisky Limited 33.33%
    - Sincere Watch Co. Ltd 100%

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STEPPING STONES OF SUCCESS

Sincere's year in 2005 was mired in accolades from several domains. These achievements underlie the acuteness of our strategy, and reflect the efficacy in our approach at grooming an exciting business within the realm of the society within which we are engaged.

TOURISM ENTREPRENEUR OF THE YEAR 2005 – MR TAY LIAM WEE, GROUP MANAGING DIRECTOR

Group Managing Director, Tay Liam Wee was conferred the 'Tourism Entrepreneur Of The Year Award' at the Tourism Awards 2005 organized by the Singapore Tourism Board. This award recognizes Mr Tay's contribution in promoting the watch retailing trade to foster Singapore's tourism development and economic growth. This accolade caps his consistent contribution to the company through the years.

True to the essence of an entrepreneur with vision, Mr Tay is not one to sit back. He is well entrenched in bringing Sincere into the next generation. In helping transform the company into a market leader, and to further develop the watch industry in the process, Mr Tay will be spearheading the launch of the Sincere Watch Academy in Singapore to enhance the understanding of watches among buyers in the region. His innovation and creativity continues to drive endeavors at Sincere, fueling the organization's expansion and relevance in the marketplace.

SINGAPORE CORPORATE AWARDS 2006 CHIEF FINANCIAL OFFICER OF THE YEAR – MR SOH GIM TEIK

A company is only as good as the people at its helm. And Sincere is not short of qualified individuals who run the business with commitment and professionalism. Mr Soh Gim Teik, Sincere's Chief Financial Officer, was presented with the 'Chief Financial of the Year' award in the under-$500 million market capitalization category at the Singapore Corporate Awards 2006.

Mr Soh's list of contribution to Sincere is a long one, having been instrumental in the listing of Sincere on SESDAQ in 1993, and its ultimate upgrade to the Mainboard of SGX. He is an integral and successful part in the transformation of Sincere Watch from a family-run business to a professionally managed company that makes decisions based on the growth of its strategies and in creating long-term shareholder value.

FORBES' BEST UNDER A BILLION

Sincere has shown that size is hardly a yardstick for performance, but rather being excellent in its domain is often the harbinger of success. The company made it into Forbes Asia's 2005 'Best Under A Billion' list, finding itself in formidable company with organizations with under US$1billion in annual revenue. The criterion are stringent, and those on the list are required to offer five-year returns on capital of at least 5%, have positive earnings for five years, and operate in a manner that rewards not only the founders and other insiders, but the public shareholder as well. Sincere's inclusion into this esteemed list, one of only 11 from Asia Pacific, reflects the fact that the Group is heading in the right direction on all counts.

HERITAGE BRAND AWARD

Small and Medium Enterprises (ASME) have a special place in Singapore. The spirit of such companies is embodied at the annual Singapore Promising Brand Award where the best of these organizations are awarded recognition for the outstanding performance of the communication for their brands. In 2005, Sincere was the proud winner of the inaugural Heritage Brand Award given at this occasion. This award recognizes the company's strong growth in branding and continuous expansion plans in both local and overseas markets.

HAUTE HORLOGERIE

SINCERE HAUTE HORLOGERIE

Sincere forges its position as a market leader in watch retailing when it opened the Sincere Haute Horlogerie boutique at The Shopping Gallery in Hilton Hotel, Singapore, last year. The uniquely designed, specialized boutique offers discerning watch shoppers an exclusive leisure experience, providing unparalleled ambience and service in the process.

The 2,000 square feet boutique is designed by a creative group of interior specialists whose portfolio includes the Roosevelt Hotel in Los Angeles, whose inspiration borne a space exuding luxuriant opulence with new architectural concepts.

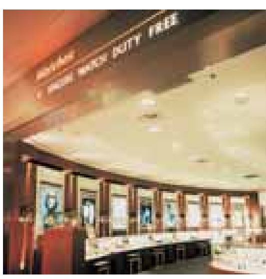
Rich materials, elegant wood, sleek lines and classy veneers transform the boutique brimming with warmth and texture. State-of-the-art lighting helps to dramatize the luxury watch brands on display, and a contemporary interactive watch bar counter highlights a new design idea that has become a signature element.

The exquisite surroundings serve as a perfect backdrop for the luxury watches exclusively selected and presented at Sincere Haute Horlogerie. The brands available at this boutique includes A. Lange & Söhne, Audemars Piguet, Corum, CVSTOS, de GRISOGONO, F.P. Journe, Franck Muller, IWC, Girard-Perregaux, Jaeger-LeCoultre, L.U.C by Chopard Manufacture, Omega, Piaget, Vacheron Constantin and Zenith.

Watch connoisseurs will also have the pleasure of witnessing the presentation of special timepieces and customized editions from international watch making houses.

Sincere Watch Limited is already a pioneer in many modern watch-retailing concepts, and Sincere Haute Horlogerie strengthens the company's position as the premier 'Watch Specialist' for the top end of the market. Through this boutique, Singapore's standing as the regional luxury watch hub will further enhance its leading position in the world of horology.

Time For an Extra Hour
SINGAPORE



CLOCKWISE FROM TOP
Sincere Fine Watches, Ngee Ann City
Sincere Haute Horlogerie,
The Hilton Shopping Gallery
Sincere Fine Watches, Lucky Plaza
Sincere Fine Watches, Suntec City
Vacheron Constantin, Ngee Ann City
Sincere Watch Duty Free, East Shop
emotus Time Culture, Parkway Parade

Singapore

Sincere plays an integral part in helping make Singapore the horological hub of Southeast Asia. As the 8th largest Swiss watch importer in the world, the Group continues to raise the profiles of its brands to boosting its shares in all sectors of the market. The continual efforts by the Group to introduce new watch brands and collection will fortify Sincere's leading position in the world of horology as the premier 'Watch Specialist'.

Singapore

A. Lange & Söhne Time Zone Global Launch

Singapore was a venue of an extraordinary celebration when Sincere launched the A. Lange & Söhne Lange 1 Time Zone collection concurrently with 35 selected dealers across the globe on 8 July 2005. Ardent Lange watch collectors were invited to this special event that was linked via live satellite transmission marking the first ever live-linkage launch in the horological world. A. Lange & Söhne partnership with Sincere was further strengthened with the launch of the limited Lange 1 Time Zone Singapore edition that evening.

FROM TOP
Mr Tay Liam Wee & Mr Benjamin Lange.
Lange Time Zone Event Set Up.

TOP RIGHT
Lange 1 Time Zone Singapore edition timepiece.

First Vacheron Constantin Boutique in Asia

Vacheron Constantin celebrated its 250th anniversary in 2005, and to commemorate the Geneva-born brand's significant milestone, Richemont partnered Sincere to open its very first exclusive boutique in the heart of Singapore's shopping district of Orchard Road. The opening of the boutique saw avid Vacheron Constantin collectors and members of the press gathered at an exclusive cocktail where they had the opportunity to view the limited edition and historical timepieces from the Swiss marque that has earned great regard from watch connoisseurs the world over.

FROM TOP LEFT
Models showing off the timepieces from Vacheron Constantin.
Vacheron Constantin Boutique.
Ms Lim Jee Yah, Mr Toshiniko Niikura & Ms Sulian Tan-Wijaya.
Unveiling of the Vacheron Constantin boutique at Ngee Ann City.

Longines Celebrates 40 Years in Singapore

Longines celebrated the nation's 40 years of independence with the unveiling of Sincere's exclusive "Longines Singapore 40th Anniversary" watch. The launch event held at the Four Seasons Hotel saw the luminary presence of Longines' ambassadors that included Taiwan's top model Lin Zhi Ling along with local artistes; Jeff Wang, Edmund Chen, Xiang Yun and Florence Tan.

FROM TOP
Longines Singapore 40th Anniversary timepiece.
Longines celebrity ambassadors from Asia.
Mr Stephan Ritzmann & Mr Charles Villoz,
Vice President of Sales, Longines International

Franck Muller Media Preview

On 21 September 2005, major media gathered at the Sincere Haute Horlogerie boutique to preview the latest Franck Muller Master Square and Conquistador Cortez Collection. The quirky 'square' décor set the vivacious tone for the media as they excitedly marveled at the sought-after timepieces from the collection. This press event underscored Sincere's close relationship with the media in its efforts to develop greater brand awareness.

CLOCKWISE FROM LEFT
Master Square Collection.
Models with the latest Franck Muller timepieces.
Franck Muller quirky 'square' set up.

Singapore

A. Lange & Söhne Unveils the Tourbograph Pour le Merite

Owners of an A. Lange & Söhne are in a special place in the world of watches, and they were made to feel even more exclusive on an invitation to a private dinner hosted by Mr. Tay Liam Wee and Mr. Fabian Krone, CEO of A. Lange & Söhne to witness the debut of a new masterpiece – the Tourbograph "Pour le Merite". The privileged guests were amongst the first in Asia to view the latest timepiece after it has made its debut in Glashutte.

FROM TOP
A. Lange & Sohne Tourbograph Pour le Merite.
Dinner set-up at San Marco.

Breitling "Montbrillant Edition" Party

Sincere and Brietling threw an elaborate aviation-themed party to showcase the new Montbrillant Edition collection. Held at Balaclava on 28 September 2005, guests also had a chance to view the brand's well-known Navitimer collection and timeless vintage watches from the Museum collection. This was followed by a week-long exhibition held outside Sincere Fine Watches boutique at Suntec City.

CLOCKWISE FROM TOP LEFT
Model, Mr Dirk Paulsen, Ms Andrea de Cruz & Mr Pierre Png.
Breitling Montbrilliant exhibition.
Guests enjoying themselves.
Brietling models in a chic fashion presentation.
Showcasing the Navitimer collection in a stylish way.

L.U.C By Chopard Maufacture Celebrates its 10th Year Anniversary

In celebration of L.U.C by Chopard Manufacture's 10th Anniversary, Chopard launched the limited edition "L.U.C Tech Regulator" with its exclusive retailer, Sincere on 16 January 2006. Selected guests had the opportunity to be amongst the first to preview this exclusive timepiece through a dramatic acrobatic act at a grand dinner. Mr Karl Fredrich Scheufele, co-president of Chopard shared insights on this collaboration that he had with Sincere on this technical marvel.

FROM TOP
Mr & Mrs Karl-Friedrich Schufele, Mr Tay Liam Wee & Mr Hardy Gattiker.
Acrobatic entertainment to unveil the Tech Regulator.
Dinner set up at 72-13.

de GRISOGONO's Launch of Power Breaker

de GRISOGONO, a name synonymous with exclusivity in jewellery and timepiece collections, reaches the realm of the active with the launch of the memorable signature Power Breaker Collection. To commemorate the launch, Mr Flavio Briatore, team manager of the world-renowned F1 Renault team was invited to grace the private soiree hosted by Mr Tay Liam Wee, Group Managing Director of Sincere Watch Limited and Mr Fawaz Grousi, President of de GRISOGONO, at The Lawn at Raffles Hotel. 100 of Sincere's privileged customers mingled in an evening highlighted by fine wines, great food, and a fashion parade of models donning the Power Breaker collection.

FROM TOP
Power Breaker timepiece.
Mr Fawaz Gruosi & Flavio Briatore.
Mr & Mrs Benjamin Wong.
Mrs Sophie & Mr Lane Pendleton.

Singapore

FROM RIGHT
Sonnerie Souveraine.
Mr Francois-Paul Journe sharing his inspirations on the creation of the Sonneire Souveraine.
Mr Larry Wee, Ms Natalie Signoroni, Ms Tay Liam Sze, Mr Francois-Paul Journe & Mr Masaki Saito.

Debut of F.P. Journe's Sonnerie Souveraine

The much-awaited F.P. Journe's Sonnerie Souveraine made its debut on 20 January 2006 at an intimate dinner with creator; Mr. Francois-Paul Journe. Held at the Four Seasons Hotel, guests embarked on a visual display of a personal collection of vintage pocket watches from Mr. Journe and the private preview of the Sonnerie Souveraine. The entertainment which brought the guests on a musical journey with specially conceived melodies from the swinging 60's to the upbeat tunes of acid jazz proved to be one of the highlights for the evening.

This was followed by a four-day exhibition held at Sincere Haute Horlogerie boutique inviting watch fans to witness F.P Journe's masterpieces.

World Premier of the Girard-Perregaux Lady's Minute Repeater

An elegant gathering was held to showcase Girard-Perregaux Lady's Minute Repeater. Well attended by Sincere and Girard-Perregaux's elite clientele, it was the world premiere for this exquisite timepiece at the Arts House. Guests embraced the quintessence of the watch and listened in to the harmonious chiming echoed by the Minute Repeater during the presentation by Mr Willy Schweizer, curator from Girard-Perregaux Museum. With a beautiful harpist playing in the background, the mood for the evening was certainly an enchanted one to be remembered.

FROM TOP RIGHT
Mr Willy Schweizer explaining the complications of this lady's timepiece.
Mr Tay Liam Wee, Mr Frank Benjamin & Mr Dimitri Aubert.
Glamourous ladies admiring the divine minute repeater.
Ms Sophie Lim & Mr Jimmy Teo.

Zenith Star Night

Mr Thierry Nataf, President and CEO of Zenith International SA, was on hand on 24 February 2006 to meet hundreds of Zenith fans in a party at the New Majestic Hotel. Everyone at the "Zenith Star Night" had a fantastic time where they were entertained by sensational performances and an innovative fashion presentation. The atmosphere was filled with great buzz as the guests continued to party through the night.

CLOCKWISE FROM TOP RIGHT
Zenith party at the New Majestic Hotel.
Lovely models showing off the Zenith collection.
Mr Thierry Nataf.
MTV V-Jays, May and Choy.
Ms Peggy Loh, Mr Ong Ban & Ms Jessie Wee.
Having a great time at the party.

Franck Muller's Supper Club Gala Dinner

Franck Muller sets the standard for the stylish, trendy and chic parties attended only by the country's most prominent and well-known personalities. Undeniably the social event of the year, a grand gala party was held on 17 March 2006 at The Ritz Carlton. Mr Franck Muller specially flew in from Geneva for this extravaganza, which saw an impressive turnout of prominent business figures, celebrities and socialites. Guests were treated to an elegant French menu specially created for the evening. The night ended with the unveiling of the Franck Muller Supper Club where guests could step into a club arena transformed dramatically with an eclectic mix of colours and design reminiscent of the famous watch brand.

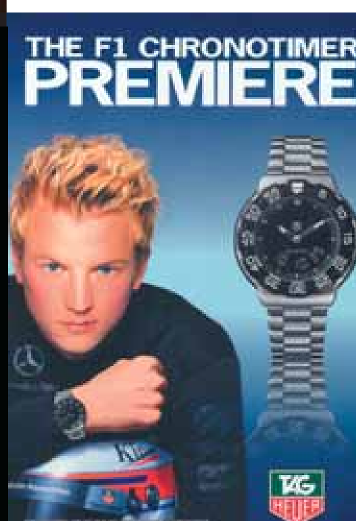
CLOCKWISE FROM TOP RIGHT
Immerse into the world of Franck Muller.
Mr N L Wong, Mr Michael Ma & Mr Tay Liam Wee.
Franck Muller Black Magic collection.
Mr Franck Muller, Ms Fang Ai Lian & Dr Tan Ser Kiat.
Ms Celina Lin & Mr Dick Lee.
Ms Rosna Tjuatja, Ms Fann Wong & Ms Monica Marten.
Franck Muller Supper Club.

emotus Time Culture

Urban, fashionable, edgy – these are the parameters that define emotus Time Culture. Exuding a sense of the now for the vogue and the active, with a penchant for unbridled style in timekeeping. emotus marketing campaigns through the last year highlighted what it takes to bring reasonably priced time pieces to the young at heart, while being constantly entrenched in the market of upwardly mobile fashion-conscious urbanites.

Creative Visual Displays

The privilege of emotus lies in its ability to present watches in exciting, innovative ways, reflecting the themes of the various brands. emotus worked with various brands like Longines and Oris for their launches to create visual displays that were eye-catching whilst retaining the brands' personalities. This clearly displayed the multi-faceted character that redefines the non-traditional retail setting that emotus prides on.



Direct Marketing Campaigns

A series of innovative direct marketing campaigns were specially created to highlight the selected brands offered at emotus. Always at the forefront of trends, emotus presented to its fashion savvy customers the opportunity to be amongst the first to own exclusive collections from fashionable brands such as Dior, Hermès, Mont Blanc and Tag Heuer.


Time For a Quiet Moment
MALAYSIA

Malaysia

Continuing to leverage on its knowledge of market conditions and buying trends, Sincere's strategic choice of prime retail space has brought much vibrancy to luxury lifestyle retailing. The Group's well-consolidated business model was evident with the opening of its first Franck Muller boutique. Furthermore, it was also a fruitful year for Sincere as it kept the horological scene in Malaysia exuberant with successive launches by various big brands.

CLOCKWISE FROM TOP
Sincere Fine Watches, KL Plaza
Sincere Fine Watches, Suria KLCC
Vacheron Constantin, KL Plaza
emotus Time Culture, Suria KLCC
Franck Muller Boutique, Suria KLCC

Malaysia

Bell & Ross BR01 Launch

In an exclusive partnership with Sincere, Bell and Ross presented the new BR01 watch with a cocktail party at the landmark KLCC. Celebrities, members of the press and watch collectors gathered to witness the introduction of the watch in a special black and white ‘gallery’ set up specially for the event. Those present could also catch a glimpse of Bell & Ross’ brand representatives that included celebrated Malaysian designer Gillian Hung, and actor Craig Fong.

FROM TOP RIGHT
BRO1 exhibition area.
Guests reserving the coveted BRO1.
Mr Craig Fong, Mr Lee Siew Hong, Ms Angie Chong & Ms Cindy Lee.

Vacheron Constantin Boutique Opens

Malaysia’s first Vacheron Constantin boutique opened its doors on 1 August 2005 at KL Plaza. The opening was accented with an exclusive cocktail under the auspices of the media and selected VIP customers. Vacheron Constantin aficionados were treated to a preview of the latest collection at an event accompanied by fine food, great wine, and mesmerizing performance.

FROM TOP
Vacheron Constantin 250th Anniversary collection.
The classic interior of the boutique.
Guests admiring the Vacheron Constantin collection.
Mr Tay Liam Khoon & Mr David Heng.

Dior Christal Afternoon Tea

Dior fans were treated to an afternoon of luxury at Prego in Westin Hotel on 15 September 2005 to celebrate the launch the latest Dior Christal watch collection. The afternoon high tea was accompanied with a fashion show followed by a complimentary makeover by Parfums Christian Dior. Guests that day also walked away with a personalized portrait picture.

FROM TOP
Guests trying on the Dior Christal watch.
Ms Emily Cheah & Ms Fion Sng.
Ms Nicole Yip & friends along with Datin Tania Seah.

IWC Ingenieur Launch

Showing strong partnership with key watch brands, Sincere was chosen by leading technical watch brand IWC to launch the IWC Ingenieur. The new family line with special antimagnetic elements was exhibited at Kuala Lumpur's most prestigious shopping mall, KLCC, from 10 to 14 September 2005. Privileged Sincere customers had the opportunity to own the sought-after collectibles.

CLOCKWISE FROM TOP
Mr Detlaf and Chef Wan.
Model displaying the latest IWC Ingenieur watch.
Mr Tay Liam Khoon and Mr Jonathan King.
Mr Radhi Yunani and Ms Eliza.
IWC Ingenieur watch display.

Malaysia

Jaeger-LeCoultre Dinner Cruise

Sincere chose the evening of 10 November 2005 to introduce the Jaeger-LeCoultre Master Minute Repeater to a group of VIP customers and watch connoisseurs on board a private yacht. The exclusive dinner cruise saw guests indulge in the magnificent view of Putrajaya as Mr Maxime Labey, Managing Director of Jaeger-LeCoultre for Southeast Asia and Australia charmed them further with the unveiling of the award-winning timepiece.

FROM LEFT
Mr Maxime Labey, Mr Chen Cheong Heng.
The elegant dinner setting.
Mr & Mrs Teo Woon Hud, Dato' & Datin Thomas Tong.

de GRISOGONO Launch Party

The premiere gala dinner of uber-luxe watch brand, de GRISOGONO marks yet another milestone for Sincere. The décor, menu and entertainment for the evening clearly encapsulated the magic of the brand's signature black diamonds and an avant garde imagination in design and use of jewels and gems. The black-tie event saw 200 of Malaysia's prominent guests arrived in their most glamorous outfits to meet de GRISOGONO's creator, Mr. Fawaz Gruosi. A breathtaking RM80 million worth of stunning and coveted timepieces and jewellery were presented to the guests that evening.

FROM TOP
Mr Fawaz Gruosi with models adorned in de GRISOGONO.
Mr Tony Lee, Mdm Catherine Lai & Mr Fawaz Gruosi.
Ms Amber Chia, Ms Soong Ai Ling & Mr Ng Tjeng Jaw.

Jaeger Le-Coultre Master Compressor Extreme Chronograph Launch At Cynna Club

Sincere and Jaeger Le-Coultre teamed up to launch the Master Compressor Extreme Chronograph on 19 January 2006. The Cynna Club came alive when Swiss industrial designer Ms Magali Metraille made a dramatic entrance to kick start the evening.

FROM TOP
Ms Reena Tan & Ms Ann Tan.
Mr Tay Liam Khoon, Ms Magali Metraille & Mr Jason Lim
Mr Nikmat Abdullah, Ms Deborah, Ms Aileen Chan & Mr Lim Siang Wee.

A. Lange & Söhne's Tourbograph Private Dinner

A. Lange & Söhne's debut of the Tourbograph 'Pour le Merite' in Malaysia was unveiled on 21 February 2006 at the Mandarin Oriental Hotel. Guests were delighted to view the museum timepieces specially brought in from the A. Lange & Söhne manufactory. The highlights for the event included watchmakers from Glasshute that pleased the crowd with their live demonstration of watch assembling and engraving. The evening culminated with the impressive unveiling of the Tourbograph Pour Le Merite with special insights to the creation of this masterpiece by Mr. Fabian Krone, CEO of A. Lange & Söhne.

A week-long exhibition was held at the Sincere boutique in KL Plaza where watch aficionados were invited to view the Tourbograph along with the rare masterpieces from the Lange manufactory.

FROM TOP
Admiring the movement.
Rare timepieces from Lange Manufactory.
Mr Ben Choo & Mr Ken Choo.
Mr Wong Loke Yoong & Ms Elkie Yip.
Mr Fabian Krone sharing the inspirations behind the Tourbograph.
Lange exhibition at KL Plaza.

Malaysia

Panerai 2005 Collection Preview

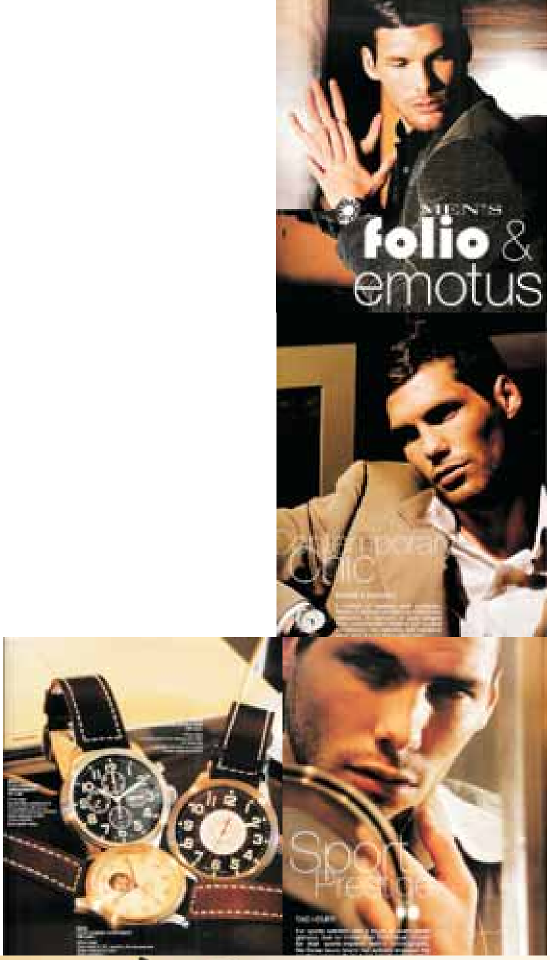
Distinguished guests celebrated an exceptional evening hosted by Sincere Watch on 7 December to preview the launch of the 2005 collection. The ambience was reminiscence of the rich Italian heritage that the brand enjoyed as guests indulged in classic Italian cuisine and good entertainment

FROM LEFT
Panerai watches on display.
Mr & Mrs Itonis Leonardi.
Datuk Eric Wong, Datin Christene Lee & Ms Miranda Lee.

Franck Muller Boutique Opening

The Franck Muller flagship boutique opened at Suria KLCC on 30 November 2005 with a classy affair that was the talk of the town. Prominent guests and local celebrities were invited to witness over RM20 million worth of Franck Muller's luxe watches on display that night with top models to parade the latest Master Collection. The opening of this boutique is in line with the brand's aggressive expansion plan in Asia. With the present 25 exclusive international boutiques, Malaysia now joins the rank in bringing the flair of Franck Muller to discerning watch collectors.

FROM TOP LEFT
Franck Muller boutique at KLCC
Admiring the latest Franck Muller collection.
Ms Olivia Tan and Ms Hannah Tan.
Fashion presentation of the latest Franck Muller watches.
The trendy settings at the Franck Muller event.



emotus Time Culture Malaysia

emotus Time Culture continued to forge its foray with the offering of reasonably priced, casual, and stylish watches for the trend-conscious. Through the year, targeted marketing campaigns helped to bring forth emotus time-keeping brands to the fore, offering a concept that is timely and current in lifestyle products and fashion accessories.

emotus Celebrates Fall/Winter

emotus heralded Fall/Winter 2005 by kicking off an advertising campaign featuring all the urban collection presented by Zeno-Watch Basel, Longines, Baume & Mercier, Maurice Lacroix and Tag Heuer. A stylized campaign was presented in a 16-page fashion spread as well as creative window displays at the boutique. This campaign highlighted the versatility of timepieces offered by emotus to keep up with the latest trends in the world of fashion.

Eye-catching Window Displays

Presentation of the latest timepieces with innovative thematic displays showcase emotus's ability to constantly excite its customers. In the last year, emotus worked with international brands such as Fendi and Dior to launch their much-awaited collection for the fashion-conscious through eye-catching and chic window displays. At the launch of the latest Zeno-Watch Basel collection, the store was dressed to reflect the rugged aviation theme.


Time to Reconnect with Nature
THAILAND

Thailand

Thailand is one of Sincere's key markets in the region as we continue to foster development in the watch arena there. Through its chain of boutiques with Pendulum, Sincere is well entrenched in bringing the world's best watch brands to the growing affluent class in Thailand.

CLOCKWISE FROM TOP
Pendulum, Gaysorn
Pendulum, Siam Paragon
Pendulum, Peninsula Plaza
Pendulum Haute Horlogerie, Siam Paragon
Franck Muller boutique, Siam Paragon

Thailand

A. Lange & Söhne Time Zone Global Launch in Thailand

Thailand was selected as one of the five countries in Asia to commemorate the global launch of Lange 1 Time Zone on 8 July 2005. The highlight of this international watch event included a live broadcast from Glashutte, Germany that was simultaneously beamed across 360 cities around the world. Renowned personalities such as Khun Chamnong and Khunying Supachari Bhirombhakdi, Thanpuying Varaporn, Pramoj Na Ayudhya and M.R. Yongawasdi Kridakorn were among the privileged few to grace the timepiece's introduction.

FROM TOP
Mrs Yuki Srikarnchana, Mrs Mondakhan Kridakon & M.L. Chayotid Kridakon.
Mr Chamnong Bhiron Bhakdi & Mr Vincent Dervan.
Honorary MC Ms Kathaleeya McIntosh.

FROM TOP
Fashion show.
Celebrities on stage.
Ms Yuki Ingkhavat, Mr Sombatsara Teerasaroj.
Mrs Janjira Kamolsavethikul, Mr Fabrige Merle.

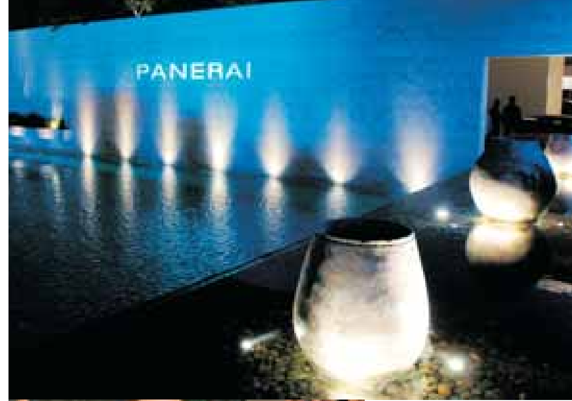
Hermès 'Clipper' Launch

Pendulum was privileged to partner with renowned luxury brand, Hermès for the launch of Hermès Clipper collection at the Jester Restaurant at the Peninsular Hotel on 17 July 2005. The venue was specially decorated to fit the oceanic theme that included water streams flowing from the rooftop. Renowned members of Thailand's society – M.L. Piyapas Bhirombhakdi, Khun Charles Pintanond, and Khun Nataphol Patamapong – were invited to talk about their personal experiences in water sports and the event culminated in a hip fashion show.

Vacheron Constantin Celebrates 250 Years in History

Vacheron Constantin in partnership with Pendulum celebrated its 250th anniversary over an elegant dinner held at the Bangkok Oriental Hotel on 9 September 2005. Honorary singers Mrs. Panchalee Penjati, Assistant Professor Duangjai Amarttayakul, and Mr. Takolkiet Viravan lent their voices for the evening while the guests admired the priceless timekeeping pieces on display.

FROM LEFT
Celebrity model, Ms Rawiwan Chunavat.
Elegant set up.
Ms Grace Mahadamrongkul & Mr Jean-Michael Paray.



Panerai 2006 Collection Exclusive Preview

Panerai aficionados gathered to witness the launch of the first-ever in-house movement produced by the Panerai manufactory at the Metropolitan's CY'AN. Adoring fans stepped into the "Movement Room" that was specially built to showcase the rare Panerai collections and marveled at the first in-house watch movement used in the Radiomir 8 Days.

FROM TOP
Fancy set up to welcome guests.
Enthusiastic Panerai fans.
Dr Chatchawin Charoen-Rajapark, Mrs Daranee Cheroen-Rachapark, Mrs Mondakarn Kridakorn, Ms Alexandra Zoller, Mr Angelo Bonati, M.L. Chayotid Kridakon & Mrs Yuki Srikarnchana.

IWC and Mercedes-Benz Team Up With Ingenieur AMG

Combining the best qualities of watchmaking and engineering, IWC and Mercedes-Benz collaborated to create "Ingenieur AMG". Pendulum was selected as the key partner to launch this unique collection at the Gaysorn on 28 October 2005.
A presentation by top leading models provided a close visual display of the collection as many guests took the opportunity to reserve their desired timepieces.

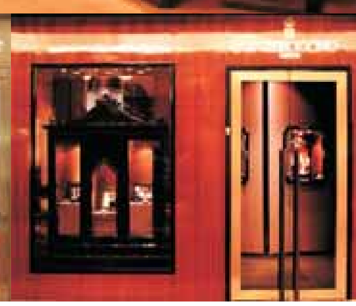
CLOCKWISE FROM TOP RIGHT
Guests mingled with one another at the launch event.
Admiring the Ingenieur AMG watches up-close.
The creative visual banner at the event.

Breitling Night Flight

300 ardent watch collectors gathered at the All Seasons Place on 7 October 2005 for the "Breitling Night Flight Party". Guests were immersed into the theme as they embarked on the Breitling aircraft bringing them into the party arena that is masterfully transformed with aerospace elements. Their senses were brought to live with tunes from an international DJ as bartenders served special cocktails in their roller blades.

FROM BOTTOM LEFT
Breitling angel.
Breitling aerospace arena.
Mr Matthew, Ms Suporntip Chuangrangsri & Ms Yumi Ingkhavat.

Time for a Good Chat
INDONESIA



CLOCKWISE FROM TOP
Franck Muller boutique, Plaza Senayan.
Franck Muller boutique, Grand Hyatt.
de GRISOGONO boutique, Plaza Indonesia
A. Lange & Sohne boutique, Plaza Indonesia.

Indonesia

Sincere's position and presence in Indonesia is growing together with the country's economic stability and progress. The Franck Muller boutique at Plaza Senayan in Jakarta continues to do well, while 2005 saw the opening of another boutique at Plaza Indonesia. Sincere also opened an A. Lange & Söhne boutique, as well as a de GRISOGONO store at Plaza Indonesia, boosting the number of dedicated retail outlets in the country to four.

Time for a Long Soak

HONG KONG & SHANGHAI

CLOCKWISE FROM TOP
de GRISOGONO boutique, IFC Mall, Hong Kong
Franck Muller boutique, St. George's Building, Hong Kong
Franck Muller boutique, Citic Square, Shanghai

Hong Kong & Shanghai

The year of 2005 was a promising one for Sincere Watch (Hong Kong) Limited as the Group's portfolio was given a boost with it being listed on the Hong Kong Exchange. This strategic move further reaffirms the importance and significance Sincere Watch places on the Chinese market. Encased with a reputable sheen in Hong Kong and Shanghai as a purveyor of the world's finest brands, the Group is well placed to maximize its potential in enhancing market presence. Partnership with several leading retailers has also played an instrumental role in elevating the group's status.

Hong Kong & Shanghai

de GRISOGONO Luncheon

Acclaimed Swiss jeweller and watchmaking house, de GRISOGONO, unveiled the new Browny Brown collection over a private luncheon at the de GRISOGONO boutique at IFC Mall. Continuing their commitment to outstanding design and exceptional quality, debonair creator – Fawaz Gruosi has created the Browny Brown collection. The exclusive preview gathered some of Hong Kong's most discerning style setters.

Franck Muller Charity Gala With Jackie Chan

As a prelude to "Jackie Chan Shanghai Circuit Charity Weekend", Franck Muller hosted a charity gala dinner at the Grand Hyatt Shanghai on 3 September 2005. To commemorate this occasion, master watchmaker – Franck Muller specially engraved on the back of the Franck Muller Tourbillion the words "Jackie Chan – Unique Piece". This exceptional timepiece along with other items were auctioned at the gala and raised more than RMB 1 million for the Xin Jiang Hospital.

FROM TOP RIGHT
Guests excitedly bid for their favourite items at the auction.
Mr Kevin Chau & Mr Jackie Chan presenting the timepiece to the winning bidder.

Launch of Pierre Kunz

Renowned for revolutionary designs in the world of watch making, Pierre Kunz made its debut in September last year at a private luncheon for selected media and VIPs. Master watchmaker, Mr Pierre Kunz, was present at the event to share his inspirations along with the presentation of his spectacular timepieces.

FROM TOP
Mr Kevin Chau & Mr Pierre Kunz.
Simple & elegant table setting.

Listing of Sincere Watch Hong Kong

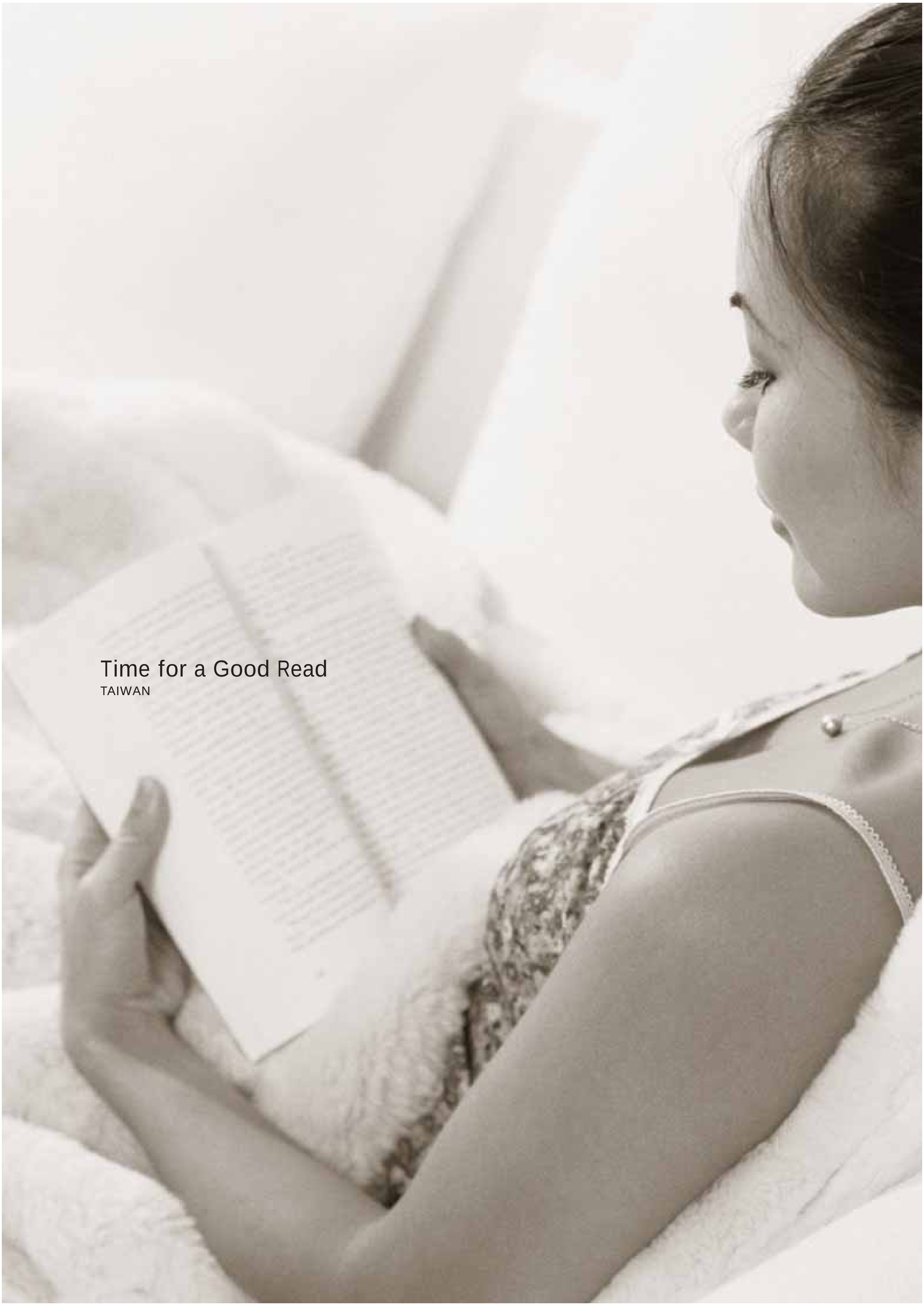
Sincere Watch (Hong Kong) Limited enters a new era as a publicly listed company. To celebrate this milestone, a 2-day event was organized at the Island Shangri-la Hotel. The venue was decorated with showcases displaying famous marques from Sincere, including de GRISOGONO, Franck Muller, European Company Watch and Pierre Kunz. The first day witnessed the announcement of the initial public offering while investors reveled in the celebrations on the second day.

FROM TOP
Mr Kevin Chau, Mr Soh Ghim Teik, Mr Tay Liam Wee & Ms Tay Liam Wuan.
Mr Kevin Chau speaking to the media.
The press announcement of the listing of Sincere Watch (Hong Kong) Limited.

Franck Muller Supper Club

Franck Muller held a gala event on 10 March 2006 at the Grand Hyatt, which was one for the record books. Luminary guests were invited to partake in an evening of grandeur and entertainment held under the auspices of the celebrated watch brand. Mr. Franck Muller officiated the event and welcomed the glitterati of socialites and celebrities. Guests marveled at the delectable menu specially created for the evening. The highlight of the event included a unique entertainment program provided by an international group of award-winning artistes and performers.

CLOCKWISE FROM TOP
Step into the opulent world of Franck Muller.
Guests chilled out at the vibrant lounge settings at the Supper Club.
Mr Phillip Ma, Mr Ian Chu, Mr William Ma & Mr Kenny B Chung.
Ms Mira Yeh and Mrs Reina Chau.
Performers filled the night with entertainment.



Time for a Good Read

TAIWAN

FROM TOP
Franck Muller window display at various point-of-sales in Taiwan
Franck Muller boutique, Grand Formosa Regent Hotel

Taiwan

As one of the top five importers of Swiss watches in the Asia Pacific, Taiwan remains as one of Sincere's most targeted centers as the Group continue to bring our brands to the fore in this market. Sincere will continue working closely with retailers in this market to bring out creative and innovative ways to boost the Group's brand portfolio and consolidate its market position.

Taiwan

Launch of Pierre Kunz

Pierre Kunz's breakout launch of his own creation is a much-awaited one in the horological industry. The brand was launched at a luncheon for selected media and customers at the Grand Hyatt on 15 September 2005. Mr Pierre Kunz was present at the luncheon to share his insights to the remarkable collection on display that included the Pierre Kunz Cupidon, Grand Date and Total Square timepieces.

FROM TOP
Venue set up.
Media presentation of Pierre Kunz's collection.
Models presentation.

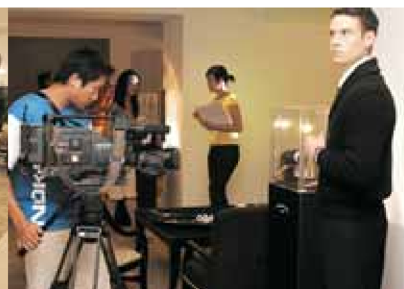
Franck Muller Private Events

The unveiling of the latest collection of timepieces and jewellery from the Master of Complications was enough to draw watch connoisseurs to a series of lavish private events organized especially for them. Avid watch fans were clearly delighted with the newest and much sought-after Franck Muller watches and took the opportunity to reserve their desired timepieces.

Franck Muller Watch Exhibitions

Underpinning its significance in the world of haute horology, the luxury watch milieu basked in the whimsical creations of Franck Muller when Sincere teamed up with its partners to hold a series of watch exhibitions to showcase a myriad of the brand's most important creations. Privileged customers were introduced to a comprehensive display of timepieces that included the brand's technical innovations and jeweled timepieces. Franck Muller's masterful collection continues to wow watch enthusiasts and reaffirm the brand's popularity.

FROM TOP
Showcase of the complicated Tourbillion collection from Franck Muller at Tien Wen Watch Store.
Franck Muller's famed colour dreams exhibition at Zong Chong Watch Store.



Letting Go With Franck Muller's Totally Crazy and Relief Collections

Major media gathered for the launch of Franck Muller's Totally Crazy and Relief collections. Held over a 2-day exhibition at the Grand Hyatt, the whimsical visual display illuminated the room and set the energetic mood that was shared by Hong Kong supermodels Jessie Leung and Eunis Chan.

FROM TOP LEFT
The quirky event setting.
Mingling with the media.
The entrance of event room.
2 celebrity models Jessie & Eunis present timepieces.
Interesting canapes.

Time to Enjoy the Fruits of Your Labour

KOREA

Korea

Many aspects point to Korea as the next hot destination among tourists and visitors. The Franck Muller boutiques are located right in the heart Seoul's retail hubs and are strategically poised to cater to collectors and shoppers from every aspect. Nothing is left to be desired in these boutiques as clients can shop in the comfort of these elegantly appointed stores with the assistance of well-trained retail professionals.

CLOCKWISE FROM TOP
Franck Muller boutique, Lotte Avenuel
Franck Muller boutique, Walkerhill
Franck Muller corner, Lotte Busan Dutyfree
Franck Muller boutique, Millenium Seoul
Franck Muller corner, Hotel Shilla Arcade

FINANCIAL REPORT 2005/2006

Report of The Directors

SINCERE WATCH LIMITED AND ITS SUBSIDIARIES

The directors present their report together with the audited consolidated financial statements of the group and the balance sheet and statement of changes in equity of the company for the financial year ended 31 March 2006.

1 DIRECTORS

The directors of the company in office at the date of this report are:

Mr Tay Boo Jiang
Mr Tay Liam Wee
Mr Soh Gim Teik
Mr Tay Chok Yan
Mr Tay Ngiap Jiang
Mr Cecil Vivian Richard Wong
Mr Lua Cheng Eng
Mr Khong Teck Kim

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the financial year had no interests in the share capital and debentures of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under Section 164 of the Singapore Companies Act, Cap. 50, except as follows:

	Shareholdings registered in the name of the director		Shareholdings in which the director is deemed to have an interest	
Name of directors and company in which interests are held	At beginning of financial year	At end of financial year	At beginning of financial year	At end of financial year
Ordinary shares of $0.10 each Sincere Watch Limited				
Mr Tay Boo Jiang (Note i)	-	-	98,455,500	98,455,500
Mr Tay Liam Wee (Note i)	-	-	98,455,500	98,455,500
Mr Tay Chok Yan	2,664,000	2,664,000	-	-
Mr Tay Ngiap Jiang	2,604,000	2,604,000	-	-
Mr Soh Gim Teik	-	-	7,848,000	7,848,000

Note i:
Mr Tay Liam Wee is the legal owner of TBJ Holdings Pte Ltd ("TBJ") which in turn owns 98,455,500 or 50.18% of the company. By virtue of the voting deed entered into between Mr Tay Boo Jiang and Mr Tay Liam 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 from 24 August 2005. By virtue of Section 7 of the Singapore Companies Act Cap. 50, Mr Tay Boo Jiang and Mr Tay Liam Wee with shareholdings as above, are deemed to have an interest in all the ordinary shares of the company's subsidiaries.

The directors' interests in the shares of the company as at 21 April 2006 were the same at 31 March 2006.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, Cap. 50, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5 OPTIONS TO TAKE UP UNISSUED SHARES

During the financial year, no options to take up unissued shares of the company or any corporation in the group were granted.

6 OPTIONS EXERCISED

During the financial year, there were no shares of the company or any corporation in the group issued by virtue of the exercise of options to take up unissued shares.

7 UNISSUED SHARES UNDER OPTION

At the end of the financial year, there were no unissued shares of the company or any corporation in the group under option.

8 AUDIT COMMITTEE

At the date of this report, the Audit Committee comprises three non-executive, independent directors:

Mr Cecil Vivian Richard Wong (Chairman)
Mr Lua Cheng Eng
Mr Khong Teck Kim

The Audit Committee met four times since the last Annual General Meeting ("AGM") and reviewed the following, where relevant, with the executive directors and external and internal auditors of the company:

a) the audit plans of the internal and external auditors and results of the internal auditors' examination and evaluation of the group's systems of internal accounting controls;

b) the group's financial and operating results and accounting policies;

c) the consolidated financial statements of the group and the balance sheet and statement of changes in equity of the company, before their submission to the directors of the company and external auditors' report on those financial statements;

d) the quarterly, half-yearly and annual announcements on the results and financial position of the company and the group;

e) the co-operation and assistance given by the management to the group's external auditors; and

f) the re-appointment of the external auditors of the group.

The Audit Committee has full access to and the co-operation of the management and are given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche for re-appointment as external auditors of the group at the forthcoming AGM of the company.

9 AUDITORS

The auditors, Deloitte & Touche, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

....
Mr Tay Liam Wee

....
Mr Soh Gim Teik

9 June 2006

Auditors' Report

TO THE MEMBERS OF SINCERE WATCH LIMITED

We have audited the consolidated financial statements of the group and the balance sheet and statement of changes in equity of Sincere Watch Limited for the financial year ended 31 March 2006 set out on pages 57 to 96. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

a) the consolidated financial statements of the group and the balance sheet and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at 31 March 2006 and of the results, changes in equity and cash flows of the group and the changes in equity of the company for the year ended on that date; and

b) the accounting and other records required by the Act to be kept by the company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche
Certified Public Accountants
Singapore

Kenny Horlley Young
Partner
(Date of Appointment: With effect for financial year ended 31 March 2004)

9 June 2006

Balance Sheets

SINCERE WATCH LIMITED AND ITS SUBSIDIARIES
31 MARCH 2006

	Note	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
ASSETS					
Current assets:					
Cash and bank balances	7	45,587	55,886	7,547	23,696
Trade receivables	8	32,753	24,858	3,457	1,167
Other receivables and prepaid expenses	9	8,953	4,301	10,686	25,086
Derivative financial instruments	10	26	-	26	-
Inventories		198,666	141,442	41,459	32,722
Total current assets		285,985	226,487	63,175	82,671
Non-current assets:					
Property, plant and equipment	11	18,304	18,017	13,000	12,577
Investment property	12	398	398	398	398
Subsidiaries	13	-	-	42,843	12,012
Associates	14	5,747	5,335	3,102	3,102
Available-for-sale investments	15	433	359	369	359
Goodwill	16	882	1,831	-	-
Other intangible assets	17	1,075	156	219	156
Deferred tax assets	18	4,677	4,346	970	350
Total non-current assets		31,516	30,442	60,901	28,954
Total assets		317,501	256,929	124,076	111,625
LIABILITIES AND EQUITY					
Current liabilities:					
Short-term bank loans, overdrafts, bankers' acceptance and other borrowings	19	17,254	20,114	2,000	5,000
Trade payables	20	134,892	116,560	20,145	27,614
Other payables	21	19,768	16,183	6,229	5,221
Derivative financial instruments	10	28	-	20	-
Current portion of long-term debt	22	3,909	1,262	3,083	197
Income tax payable		6,354	6,275	1,862	1,572
Total current liabilities		182,205	160,394	33,339	39,604
Non-current liabilities:					
Long-term debt	23	3,000	3,750	3,000	3,000
Finance leases	24	604	756	232	509
Total non-current liabilities		3,604	4,506	3,232	3,509
Capital, reserves and minority interests:					
Share capital	25	19,620	19,620	19,620	19,620
Currency translation reserve		(3,580)	(3,317)	-	(185)
Legal reserve		210	109	-	-
Investment revaluation reserve		44	-	10	-
Accumulated profits		105,391	75,562	67,875	49,077
Equity attributable to equity holders of the company		121,685	91,974	87,505	68,512
Minority interests		10,007	55	-	-
Total equity		131,692	92,029	87,505	68,512
Total liabilities and equity		317,501	256,929	124,076	111,625

See accompanying notes to financial statements.

Consolidated Profit and Loss Statement

SINCERE WATCH LIMITED AND ITS SUBSIDIARIES

YEAR ENDED 31 MARCH 2006

		Group	
	Note	2006	2005
		$'000	$'000
Revenue	26	318,178	324,261
Other operating income	27	7,052	690
Changes in inventories of goods for resale		56,693	37,197
Purchases of goods for resale		(288,852)	(279,293)
Staff costs	28	(23,734)	(20,669)
Rental expense		(15,153)	(15,714)
Selling, advertising and promotional expense		(12,595)	(11,149)
Depreciation and amortisation expense		(2,731)	(3,536)
Other operating expenses	29	(6,499)	(7,386)
Finance costs	30	(1,172)	(973)
Share of profits of associates		457	275
Gain on dilution of interest in subsidiary	31	10,608	-
Profit before income tax	32	42,252	23,703
Income tax expense	33	(7,156)	(4,941)
Profit for the year		35,096	18,762
Attributable to:			
Equity holders of the company		34,070	19,126
Minority interests		1,026	(364)
		35,096	18,762
Basic and fully diluted earnings per share (cents)	34	17.36	9.75

See accompanying notes to financial statements.

Statement of Changes In Equity

SINCERE WATCH LIMITED AND ITS SUBSIDIARIES
YEAR ENDED 31 MARCH 2006

	Note	Share capital	Currency translation reserve	Legal reserve[a]	Investment revaluation reserve	Accumulated profits	Attributable to equity holders of the company	Minority interests	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
Balance at 31 March 2004		16,350	(2,153)	-	-	66,617	80,814	437	81,251
Appropriation of legal reserve from accumulated profits		-	-	109	-	(109)	-	-	-
Bonus shares issue		3,270	-	-	-	(3,270)	-	-	-
Exchange differences arising on translation of foreign operations		-	(1,164)	-	-	-	(1,164)	(18)	(1,182)
Net profit for the year		-	-	-	-	19,126	19,126	(364)	18,762
Final dividend of $0.02 per ordinary share and special dividend of $0.11 per ordinary share less tax of 20% paid in respect of previous financial year		-	-	-	-	(6,802)	(6,802)	-	(6,802)
Balance at 31 March 2005		19,620	(3,317)	109	-	75,562	91,974	55	92,029
Effect of adoption of FRS 39	2(a)	-	-	-	-	(216)	(216)	-	(216)
As restated		19,620	(3,317)	109	-	75,346	91,758	55	91,813
Appropriation of legal reserve from accumulated profits		-	-	101	-	(101)	-	-	-
Exchange differences arising on translation of foreign operations		-	(263)	-	-	-	(263)	(907)	(1,170)
Net profit for the year		-	-	-	-	34,070	34,070	1,026	35,096
Final dividend of $0.01 per ordinary share and special dividend of $0.015 per ordinary share less tax of 20% paid in respect of previous financial year	42	-	-	-	-	(3,924)	(3,924)	-	(3,924)
Gain on available-for-sale investments		-	-	-	44	-	44	-	44
Contribution from minority interests		-	-	-	-	-	-	9,833	9,833
Balance at 31 March 2006		19,620	(3,580)	210	44	105,391	121,685	10,007	131,692

[a] Legal reserve relates to Sincere Watch Co. Ltd, incorporated in the Republic of China (Taiwan). Legal reserve may be used to offset a deficit, if any, and, when the reserve amount exceeds or equals 50% of the capital stock, an amount up to 50% of such reserve may be transferred to capital stock.

	Note	Share capital $'000	Currency translation reserve $'000	Investment revaluation reserve $'000	Accumulated profits $'000	Total $'000
Company						
Balance at 31 March 2004		16,350	(136)	-	36,268	52,482
Bonus shares issue		3,270	-	-	(3,270)	-
Exchange differences arising on translation of foreign operations		-	(49)	-	-	(49)
Net profit for the year		-	-	-	22,881	22,881
Final dividend of $0.02 per ordinary share and special dividend of $0.11 per ordinary share less tax of 20% paid in respect of previous financial year		-	-	-	(6,802)	(6,802)
Balance at 31 March 2005		19,620	(185)	-	49,077	68,512
Effect of adoption of FRS 39	2(a)	-	-	-	(213)	(213)
As restated		19,620	(185)	-	48,864	68,299
Exchange differences arising on translation of foreign operations		-	185	-	-	185
Net profit for the year		-	-	-	22,935	22,935
Final dividend of $0.01 per ordinary share and special dividend of $0.015 per ordinary share less tax of 20% paid in respect of previous financial year	42	-	-	-	(3,924)	(3,924)
Gain on available-for-sale investments		-	-	10	-	10
Balance at 31 March 2006		19,620	-	10	67,875	87,505

See accompanying notes to financial statements.

Consolidated Cash Flow Statement

SINCERE WATCH LIMITED AND ITS SUBSIDIARIES
YEAR ENDED 31 MARCH 2006

	2006	2005
	$'000	$'000
Operating activities:		
Profit before income tax	42,252	23,703
Adjustments for:		
Share of profits of associates	(457)	(275)
Amortisation of goodwill	-	625
Impairment loss on goodwill	2,621	-
Depreciation expense	2,731	2,911
Property, plant and equipment written off	125	107
Gain on disposal of property, plant and equipment	(74)	(219)
Write-back of impairment loss on other intangible assets	(63)	-
Write-back of impairment loss on other investments	-	(160)
Gain on dilution of interest in subsidiary	(10,608)	-
Net gain on fair value changes on foreign exchange contracts	(214)	-
Interest expense	1,172	973
Interest income	(494)	(176)
Dividend income	(18)	(10)
Operating cash flows before movements in working capital	36,973	27,479
Trade receivables	(8,553)	(11,214)
Other receivables and prepaid expenses	(5,298)	(390)
Inventories	(56,693)	(37,197)
Trade payables	17,564	35,306
Other payables	3,126	4,034
Cash (used in) generated from operations	(12,881)	18,018
Interest paid	(1,172)	(973)
Interest received	494	176
Dividends received	18	10
Dividends paid	(3,924)	(6,802)
Income tax paid	(7,387)	(5,116)
Net cash (used in) from operating activities	(24,852)	5,313

	2006	2005
	$'000	$'000
Investing activities:		
Purchase of property, plant and equipment (Note A)	(3,070)	(2,342)
Proceeds from disposal of property, plant and equipment	145	280
Acquisition of subsidiary (Note 36)	29	-
Additional investment in associates	-	(1,082)
Purchases of available-for-sale investments	(29)	-
Proceeds on disposal of quoted investments	-	25
Net cash used in investing activities	(2,925)	(3,119)
Financing activities:		
Proceeds from issue of shares to minority shareholders of subsidiary	20,441	-
(Decrease) Increase in bank loans	(64)	7,806
Increase (Decrease) in long-term debt	1,603	(5,021)
Net cash from financing activities	21,980	2,785
(Decrease) Increase in cash and cash equivalents	(5,797)	4,979
Cash and cash equivalents at beginning of year	50,326	46,459
Effect of foreign exchange rate changes	(1,706)	(1,112)
Cash and cash equivalents at end of year (Note 35)	42,823	50,326

Notes to the consolidated cash flow statement:

A. Purchase of property, plant and equipment

Cash purchase of property, plant and equipment	3,070	2,342
Purchase of property, plant and equipment under finance lease agreements	142	608
Total additions to property, plant and equipment (Note 11)	3,212	2,950

See accompanying notes to financial statements.

Notes to Financial Statements

SINCERE WATCH LIMITED AND ITS SUBSIDIARIES
MARCH 31, 2006

1 GENERAL

The company (Registration Number 197700967C) is incorporated in Singapore with its registered office and principal place of business at 8 Temasek Boulevard, #23-03 Suntec Tower 3, Singapore 038988. The company is listed on the mainboard of the Singapore Exchange Securities Trading Limited. The financial statements are expressed in thousands of Singapore dollars.

The company is principally engaged in the business of watch and clock retailing and investment holding.

The principal activities of the subsidiaries and associates are disclosed in Notes 13 and 14.

The consolidated financial statements of the group and the balance sheet and statement of changes in equity of the company for the financial year ended 31 March 2006 were authorised for issue by the Board of Directors on 9 June 2006.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

<u>Adoption of new and revised FRSs and Interpretations of FRS ("INT FRS")</u>

In the current financial year, the group has adopted all the new and revised FRSs and INT FRSs issued by the Council on Corporate Disclosure and Governance that are relevant to its operations and effective for annual periods beginning on or after 1 January 2005. The adoption of these new/revised FRSs and INT FRSs has no material effect on the financial statements as disclosed below and in the notes to financial statements.

(a) FRS 39 - Financial Instruments: Recognition and Measurement

FRS 39 requires the recognition and measurement of financial assets and liabilities. The new accounting standard moves measurement from a cost base to a fair value base for certain categories of financial assets and liabilities. The change in accounting policy has been accounted for in accordance with the transitional provisions of FRS 39. The adoption of FRS 39 has resulted in certain investments being carried at their respective fair values with the corresponding adjustments being taken to the revaluation reserve or the profit and loss statement.

Derivative financial instruments relating to currency forward contracts of the group and company amounting to $216,000 (liabilities) and $213,000 (liabilities) respectively as at 1 April 2005 were recognised on the balance sheet and the corresponding adjustments resulted in a decrease in accumulated profits in equity of the group and company by the same amount.

Derivative financial instruments were carried at fair value at the balance sheet date. At 31 March 2006, the derivative financial instruments of the group and company were fair valued at $26,000 (assets) and $28,000 (liabilities) respectively. The fair value changes of hedging instruments which were not designated as accounting hedges were recognised in profit and loss statement.

As the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods.

(b) FRS 103 – Business Combinations

<u>Goodwill</u>

FRS 103 has been adopted for financial years beginning 1 July 2004. The option of limited retrospective application of the accounting standard has not been taken up, thus avoiding the need to restate past business combinations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

After initial recognition, FRS 103 requires goodwill acquired in a business combination to be carried at cost less any accumulated impairment losses. Under FRS 36 *Impairment of Assets* (as revised in 2004), impairment reviews are required annually, or more frequently if there are indications that goodwill might be impaired. FRS 103 prohibits the amortisation of goodwill. Previously, under FRS 22, the group carried goodwill in its balance sheet at cost less accumulated amortisation and accumulated impairment losses. Amortisation was charged over the estimated useful life of the goodwill of 5 years.

In accordance with the transitional provisions of FRS 103, the group has applied the revised accounting policy for goodwill prospectively from the beginning of its first annual period beginning on or after 1 July 2004, to goodwill acquired in business combinations. Therefore, from 1 April 2005, the group has discontinued amortising such goodwill and has tested the goodwill for impairment in accordance with FRS 36. At 1 April 2005, the accumulated amortisation as at 31 March 2005 of $1,607,000 has been eliminated, with a corresponding decrease in the gross carrying amount of goodwill leaving the net carrying amount of goodwill unchanged.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods.

No amortisation has been charged in 2006. The charge in 2005 was $625,000.

An impairment loss of $2.62 million was recognised in the current year in accordance with FRS 36. Had the group's previous accounting policy been applied in the current year, this amount would have been split between an amortisation charge of $1.14 million and an impairment loss of $1.48 million, because the calculation of the recoverable amount of goodwill has not been affected by the 2004 amendments to FRS 36. Therefore, the change in accounting policy has had no impact on the profit for the year – although it has resulted in a re-analysis between amortisation charges and impairment losses recognised.

New and revised FRSs and INT FRSs in effect at the date of authorisation of the financial statements but not yet effective

The directors anticipate that the adoption of the FRSs, INT FRSs and consequential amendments to FRSs that were issued but not yet effective until future periods will have no material impact on the consolidated financial statements of the group.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 March each year. Control is achieved when the company has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss 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, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover its share of those losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In the financial statements of the company, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that have been recognised in the profit and loss statement.

BUSINESS COMBINATIONS - The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated profit and loss statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

<u>Cash and cash equivalents</u>

Cash and bank balances comprise cash on hand and demand deposits, bank overdrafts, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

<u>Trade and other receivables</u>

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

<u>Investments</u>

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Investments are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity

Financial liabilities and equity instruments issued by the group 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 accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

Derivative financial instruments

The group's activities expose it primarily to the financial risks of changes in foreign exchange rates.

The group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

The group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

LEASES – 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.

Assets held under finance leases are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised.

Rentals payable under operating leases are charged to profit and loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

INVENTORIES – Inventories comprise merchandise held for resale. High-end inventories are stated at the lower of cost (specific identification method) and net realisable value. Low-end inventories are stated at the lower of cost (weighted average method) and net realisable value. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold properties and improvements	- 2% to 50%
Plant and equipment	- 10% to 50%

Depreciation is not provided on freehold property.

Fully depreciated assets still in use are retained in the financial statements.

Assets held under finance lease arrangements are depreciated over their expected useful lives on the same basis as the owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the profit and loss statement.

INVESTMENT PROPERTY - Investment property held on a long-term basis for investment potential, is stated at cost, less any impairment in net recoverable value. No depreciation is provided on investment property.

GOODWILL – Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first 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. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The group's policy for goodwill arising on acquisition of an associate is described under "Associates" below.

INTANGIBLE ASSET – Intangible asset with indefinite useful life, is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At each balance sheet date, 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). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss statement.

ASSOCIATES - An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate) are not recognised.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated profit and loss statement.

Where a group entity transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

PROVISIONS – Provisions are recognised when the group has a present obligation as a result of a past event where it is probable that it will result in an outflow of economic benefits that can be reasonably estimated. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Interest income 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

BORROWING COSTS - Borrowing costs are recognised in the profit and loss statement in the period in which they are incurred.

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

INCOME TAX - 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 profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted in countries where the company and subsidiaries operate by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the 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 from goodwill or from the initial recognition (other than in a business combination) of other 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 arising on investments in subsidiaries and associates 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.

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 profits 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. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the group and the balance sheet and statement of changes in equity of the company are presented in Singapore dollars, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on 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 retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the group enters into forward contracts and options (please see above for details of the group's accounting policies in respect of such derivative financial instruments).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at closing rate.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

<u>Critical judgements in applying the entity's accounting policies</u>

In the process of applying the group's accounting policies, which are described in Note 2, management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements (apart from those involving estimations which are dealt with below).

<u>Key sources of estimation uncertainty</u>

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(a) Allowances for doubtful debts

An allowance for doubtful debts accounts for estimated loss resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyses accounts receivables and analyses historic bad debt, customer concentrations, customer worthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts.

(b) Allowances 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 financial statements for slow-moving items. Management is satisfied that adequate allowance for inventories has been made in the financial statements.

(c) Impairment of investments in subsidiaries and subordinated loans to subsidiaries

Determining whether investments in subsidiaries and subordinated loans to subsidiaries are impaired requires an estimation of the value in use of the investments and loans. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the subsidiary and a suitable discount rate in order to calculate net recoverable amount. The carrying amount of investments in subsidiaries and subordinated loans to subsidiaries in the financial statements of the company at the balance sheet date was $42.84 million after an impairment loss of $4.97 million that was recognised during 2006. Details of the impairment loss calculation are provided in Note 13 to the financial statements.

(d) 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 entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate net recoverable amount. The carrying amount of goodwill at the balance sheet date was $882,000 after an impairment loss of $2,621,000 that was recognised during 2006. Details of the impairment loss calculation are provided in Note 16 to the financial statements.

4 FINANCIAL RISKS AND MANAGEMENT

The group's activities expose it to a variety of financial risks, including the effects of: changes in debt and equity market prices, foreign currency exchange rates and interest rates. The group uses derivative financial instruments such as foreign exchange forward contracts to hedge certain exposures. The group does not hold or issue derivative financial instruments for speculative purposes.

Foreign exchange risk

The group is exposed to foreign currency risk on its foreign currency denominated cash balances and trade payables. The currencies giving rise to this risk are primarily Swiss Franc. The group ensures that the net exposure is kept to an acceptable level by entering into hedging activities such as forward foreign exchange contracts and options and also by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The group is also exposed to foreign exchange movements on its net investments in foreign subsidiaries and associates. No hedge has been taken up for this exposure.

4 FINANCIAL RISKS AND MANAGEMENT (cont'd)

Interest rate risk

The group's primary interest rate risk relates to interest bearing debt. The group primarily raises long-term loans based on expectation of future interest rate movements. As at the balance sheet date, the average term to maturity of the group's loans was approximately 20 months (2005 : 12 months) and all the term loans have floating interest rate terms except for term loans of $6,750,000 (2005 : $1,750,000) with a fixed interest rate of 3.23% to 4.60% (2005 : 3.23% to 3.50%) per annum.

The group is also exposed to interest rate risk through the impact of rate changes on its short-term loans and bank overdrafts which bear interest at the rates disclosed in Note 19. Since these debts are short-term, with the current interest rate level, any future variations in interest rates is not expected to have a material impact on the group's results.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a loss to the group. The group has adopted the policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial losses from default and generally does not require collateral. The group places its cash and cash equivalents with creditworthy institutions and performs ongoing credit evaluations of its customers' financial condition.

The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the financial year in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the balance sheet.

Liquidity risk

It is the group's policy for the raising of capital and placement of surplus fund to be managed centrally. The group has targets for available funds in the form of surplus liquidity and irrevocable credit facilities, which are available to the group at any given time.

Fair value of financial assets and financial liabilities

The carrying amount of cash and cash equivalents, trade and other current receivables and payables, provisions and other liabilities and amounts payable approximate their respective fair values due to the relatively short-term maturity of these financial instruments. Available-for-sale investments and derivative financial instruments are measured at their fair value. The carrying amount of long-term debts approximate their fair values.

5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The company is a subsidiary of TBJ Holdings Pte Ltd, a company incorporated in the Republic of Singapore which is also the ultimate holding company. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

Some of the company's transactions and arrangements are between members of the group and the effect of these on the basis determined between the parties are reflected in these financial statements.

Transactions between the company and its subsidiaries, which are related companies of the company, have been eliminated on consolidation and are not disclosed in this note.

6 RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors with that of the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, repayable on demand and interest-free, unless otherwise stated.

During the year, group entities entered into the following trading transactions with related parties:

	Group	
	2006	2005
	$'000	$'000
Sales of goods	(1,743)	(2,342)
Purchases of goods	31	98
Interest income	(77)	(105)
Rental income	(59)	(57)
Delivery charges	79	105

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2006	2005
	$'000	$'000
Short-term benefits	11,229	8,826
Post-employment benefits	205	225

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

7 CASH AND BANK BALANCES

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Cash at bank	30,318	38,977	7,547	6,787
Fixed deposits	15,269	16,909	-	16,909
	45,587	55,886	7,547	23,696

Bank balances and cash comprise cash held by the group and short-term bank deposits with an original maturity of three months or less. The carrying amounts of these assets approximate their fair values.

Fixed deposits earn interest at a rate of 0.8% to 4.3% (2005 : 0.58%) per annum and mature 30 days (2005 : 15 days) within the financial year end.

7 CASH AND BANK BALANCES (cont'd)

The group's and company's cash and cash equivalents that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Singapore dollars	9	218	-	-
United States dollars	519	146	488	36
Swiss francs	9,542	27,526	684	18,470
Malaysian ringgit	7	4	-	-
Euro	30	19	11	12
Hong Kong dollars	119	102	119	102

8 TRADE RECEIVABLES

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Outside parties	31,305	24,341	3,205	706
Subsidiaries (Note 13)	-	-	86	259
Associates (Note 14)	1,922	517	166	202
Related party (Note 6)	-	2,690	-	-
	33,227	27,548	3,457	1,167
Less: Allowance for doubtful debts	(474)	(2,690)	-	-
	32,753	24,858	3,457	1,167

In 2005, an allowance was made for estimated irrecoverable amounts from a related party relating to sale of goods. This allowance has been determined based on the directors' assessment of the related party's financial position.

The group's and company's trade receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Swiss francs	5,698	2,262	2,097	287
United States dollars	461	148	-	-

9 OTHER RECEIVABLES AND PREPAID EXPENSES

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Subsidiaries (Note13)	-	-	7,212	26,540
Associates (Note 14)	86	65	85	-
Related party (Note 6)	-	714	-	-
Prepaid expenses	852	1,300	170	113
Deposits	6,448	1,521	5,159	439
Income tax recoverable	1	21	-	17
Others	1,566	680	205	122
	8,953	4,301	12,831	27,231
Less: Allowance for doubtful debts	-	-	(2,145)	(2,145)
	8,953	4,301	10,686	25,086

9 OTHER RECEIVABLES AND PREPAID EXPENSES (cont'd)

An allowance has been made for estimated irrecoverable amounts from subsidiaries. This allowance has been determined based on the directors' assessment of the subsidiaries' financial positions.

Advances to subsidiaries and associates of $4.66 million (2005 : $15.60 million) bear interest at a rate of 4% (2005 : 4.00%) per annum whilst other advances to subsidiaries and associates are interest-free. All advances to subsidiaries and associates are repayable on demand.

The group's and company's other receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
United States dollars	234	-	187	-
Malaysian ringgit	274	1,045	-	889
Indonesian rupiah	7	-	7	-
Hong Kong dollars	10	12	-	-
Swiss francs	4,463	-	4,463	-

10 DERIVATIVE FINANCIAL INSTRUMENTS

	Group				Company			
	2006		2005		2006		2005	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Forward currency exchange contracts	26	28	-	-	26	20	-	-

The group utilises currency derivatives to hedge significant future transactions and cash flows. The group is party to a variety of forward foreign exchange contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the group's principal markets.

At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts to which the group is committed are as follows:

	Group	
	2006	2005
	$'000	$'000
Bought:		
Swiss francs	9,500	12,700
Euro	553	1,533
United States dollars	111	44
Australian dollars	334	110
Singapore dollars	355	133
New Zealand dollars	30	15
Equivalent in Singapore dollars	13,871	21,406

These arrangements are designed to address significant exchange exposures for the first half of 2007, and are renewed on a revolving basis as required.

At 31 March 2006, the negative fair value of the group's currency derivatives is estimated to be approximately $2,000. These amounts are based on bank rates for equivalent instruments at the balance sheet date, comprising assets of $26,000 and liabilities of $28,000. As the group had not adopted FRS 39 for the preceding year, the negative fair value of the derivatives amounting to $216,000 were not recognised on the balance sheet as at 31 March 2005. Adjustments were made to the opening balances in accordance with the transitional provisions of FRS 39.

10 DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

Changes in the fair value of currency derivatives which are not designated as accounting hedges amounting to a gain of $214,000 (2005 : $Nil) have been credited to the profit and loss statement in the year.

The group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

11 PROPERTY, PLANT AND EQUIPMENT

	Freehold property	Leasehold properties and improvements	Plant and equipment	Total
	$'000	$'000	$'000	$'000
Group				
Cost:				
At 1 April 2004	3,254	12,607	14,499	30,360
Additions	-	130	2,820	2,950
Disposals	-	-	(840)	(840)
Written off	-	(92)	(2,390)	(2,482)
Exchange differences	-	-	(66)	(66)
At 1 April 2005	3,254	12,645	14,023	29,922
Additions	-	168	3,044	3,212
Disposals	-	-	(371)	(371)
Written off	-	-	(1,739)	(1,739)
Exchange differences	-	-	(31)	(31)
Arising on acquisition of a subsidiary	-	-	59	59
At 31 March 2006	3,254	12,813	14,985	31,052
Accumulated depreciation:				
At 1 April 2004	-	1,867	10,328	12,195
Depreciation for the year	-	389	2,522	2,911
Disposals	-	-	(779)	(779)
Written off	-	(92)	(2,283)	(2,375)
Exchange differences	-	-	(47)	(47)
At 1 April 2005	-	2,164	9,741	11,905
Depreciation for the year	-	432	2,299	2,731
Disposals	-	-	(300)	(300)
Written off	-	-	(1,614)	(1,614)
Exchange differences	-	-	(29)	(29)
Arising on acquisition of a subsidiary	-	-	55	55
At 31 March 2006	-	2,596	10,152	12,748
Carrying amount:				
At 31 March 2006	3,254	10,217	4,833	18,304
At 1 April 2005	3,254	10,481	4,282	18,017

11 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold property	Leasehold properties and improvements	Plant and equipment	Total
	$'000	$'000	$'000	$'000
Company				
Cost:				
At 1 April 2004	3,254	9,607	5,861	18,722
Additions	-	66	1,177	1,243
Disposals	-	-	(823)	(823)
Written off	-	(92)	(1,246)	(1,338)
At 1 April 2005	3,254	9,581	4,969	17,804
Additions	-	165	1,548	1,713
Disposals	-	-	(159)	(159)
Written off	-	-	(13)	(13)
At 31 March 2006	3,254	9,746	6,345	19,345
Accumulated depreciation:				
At 1 April 2004	-	1,813	4,099	5,912
Depreciation for the year	-	222	1,125	1,347
Disposals	-	-	(775)	(775)
Written off	-	(92)	(1,165)	(1,257)
At 1 April 2005	-	1,943	3,284	5,227
Depreciation for the year	-	253	1,003	1,256
Disposals	-	-	(125)	(125)
Written off	-	-	(13)	(13)
At 31 March 2006	-	2,196	4,149	6,345
Carrying amount:				
At 31 March 2006	3,254	7,550	2,196	13,000
At 1 April 2005	3,254	7,638	1,685	12,577

Plant and equipment with a carrying amount of $776,000 (2005 : $1,243,000) and $338,000 (2005 : $914,000) for the group and company respectively were acquired under finance lease agreements (Note 24).

Group Properties in Singapore:

Held by	Group's effective interest	Location	Approximate floor area	Tenure	Usage
	%				
Sincere Watch Limited	100	304 Orchard Road, Lucky Plaza	36 sq m	Freehold	Shop for retailing of watches
Sincere Watch Limited	100	150 Orchard Road, Orchard Plaza	212 sq m	103 years, 74 years unexpired	Office
Sincere Watch Limited	100	8 Temasek Boulevard, Suntec City	325 sq m	99 years, 82 years unexpired	Corporate head office
Culina Holdings Pte Ltd	100	24 Senoko Way	6,928 sq m	30 years, 16 years unexpired	Office and warehouse

12 INVESTMENT PROPERTY

This consists of the freehold property located at 304 Orchard Road, #23-04 Lucky Plaza, Singapore 238863. As at 31 March 2006, the directors estimated the fair value of the investment property to be approximately $600,000 (2005 : $600,000) based on recent transactions of similar properties. The valuation surplus of $202,000 (2005 : $202,000) is not reflected in the financial statements. The freehold property is currently vacant.

13 SUBSIDIARIES

	Company	
	2006	2005
	$'000	$'000
Quoted equity shares, at cost	16,743	-
Unquoted equity shares, at cost	15,326	10,512
Investments prepayment	13,589	-
Loans to subsidiaries	4,028	3,378
	49,686	13,890
Less: Allowance for doubtful debts	(1,678)	(1,678)
Impairment loss	(5,165)	(200)
Carrying amount	42,843	12,012

The intercompany balances are unsecured, repayable on demand and interest-free except for loans to two subsidiaries amounting to $2,350,000 (2005 : $1,700,000) which are subordinated to bank overdrafts provided by a bank as part of the covenants covering the provision of overdraft facilities as disclosed in Note 19.

During the year, the company carried out a review of the recoverable amount of the investments in subsidiaries and subordinated loans to subsidiaries, having regard to the existing performance of the relevant subsidiaries. The review led to the recognition of an impairment loss of $4.97 million (2005 : $Nil) that has been recognised in the profit and loss statement of the company.

The recoverable amount of the investments is determined from value in use calculations. 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 subsidiaries. The growth rates are based on management's estimates and industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The group prepares cash flow forecasts derived from the most recent financial budgets approved by management for financial year ending 2007 and extrapolates cash flows for the following four years based on estimated growth rates of 5% to 10%. These rates do not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows is 7% based on the group's weighted average cost of capital.

Investments prepayment comprises subscription monies which would be converted into investments for ordinary shares in subsidiaries within the next twelve months. In addition, loans to two subsidiaries amounting to $2,350,000 will be converted into investments for ordinary shares in those subsidiaries within the next twelve months.

13 SUBSIDIARIES (cont'd)

The subsidiaries of the company are as follows:

Name of subsidiary and principal activities	Country of incorporation and operation	Proportion of ownership interest		Effective equity interest	
		2006	2005	2006	2005
		%	%	%	%
Avante Investment Pte Ltd Investment holding company	Singapore	100	100	100	100
Avante Marketing Pte Ltd Promoters, representatives and agents of fashion and luxury goods	Singapore	100	100	100	100
British Master Time Pte Ltd Marketing of luxury goods	Singapore	100	100	100	100
Culina Holdings Pte Ltd Investment holding company	Singapore	100	100	100	100
Culina Pte Ltd [(a)] Supply and distribution of gourmet food, fine wines and pastry products	Singapore	100	100	100	100
Emotus Pte Ltd Retailing of watches and clocks	Singapore	100	100	100	100
Food Resources Pte Ltd [(a) (b)] Supply and distribution of gourmet food, fine wines and pastry products	Singapore	100	-	100	-
Franck Muller Pte Ltd Marketing of Franck Muller time pieces	Singapore	100	100	100	100
Heirloom Restoration Services Pte Ltd Watch repair services	Singapore	100	100	100	100
Heritage Distribution Pte Ltd Marketing and distribution of watches	Singapore	100	100	100	100
Parisian Time Pte Ltd Marketing of luxury goods	Singapore	100	100	100	100
Quantum Communications Pte Ltd [(c)] Marketing communications services	Singapore	100	-	100	-
Richburgh Holdings Pte Ltd [(d)] Retailing of watches and clocks	Singapore	50	50	50	50
Sincere Watch Duty Free Pte Ltd [(d)] Retailing of watches and clocks	Singapore	50	50	50	50

13 SUBSIDIARIES (cont'd)

Name of subsidiary and principal activities	Country of incorporation and operation	Proportion of ownership interest 2006	2005	Effective equity interest 2006	2005
		%	%	%	%
Swiss Master Time Pte Ltd Marketing of luxury goods	Singapore	100	100	100	100
Times Legend International Pte Ltd Marketing and distribution of watches	Singapore	100	100	100	100
Leoco Enterprise Limited (1) Investment holding company	Hong Kong SAR	75	75	75	75
Pendulum Limited (a) (2) Dormant	Hong Kong SAR	100	100	100	100
Sincere Brand Management Limited (a) (e) (2) Marketing and distribution of watches	Hong Kong SAR	75	100	75	100
Avante Marketing (M) Sdn Bhd (3) Investment holding company	Malaysia	100	100	100	100
Culina Products Sdn Bhd (a) (3) Dormant	Malaysia	100	100	100	100
Emotus Sdn Bhd (a) (4) Retailing of watches, clocks, pens and related accessories and servicing of watches	Malaysia	100	100	100	100
Sincere Watch Sdn Bhd (f) (4) Retailing of watches, clocks, pens and related accessories and servicing of watches	Malaysia	80	80	80	80
Shanghai Sincere Watch Co. Ltd (a) (5) Dormant	People's Republic of China	75	75	75	75
Sincere Watch Co. Ltd (2) Wholesale and retail of watches	Republic of China (Taiwan)	100	100	100	100
Sincere Watch (Hong Kong) Limited (e) (2) Investment holding	The Cayman Islands	75	100	75	100
Sincere Brand Holdings Limited (a) (e) (2) Investment holding	British Virgin Islands	75	100	75	100

13 SUBSIDIARIES (cont'd)

[a] Held by subsidiaries.
[b] Acquired on 17 February 2006 by Culina Holdings Pte Ltd.
[c] Incorporated on 13 December 2005.
[d] Considered as subsidiaries by virtue of control by the group over their financial and operating policies.
[e] Interest in the subsidiary was reduced to 75% via group restructuring and public share offer as further described in Note 31.
[f] 15% interest in Sincere Watch Sdn Bhd is held through Avante Marketing (M) Sdn Bhd.

All subsidiaries are audited by Deloitte & Touche, Singapore except for the subsidiaries that are indicated as follows:

[1] Audited by Morison Heng, Hong Kong, SAR.
[2] Audited by overseas practices of Deloitte Touche Tohmatsu of which Deloitte & Touche - Singapore is a member.
[3] Audited by K. K. San, Lew & Loke, Malaysia.
[4] Audited by Ernst & Young, Malaysia.
[5] Not audited as not required in country of incorporation and not considered material.

14 ASSOCIATES

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Unquoted equity shares at cost	3,382	3,382	3,382	3,382
Less: Impairment loss	-	-	(280)	(280)
	3,382	3,382	3,102	3,102
Share of post-acquisition reserves	2,365	1,953	-	-
	5,747	5,335	3,102	3,102

The group's investment in associates comprises the following:

Name of associate and country of incorporation/operation	Principal activities	Proportion of ownership interest		Effective equity interest	
		2006	2005	2006	2005
		%	%	%	%
Pendulum Ltd [a] Thailand	Retailing and distribution of watches and clocks	49	49	49	49
BVL Partner Co. Ltd [a] Thailand	Retailing and distribution of watches, clocks and jewellery	49	49	49	49
Unisky Limited [b] Hong Kong, SAR	Dormant	33	33	33	33

The associates, whose net assets are less than 20% of the net assets of the group, are audited by:

[a] SB Auditing Service Co. Ltd, Thailand.
[b] Vincent Kwok & Co., Hong Kong, SAR.

14 ASSOCIATES (cont'd)

Significant transactions with associates:

	Group	
	2006	2005
	$'000	$'000
Sales of goods	(7,957)	(6,488)
Management fee expense	42	42

Summarised financial information in respect of the group's associates is set out below:

	2006	2005
	$'000	$'000
Total assets	27,478	17,885
Total liabilities	15,750	6,997
Net assets	11,728	10,888
Group's share of associates' net assets	5,747	5,335
Revenue	34,718	29,642
Profit for the year	932	561
Group's share of associates' profit for the year	457	275

15 AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Quoted equity shares, at fair value	433	359	369	359

The investments in quoted equity securities offer the group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair value of these securities are based on the quoted closing market prices on the last market day of the financial year.

The group's and company's available-for-sale investments that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Hong Kong dollars	63	-	-	-

16 GOODWILL

	Group
	$'000
Cost:	
At 1 April 2004 and 1 April 2005	5,438
Elimination of amortisation accumulated prior to the adoption of FRS 103 (Note 2)	(1,607)
Arising on acquisition of a subsidiary (Note 36)	1,672
At 31 March 2006	5,503
Amortisation:	
At 1 April 2004	982
Amortisation for the year	625
At 1 April 2005	1,607
Elimination of amortisation accumulated prior to the adoption of FRS 103 (Note 2)	(1,607)
At 31 March 2006	-
Impairment:	
At 1 April 2004 and 1 April 2005	2,000
Impairment loss in the year	2,621
At 31 March 2006	4,621
Carrying amount:	
At 31 March 2006	882
At 1 April 2005	1,831

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	Group	
	2006	2005
	$'000	$'000
Food Trading		
Culina Pte Ltd	3,607	3,607
Food Resources Pte Ltd	1,672	-
Watch Retailing		
Franck Muller Pte Ltd	224	224
	5,503	3,831

The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from value in use calculations. 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 management's estimates and industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the financial year ending 2007 and extrapolates cash flows for the following four years based on estimated growth rates of 5% to 8%. These rates do not exceed the average long-term growth rate for the relevant markets.

16 GOODWILL (cont'd)

The rate used to discount the forecast cash flows is 7% based on the group's weighted average cost of capital.

At 31 March 2006, before impairment testing, goodwill of $5.3 million was allocated to the food trading segment. Due to increased competition in the market, the group has revised its cash flow forecasts for this CGU. The food trading CGU has therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill of $2.62 million.

17 OTHER INTANGIBLE ASSETS

	Club memberships	Product listing fees	Total
	$'000	$'000	$'000
Group			
Cost:			
At 1 April 2004 and 1 April 2005	336	-	336
Arising on acquisition of a subsidiary (Note 36)	-	856	856
At 31 March 2006	336	856	1,192
Impairment:			
At 1 April 2004 and 1 April 2005	180	-	180
Write-back of impairment loss during the year	(63)	-	(63)
At 31 March 2006	117	-	117
Carrying amount:			
At 31 March 2006	219	856	1,075
At 1 April 2005	156	-	156

	Club memberships
	$'000
Company	
Cost:	
At 1 April 2004, 1 April 2005 and 31 March 2006	336
Impairment:	
At 1 April 2004 and 1 April 2005	180
Write-back of impairment loss during the year	(63)
At 31 March 2006	117
Carrying amount:	
At 31 March 2006	219
At 1 April 2005	156

The investment in club memberships represent investments in clubs to obtain the right to receive services and obtain usage of the facilities of the club.

The product listing fees included above arose on acquisition of subsidiary, Food Resources Pte Ltd on 17 February 2006 (Notes 13 and 36).

The group tests the other intangible assets annually for impairment, or more frequently if there are indicators that the intangible assets might be impaired.

18 DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised by the group and the company:

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Deferred tax assets				
Allowance for inventories	4,564	3,735	1,058	424
Allowance for doubtful debts	-	427	-	-
Excess of book depreciation over tax depreciation	142	184	(88)	(74)
Others	(29)	-	-	-
Total deferred tax assets	4,677	4,346	970	350
Movement in deferred tax assets				
Balance at beginning of year	4,346	2,899	350	(213)
Amounts transferred to profit and loss (Note 33)	370	1,502	620	563
Translation adjustment	(39)	(55)	-	-
Balance at end of year	4,677	4,346	970	350

At the balance sheet date, the group and company have temporary differences mainly from allowances for inventories, allowance for doubtful debts and capital allowances of $29.45 million and $4.85 million (2005 : $29.87 million and $1.75 million) respectively available for offset against future profits. A deferred tax asset has been recognised in respect of $25.18 million (2005 : $24.35 million) of such temporary differences of the group. No deferred tax asset has been recognised in respect of the remaining $4.27 million (2005 : $5.52 million) of the group due to the unpredictability of future profit streams. A deferred tax asset has been recognised in respect of the $4.85 million (2005 : $1.75 million) temporary differences of the company.

At the balance sheet date, the group has unutilised losses of $12.74 million (2005 : $10.14 million) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams (2005 : $Nil).

During the year, there was a substantial change in the shareholders arising from the acquisition of a subsidiary (Note 36). As a result, the unutilised tax losses of the subsidiary brought forward from the previous years totalling approximately $1.74 million may not be available for offset against future taxable income under Sections 23(2) and 37(5) of the Singapore Income Tax Act unless the subsidiary successfully obtains a ministerial waiver of the shareholders test. The subsidiary is in the process of applying to the Minister of Finance for waiver from application of these sections on the grounds that the change was not made for the purpose of obtaining a tax benefit or advantage. The directors are of the view that the waiver will be obtained and have thus included these unutilised tax losses in their group unutilised tax losses above.

These future income tax benefits in respect of unutilised tax losses are available for an unlimited future period only if the respective subsidiaries derive future assessable income of a similar nature and of sufficient amounts to enable the benefits to be realised and the conditions for deductibility imposed by law, including the retention of majority shareholders, as defined, are complied with.

19 SHORT-TERM BANK LOANS, OVERDRAFTS, BANKERS' ACCEPTANCE AND OTHER BORROWINGS

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Bank overdrafts (Note 35)	2,764	5,560	-	-
Short-term bank loans	7,757	10,875	2,000	5,000
Bankers' acceptance	6,247	3,679	-	-
Due to a factoring company	486	-	-	-
	17,254	20,114	2,000	5,000

Short-term bank loans of $7.8 million (2005 : $10.9 million) are arranged at floating rates, and expose the group to cash flow interest rate risk. Other short-term bank loans and borrowings are arranged at fixed interest rates and expose the group to fair value interest rate risk.

(a) The group's and company's bank overdrafts bear effective interest at rates ranging from 4.47% to 10.73% (2005: 5.25% to 8.00%) per annum, are repayable on demand and are unsecured except for:

(i) Bank overdrafts and other credit facilities of two subsidiaries amounting to $1,505,000 (2005: $3,456,000) which are guaranteed by the company and the minority shareholder of those subsidiaries. In accordance with the terms and conditions for the provision of the banking facilities, these overdrafts and credit facilities are ranked first over all present and future loans from the company and the minority shareholder; and

(ii) Bank overdrafts of $1,259,000 (2005: $2,104,000) of another subsidiary which are guaranteed by the company and secured by irrevocable standby letters of credit.

(b) The group's and company's short-term bank loans are unsecured and bear interest at rates ranging from 2.85% to 5.15% (2005: 2.73% to 5.05%) per annum and are repayable on demand.

(c) The group's bankers' acceptance is secured by a corporate guarantee given by the company and bears interest at rates ranging from 3.89% to 4.70% (2005: 3.87% to 4.20%) per annum.

(d) The group's amounts due to a factoring company are secured by a joint and several guarantee from two directors and bear average effective interest rate of 6.25% (2005: Nil%) per annum and are due 75 days within the financial year end.

20 TRADE PAYABLES

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Outside parties	134,892	116,490	1,505	5,307
Subsidiaries (Note 13)	-	-	18,640	22,307
Related party (Note 6)	-	70	-	-
	134,892	116,560	20,145	27,614

20 TRADE PAYABLES (cont'd)

The group's and company's trade payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Swiss francs	127,592	103,146	8,782	532
Singapore dollars	343	116	-	-
United States dollars	209	471	-	-
Euro	882	629	-	-
Australian dollars	464	-	-	-
Thai baht	-	394	-	-

21 OTHER PAYABLES

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Subsidiaries (Note 13)	-	-	43	168
Associates (Note 14)	105	279	105	279
Directors	3,884	2,249	3,593	2,249
Minority shareholders of subsidiaries	2,350	1,700	-	-
Advances from customers	1,394	961	926	803
Accruals	9,628	8,997	1,312	1,615
Rental payable	761	775	-	-
Others	1,646	1,222	250	107
	19,768	16,183	6,229	5,221

The other payables to directors are unsecured, repayable on demand and interest-free.

The group's and company's other payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Singapore dollars	6,006	493	-	-
United States dollars	2,093	2,122	-	-
Malaysian ringgit	761	772	-	-
Thai baht	158	322	158	322

22 CURRENT PORTION OF LONG-TERM DEBT

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Term loans (Note 23)	3,750	1,000	3,000	-
Finance leases (Note 24)	159	262	83	197
	3,909	1,262	3,083	197

23 LONG-TERM DEBT

	Group 2006	Group 2005	Company 2006	Company 2005
	$'000	$'000	$'000	$'000
Term loans	6,750	4,750	6,000	3,000
The borrowings are repayable as follows:				
On demand or within one year	3,750	1,000	3,000	-
In the second year	-	3,750	-	3,000
In the third year	3,000	-	3,000	-
	6,750	4,750	6,000	3,000
Less: Amount due for settlement within 12 months (Note 22)	(3,750)	(1,000)	(3,000)	-
Amount due for settlement after 12 months	3,000	3,750	3,000	3,000

The group's and company's term loans with banks are unsecured except for a term loan of $750,000 (2005 : $1,750,000) which is secured by a corporate guarantee from the company.

Details of the term loans are:

(a) Term loan of $1,000,000 which bore effective interest rate of 3.23% per annum has been fully repaid during the financial year.

(b) Term loan of $3,000,000 (2005 : $3,000,000) which bears effective interest rate of 3.50% (2005 : 3.50%) per annum is repayable in full in August 2006.

(c) Term loan of $3,000,000 (2005 : $Nil) which bears effective interest rate of 4.60% (2005 : Nil%) per annum is repayable in full in January 2009.

(d) Term loan of $750,000 (2005 : $1,750,000) which bears effective interest rate of 3.27% (2005 : 3.23%) per annum is repayable over the next 3 quarters in the financial year 2007 in equal instalments.

24 FINANCE LEASES

	Group				Company			
	Minimum lease payments		Present value of minimum lease payments		Minimum lease payments		Present value of minimum lease payments	
	2006	2005	2006	2005	2006	2005	2006	2005
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Amounts payable under finance leases:								
Within one year	199	300	159	262	100	232	83	197
In the second to fifth years inclusive	641	822	556	685	257	511	218	438
After five years	44	71	48	71	7	71	14	71
	884	1,193	763	1,018	364	814	315	706
Less: Future finance charges	(121)	(175)			(49)	(108)		
	763	1,018			315	706		
Less: Amount due for settlement within 12 months (Note 22)			(159)	(262)			(83)	(197)
Amount due for settlement after 12 months			604	756			232	509

24 FINANCE LEASES (cont'd)

It is the group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 6 years. For the year ended 31 March 2006, the average effective borrowing rate was 5.96% (2005 : 6.70%). Interest rates are fixed at the contract date, and thus expose the group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the group's lease obligations approximates their carrying amount.

The group's obligations under finance leases are secured by the lessors' title to the leased assets (Note 11).

25 SHARE CAPITAL

	Group and Company			
	2006	2005	2006	2005
	Number of ordinary shares ('000)		$'000	$'000
Authorised	500,000	500,000	50,000	50,000
Issued and fully paid:				
At beginning of year	196,200	163,500	19,620	16,350
Bonus shares issue	-	32,700	-	3,270
At end of year	196,200	196,200	19,620	19,620

During the previous financial year, the capital structure of the company had been changed as follows:

(a) Consolidation of every 2 ordinary shares in the existing authorised and issued paid-up share capital of par value $0.25 each into 1 ordinary share of par value of $0.50 each;

(b) Subdivision of every 1 ordinary share of par value $0.50 into 5 ordinary shares of par value $0.10 each; and

(c) Post split 1-for-5 bonus issue of ordinary shares of par value $0.10 each.

As a result, the number of ordinary shares presented at the beginning and end of the financial year have been adjusted to reflect the revised shareholdings.

The company has one class of ordinary shares which carry no right to fixed income.

26 REVENUE

	Group	
	2006	2005
	$'000	$'000
Sales of goods	317,346	323,697
Rendering of services	832	564
Total	318,178	324,261

27 OTHER OPERATING INCOME

	Group	
	2006	2005
	$'000	$'000
Interest income	494	176
Dividend income from quoted investments	18	10
Net foreign exchange gain	6,073	-
Rental income	59	72
Others	408	432
Total	7,052	690

28 STAFF COSTS

	Group	
	2006	2005
	$'000	$'000
Employee benefits expense	14,404	13,782
Defined contribution plans	1,145	1,093
Directors' remuneration:		
Company	5,453	3,562
Subsidiaries	2,732	2,232
Total	23,734	20,669

29 OTHER OPERATING EXPENSES

	Group	
	2006	2005
	$'000	$'000
Impairment of goodwill	2,621	-
Net foreign exchange loss	-	237
Write-back of impairment loss on other investments	-	(160)
(Write-back of) Allowance for doubtful debts	(2,301)	1,632
Travelling and communication	2,358	1,920
Others	3,821	3,757
Total	6,499	7,386

30 FINANCE COSTS

	Group	
	2006	2005
	$'000	$'000
Interest expense on:		
Bank borrowings	1,108	925
Finance leases	64	48
Total	1,172	973

31 GAIN ON DILUTION OF INTEREST IN SUBSIDIARY

Prior to 19 September 2005, the entire interests of Sincere Watch (Hong Kong) Limited ("SWHK"), Sincere Brand Holdings Limited ("SBHL") and Sincere Brand Management Limited ("SBML") were separately held by the company. On 19 September 2005, the company transferred the entire interests in SBHL and SBML to SWHK as part of a group restructuring in connection with the public offer and listing of the shares of SWHK on the Main Board of The Stock Exchange of Hong Kong Limited. As part of the public offer, 102 million shares in SWHK were allotted and issued at an offer price of HK$1.08 per SWHK share. This resulted in a dilution of 25% shareholding of the company's interest in SWHK. The group booked an exceptional gain of $10.6 million from this dilution.

32 PROFIT BEFORE INCOME TAX

In addition to the charges and credits disclosed elsewhere in the financial statements, this item includes the following charges (credits):

	Group	
	2006	2005
	$'000	$'000
Allowance for inventories	2,964	5,866
Amortisation of intangible asset	-	625
Audit fees:		
Paid to auditors of the company	191	152
Paid to other auditors	146	70
Non-audit fees:		
Paid to auditors of the company	79	24
Paid to other auditors	391	204
Fees paid to a firm in which a director has an interest	24	15
Gain on disposal of property, plant and equipment	(74)	(219)
Property, plant and equipment written off	125	107
Rental received from a company in which a director has an interest	(16)	(15)
Write-back of bad debts	(32)	(12)
Net gain on fair value changes on foreign exchange contracts	(214)	-
Write-back of impairment loss on other intangible assets	(63)	-
(Write-back) Write-off of inventories	(350)	3

33 INCOME TAX EXPENSE

	Group	
	2006	2005
	$'000	$'000
Current tax	7,520	7,030
Deferred tax (Note 18)	(383)	(1,246)
Under (Over) provision in prior years:		
Current tax	6	(587)
Deferred tax (Note 18)	13	(256)
	7,156	4,941

Domestic income tax is calculated at 20% (2005 : 20%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	2006	2005
	$'000	$'000
Tax at domestic rate	8,450	4,741
Tax effect of expenses that are not (taxable) deductible in determining taxable profit	(1,490)	842
Under (Over) provision in prior years:		
Current tax	6	(587)
Deferred tax	13	(256)
Tax effect of utilisation of tax losses not previously recognised	(501)	(120)
Deferred tax benefit unrecorded	802	722
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(206)	(137)
Tax exemption	(59)	(53)
Other items	141	(211)
Tax expense for the year	7,156	4,941

34 EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the company is based on the following data:

	2006	2005
	$'000	$'000
Profit for the year attributable to equity holders of the company	34,070	19,126
The existing number of fully paid ordinary shares in issue during the year (in '000)	196,200	196,200

The fully diluted earnings per share is equal to the basic earnings per share as there is no dilution.

35 CASH AND CASH EQUIVALENTS IN THE CONSOLIDATED CASH FLOW STATEMENT

	Group	
	2006	2005
	$'000	$'000
Cash and bank balances (Note 7)	45,587	55,886
Bank overdrafts (Note 19)	(2,764)	(5,560)
	42,823	50,326

36 ACQUISITION OF SUBSIDIARY

On 17 February 2006, the group acquired 100% of the issued share capital of Food Resources Pte Ltd for cash consideration of $3,000. This transaction has been accounted for by the purchase method of accounting.

	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
	$'000	$'000	$'000
Net liabilities acquired:			
Intangible asset	-	856	856
Current assets	2,727	99	2,826
Current liabilities	(5,351)	-	(5,351)
	(2,624)	955	(1,669)
Goodwill			1,672
Total consideration, satisfied by cash			3
Net cash arising on acquisition:			
Cash consideration paid			(3)
Cash and cash equivalents acquired			32
			29

The goodwill arising on the acquisition of Food Resources Pte Ltd is attributable to the anticipated profitability of the distribution of the group's products in the new markets and the anticipated future operating synergies from the combination.

Food Resources Pte Ltd contributed $1.41 million revenue and $39,000 loss to the group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 April 2005, total group revenue for the year would have been $320.58 million, and profit for the year would have been $35.02 million.

37 OPERATING LEASE ARRANGEMENTS

	Group	
	2006	2005
	$'000	$'000
Minimum lease payments under operating leases recognised as an expense in the year	15,198	14,648

At the balance sheet date, commitments in respect of non-cancellable operating leases for the rental of office, shop space and land are as follows:

	Group	
	2006	2005
	$'000	$'000
Within one year	9,174	11,065
In the second to fifth years inclusive	5,546	8,478
After five years	1,501	1,026
Total	16,221	20,569

The group has various operating lease agreements for its store outlets. Most leases contain renewable options. Certain leases also provide for contingent rentals based on certain percentages of sales or/and the number of visitors compared against certain visitor statistics.

38 COMMITMENTS

i) Certain subsidiaries are committed to making minimum total purchases from their suppliers pursuant to contracts signed with them:

	Group	
	2006	2005
	$'000	$'000
Within one year	10,506	10,195
In the second to fifth years inclusive	-	11,409
Total	10,506	21,604

Certain suppliers have the right to terminate their exclusive distribution agreements if the respective subsidiary fails to meet the minimum purchase requirements pursuant to the terms and conditions of the agreements.

There was a shortfall of $5,044,000 (CHF 4,022,000) [2005: $1,341,000 (CHF 975,000)] from the required purchase amount of $8,668,000 (CHF 6,912,000) [2005: $7,923,000 (CHF 5,760,000)] as stipulated in the distribution agreement. The supplier has not exercised its right to terminate the exclusive distribution agreement. The directors are of the view that the group has no further commitment in respect of the shortfall.

ii) During the year, the company entered into a sale and purchase agreement to acquire 175,000 shares in Chrono Star International Participations Groupe Franck Muller S.A. ("CSIPGFM"), a private limited company incorporated in Luxembourg. CSIPGFM is the parent company for the "Groupe Franck Muller", which owns and operates the "Franck Muller Geneve" brand, a principal supplier of the group.

The purchase consideration of the acquisition was approximately $8.93 million for an interest in CSIPGFM. The first tranche was paid in January 2006 and is recorded in the accounts as a deposit, whilst the second tranche of $4.4 million was paid in April 2006.

39 CAPITAL EXPENDITURE COMMITMENTS

	Group and Company	
	2006	2005
	$'000	$'000
Amount committed for future capital expenditure but not provided for in the financial statements	310	394

40 CONTINGENT LIABILITIES, UNSECURED

(i) The group and the company have the following:

	Group		Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Guarantee of banking facilities provided to:				
Subsidiaries	-	-	25,266	22,942
Associates[(a)]	7,148	4,005	7,148	4,005
Bankers' guarantee	-	-	2,217	4,300

(a) The guarantee of banking facilities provided to certain associates amounting to $7.15 million (2005 : $4.01 million) was provided on the basis that the company is indemnified by the remaining shareholders of those associates for $3.65 million (2005 : $2.05 million), being their share based on the proportionate shareholdings.

(ii) The group terminated the co-operative joint venture agreement for its subsidiary, Shanghai Sincere Watch Co. Ltd in September 1999. The co-operative joint venture partner had indicated it may institute legal proceedings against the group for breach of contract for the recovery of approximately $197,000 (2005 : $200,000).

(iii) As at 31 March 2006, the company has contingent liabilities in respect of letters of financial support provided to certain subsidiaries with capital deficiencies amounting to $9.09 million (2005 : $13.01 million) to enable these subsidiaries to continue operating as going concerns. In addition, the company has contingent liabilities in respect of letters of financial support provided to certain subsidiaries with net current liabilities amounting to $4.64 million (2005 : $4.62 million) to enable these subsidiaries to continue operating as going concerns.

41 SEGMENT INFORMATION

The group is operating mainly in the Asian region, namely Southeast and Northeast Asia. The primary segments of the group are by geographical locations of assets.

Segment revenue and expense : Segment revenue and expense are the operating revenue and expense reported in the group's profit and loss statement that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities : Segment assets include all operating assets used by a segment and consist principally of operating receivables, cash and bank balances, intangibles, inventories and property, plant and equipment, net of allowances and provisions. Capital additions include the total cost incurred to acquire property, plant and equipment, and intangible assets directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of accounts payable and accruals.

Investments in associates : Income from associates are allocated as they are specifically attributable to business segments, and correspondingly the investments in associates are included as segment assets of the group.

Inter-segment transfers : Segment revenue and expenses include transfers between business segments. Inter-segment sales are on terms agreed between the parties. These transfers are eliminated on consolidation.

41 SEGMENT INFORMATION (cont'd)

	Southeast Asia		Northeast Asia		Elimination		Group	
	2006	2005	2006	2005	2006	2005	2006	2005
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue								
External sales	230,871	218,793	87,307	105,468	-	-	318,178	324,261
Inter-segment sales	68,531	51,851	6,470	13,683	(75,001)	(65,534)	-	-
Total revenue	299,402	270,644	93,777	119,151	(75,001)	(65,534)	318,178	324,261
Result								
Segment result	28,250	32,341	16,559	13,385	(12,450)	(21,325)	32,359	24,401
Gain on dilution of interest in subsidiary							10,608	-
Finance costs							(1,172)	(973)
Profit before share of results of associates							41,795	23,428
Profit from associates	457	275					457	275
Profit before income tax							42,252	23,703
Income tax expense							(7,156)	(4,941)
Profit for the year							35,096	18,762
Other information								
Segment assets	177,106	157,111	129,971	90,116			307,077	247,227
Investment in associates	5,747	5,335	-	-			5,747	5,335
Unallocated corporate assets							4,677	4,367
Consolidated total assets							317,501	256,929
Segment liabilities	73,045	57,499	81,643	75,244			154,688	132,743
Unallocated corporate liabilities							31,121	32,157
Consolidated total liabilities							185,809	164,900
Capital expenditure	2,825	2,840	387	110			3,212	2,950
Acquisition of goodwill and intangibles	2,528	-	-	-			2,528	-
Depreciation and amortisation	2,382	2,994	349	542			2,731	3,536
Other non-cash expenses	4,527	3,778	1,183	4,822			5,710	8,600

As the group is substantially in one business segment, namely the retailing and distribution of quality watches and clocks, no secondary segments have been disclosed.

42 DIVIDENDS

During the financial year, the company declared and paid a first and final dividend of $0.01 per ordinary share less tax totalling $1,569,600 and a special dividend of $0.015 per ordinary share less tax totalling $2,354,400 in respect of the financial year ended 31 March 2005.

Subsequent to the balance sheet date, the directors of the company proposed that a first and final dividend of $0.01 per ordinary share less tax totalling $1,569,600 and a special dividend of $0.0165 per ordinary share less tax totalling $2,589,840 be paid for the financial year just ended on the ordinary shares of the company. The proposed dividends are subject to approval by shareholders at the Annual General Meeting and have not been accrued as a liability in these financial statements.

43 RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements following the group's and company's adoption of FRS 39 that became effective during the year. As a result, certain line items have been amended on the face of the balance sheet and the related notes to the financial statements. Comparative figures have been adjusted to conform with the current year's presentation.

The items were reclassified as follows:

	Group and Company	
	Previously reported 2005	After reclassification 2005
	$'000	$'000
Balance Sheets		
Non-current assets:		
Other investments	515	-
Available-for-sale investments	-	359
Other intangible assets	-	156
Total	515	515

Statement of Directors

SINCERE WATCH LIMITED AND ITS SUBSIDIARIES

In the opinion of the directors, the consolidated financial statements of the group and the balance sheet and statement of changes in equity of the company set out on pages 57 to 96 are drawn up so as to give a true and fair view of the state of affairs of the group and of the company as at 31 March 2006 and of the results, changes in equity and cash flows of the group and of the changes in equity of the company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE DIRECTORS

Mr Tay Liam Wee

Mr Soh Gim Teik

9 June 2006

The Board of Directors (the "Board") of Sincere Watch Limited (the "Company" or "Sincere") is committed to maintaining high standards of corporate governance and effective self-regulatory corporate practices to protect the interest of its shareholders. Pursuant to Rule 710 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Company's corporate governance processes and activities for the financial year are outlined below:

Board Of Directors

The Board comprises the following members:

Mr Tay Boo Jiang	Executive Chairman
Mr Tay Liam Wee	Executive Group Managing Director
Mr Soh Gim Teik	Executive Director
Mr Tay Chok Yan	Executive Director
Mr Tay Ngiap Jiang	Executive Director
Mr Cecil Vivian Richard Wong	Independent Director
Mr Khong Teck Kim	Independent Director
Mr Lua Cheng Eng	Independent Director

In addition, the Board is supported by the Nominating Committee ("NC"), the Remuneration Committee ("RC") and the Audit Committee ("AC").

Principle 1: The Board's Conduct of Its Affairs

The principal functions of the Board are:

- Reviewing and approving the broad policies, strategic and financial objectives of the Group
- Monitoring financial performance including approving financial results, annual reports and statutory accounts
- Overseeing the business conduct and affairs of the Group via its Management
- Overseeing the processes of risk management, financial reporting and compliances and evaluating the adequacy of internal controls
- Approving the nominations of directors and appointment of senior management, and determining and reviewing their remuneration levels
- Assuming the responsibility of corporate governance for the Group

Certain functions have been delegated to various Board Committees, namely, the AC, NC and RC. These committees are made up wholly or predominantly of and chaired by independent directors.

The Board holds a minimum of four meetings a year to consider and resolve major financial and business matters of the Group. Important matters concerning the Group are also put to the Board for its decision by way of circular resolutions. Ad-hoc meetings are also held amongst members of the Board including the use of teleconferencing, faxes and emails as and when required.

Directors' Attendances at Board and Committees Meetings-

	Board Meeting		Audit Committee		Nominating Committee		Remuneration Committee	
Directors	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Tay Boo Jiang (Chairman)	4	4	NA	NA	NA	NA	NA	NA
Tay Liam Wee (CEO)	4	2	NA	NA	2	1	3	1
Soh Gim Teik	4	4	NA	NA	2	2	NA	NA
Tay Chok Yan	4	4	NA	NA	NA	NA	NA	NA
Tay Ngiap Jiang	4	4	NA	NA	NA	NA	NA	NA
Cecil Vivian Richard Wong	4	4	4	4	2	2	3	3
Khong Teck Kim	4	4	4	4	2	2	3	3
Lua Cheng Eng	4	1	4	1	2	0	3	1

Principle 2: Board Composition and Balance

The Board consists of eight directors. Five of the Board members are executive directors while the other three are independent directors. At the forthcoming Annual General Meeting ("AGM"), Mr Lua Cheng Eng will retire from the Board. Following the retirement of Mr Lua Cheng Eng at the AGM, the Board will be appointing a new Independent Director in due course to assume the role left vacant by Mr Lua Cheng Eng's retirement. The Board does not expect the search and appointment of the Independent Director to be protracted.

The composition of the Board is reviewed on an annual basis by the NC to ensure the Board has the appropriate mix of expertise and experience in the field of accounting and finance, business and management, strategic planning and industry knowledge. The profiles and key information of the directors at the date of the report are as follows:

Tay Boo Jiang

Is the Founder and Executive Chairman of the Board. He has been responsible for the growth of the Company since its inception as a sole proprietor in 1954. With more than 50 years of experience in the retail trade, he continues to contribute to the Company with his vast experience and knowledge of the watch industry in Singapore and has built up an extensive business network over the decades.

Tay Liam Wee

Is the Group Managing Director/Chief Executive Officer ("CEO") of the Company. He was appointed as Director and CEO since 1980 and 1993 respectively. Mr Tay is also the Executive Chairman of Sincere Watch (Hong Kong) Limited, which is listed on the Main Board of The Stock Exchange of Hong Kong Limited since 2005. He holds a Bachelor of Business Administration Degree from the Lake Head University, Canada, and is responsible for the overall formulation of business strategies and development of the Group. He has been instrumental in leading Sincere to its current growth phase that involves the development of the Group's corporate vision and the implementation of various expansion strategies and plans. Mr Tay won the Lifestyle & Retail Entrepreneur of the Year 2004, Ernst & Young Entrepreneur of the Year Singapore 2004 and Tourism Entrepreneur of the Year 2005 from the Singapore Tourism Board.

Mr Tay is a member of the RC and the NC.

Soh Gim Teik

Is the Finance Director/Chief Financial Officer ("CFO") and the Company Secretary of Sincere since 1993 and 1982 respectively. He graduated with a Bachelor of Accountancy Degree from the University of Singapore and has several years of financial experience in various senior positions. He is responsible for the Group's financial, legal and related corporate matters including corporate communications and investor relations. Mr Soh is also a Non-Executive Director of Sincere Watch (Hong Kong) Limited, which is listed on the Main Board of The Stock Exchange of Hong Kong Limited since 2005. He is a member of the Institute of Certified Public Accountants of Singapore and is currently a Board member of three other listed companies, two of which he chairs their Audit Committee. Mr Soh was awarded the Best CFO of the Year at the Singapore Corporate Awards 2006 under the category of the Main Board Listed Companies by Market Capitalisation of below $500 million.

Mr Soh is also a member of the NC.

Tay Chok Yan and Tay Ngiap Jiang

Are Directors of the Company since 1980 and have more than 40 years of experience in the business. Their on-going responsibilities involve assisting the shops' managers in the running of various retail outlets and attending to sales matters. Over the years, they have established a large and valuable clientele base and take direct responsibility in servicing their own clients. They provide a sense of stability in the retail outlets of Sincere and assist in the nurturing of younger retail staff.

Cecil Vivian Richard Wong
Is an Independent Director and has served as the Audit Committee Chairman since 1993. He also sits in the RC and NC. Mr Wong was previously a Public Accountant and Partner of Ernst & Young until his retirement in 1987. He holds a Bachelor of Arts Degree from the University of Cambridge and was a Fellow of the Institute of Chartered Accountants, England & Wales, and is currently a non-practising member of the Institute of Certified Public Accountants of Singapore. Currently, Mr Wong is the Chairman of Bukit Sembawang Estates Limited and British & Malayan Trustee Limited and is also a Board member of various other companies listed on the SGX-ST.

Lua Cheng Eng (from 1993 to 2006)
Is an Independent Director since 1993 and the Chairman of the RC. He is also a member of the NC and AC. He holds a Bachelor of Arts Degree with Honours from the University of London and was elected a Fellow of the Chartered Institute of Transport (United Kingdom) in 1985.

Khong Teck Kim
Is an Independent Director since 2003. He is also the Chairman of the NC, the Acting Chairman of the RC and a member of the AC. Mr Khong has previously served in the Civil Aviation Authority of Singapore ("CAAS") for more than 30 years until his retirement in August 2002. He held several senior positions in CAAS and was involved in travel retail planning, marketing and management at Singapore Changi Airport. He was also the Chairman of the Economics Committee of the Airport Council International ("ACI") for the Pacific Region as well as the Pacific Region's representative to the ACI's World Economics Committee. Since his retirement, he has been appointed as the Honorary Consul and Representative of the Kingdom of Tonga in Singapore and the Executive Director of Aviation Business Network, a consultancy firm as well as representatives of airports and airlines.

Mr Khong holds a Master Degree in Industrial Engineering, a Post-Graduate Diploma in Business Administration and a Bachelor Degree with Honours in Mathematics from the University of Singapore.

Senior Management

Kevin Chau
Is the Executive Vice-Chairman of Sincere Watch (Hong Kong) Limited ("SWHK"). Based in Hong Kong, he is responsible for the overall development of the North Asia market for the SWHK Group. He has been Chairman of Sincere Brand Management Limited (a wholly owned subsidiary of SWHK) since 1996. Previously, Mr Chau was the Principal Officer for an investment company in Hong Kong dealing in real estates and Food & Beverage industries in China. He began his career in 1982 with Manufacturers Hanover Limited, USA, dealing in Fixed Income and Derivative syndication and had been posted by the company to their New York, London and Tokyo offices. In 1990, he set up his own real estate investment company in California, USA, investing in projects in Texas and California. Mr Chau holds a Bachelor of Science Degree in Economics from the Wesleyan University in Connecticut, USA.

Tay Liam Wuan
Is the Chief Executive Officer of Sincere Watch (Hong Kong) Limited ("SWHK") since 2005. Based in Hong Kong, she is responsible for all aspects of the SWHK Group's operations in North Asia. She has been a Director of Sincere Brand Management Limited (a wholly owned subsidiary of SWHK) since 1995. Prior to her current appointment, she was the Marketing Manager for Sincere before her secondment to Hong Kong. Before joining the Group, she worked in the finance industry.

Ms Tay holds a Bachelor Degree in Business Administration from the National University of Singapore.

Teng Chee Kiong
Is the Senior Vice-President for Corporate Development. He is responsible for business and organisation development of the Company and also heads the Travel Retail Division.

Mr Teng has more than 25 years of experience in retail and distribution management and has a Degree in Business Administration from the University of Singapore as well as an MBA in Retailing from the University of Stirling.

Ong Ban
Is the Chief Operating Officer of Sincere. He is responsible for the strategic direction setting for the Group, overseeing the Group's operational systems and managing the Group's daily operations. He also assists the Group CEO & CFO in driving and expanding the Group's regional business. He was the Executive Vice-President of the Fine Watch and Lifestyle Watch Retail Division and joined Sincere since 1996. He was previously responsible for all operational matters including the market development of the Fine Watch business in Singapore and Malaysia. Before joining Sincere, he held several management positions in retailing and trading companies, Coop International (S) Pte Ltd and Trisindo International (S) Pte Ltd.

Mr Ong graduated from the University of Cardiff in Wales, United Kingdom, with a Law Degree.

Tay Kok Kian
Is the Senior Vice-President of Fine Watch Retail Division. He has been with the Company for more than 30 years and is currently responsible for the operations of Fine Watch boutiques in Singapore and Malaysia. He has been instrumental in forging the strategic transformation of Sincere's business of general watch retailing in the 70s to its present day business of fine watch retailing. He continues to play a key role in lifting the service standards of the Company.

Patrick Tan
Is the Vice-President of Sincere Watch Academy. He is currently responsible for training and development in Sincere. He was the Vice-President of Brand Management and joined Sincere since 2001. He was previously responsible for the retail operations in Singapore and Malaysia. Prior to joining Sincere, he held marketing management positions in BMI Pte Ltd & Friesland (S) Pte Ltd.

Mr Tan holds a Bachelor Degree in Commerce with Honours from the McMaster University, Canada.

Lim Gwee Koon
Is the Deputy Chief Financial Officer and Company Secretary of Sincere. He is currently responsible for the strategic financial operations of the Group. He was the Senior Accountant of the Ossia International Group and J & N Cruise Pte Ltd from 1990 to 1993. He also has several years of experience as an external auditor with established public accounting firms.

Mr Lim is a Fellow of the Association of Chartered Certified Accountants, United Kingdom, and a member of the Institute of Certified Public Accountants of Singapore.

Chew Nam Yeo
Is the Group Financial Controller and has been with Sincere since 1994. Besides being responsible for the overall financial and accounting functions of the Group, she also has compliance responsibilities and ensures that all companies within the Group adhere to Group accounting policies and practices. Her other duties cover corporate secretarial, treasury, corporate finance and corporate communications matters. She has several years of audit experience in an established public accounting firm.

Ms Chew holds a Bachelor Degree in Accountancy with Honours from the National University of Singapore and is a member of the Institute of Certified Public Accountants of Singapore.

Laurence Chan
Is the General Manager, Operations and Finance, of Sincere Watch (Hong Kong) Limited ("SWHK") Group. Based in Hong Kong, he is responsible for the financial management and control in addition to the administration of the SWHK Group's operations in North Asia. Mr Chan has held directorships in several private equity fund management companies and has extensive experience in management and finance. Mr Chan is a CFA Charterholder. He obtained his MBA from the University of Manchester, Manchester Business School, United Kingdom, as well as his Bachelor Degree in Engineering from the National University of Singapore.

Agnes Sng

Is the Executive Vice-President of Brand Management. She was the Vice-President of Brand Management and has been with Sincere since 2004. She is responsible for the overall brand divisions of Sincere, in terms of financial performance and market expansion. She is involved in the strategic business planning to expand the technical and luxury brands, as well as the exclusive brands, in South-East Asia. She has more than 20 years of experience in branding and marketing of luxury watches for established watch brand owners. She was the Regional Marketing Manager for The Swatch Group and prior to joining Sincere, she was the director in Swissam Pte Ltd from 2003 to 2004, a subsidiary of Movado Group Inc.

Ms Sng graduated from Ngee Ann Polytechnic with a Diploma in Business Studies.

Susanna Kang

Is the Vice-President of Franck Muller Asia Pacific and has been with the Company since 1994. She is responsible for developing strategies to build the Franck Muller brand equity regionally. Her portfolio also includes the marketing and business development of the Group's agency business for brands such as European Company Watch and Cvstos. Her previous work experience includes sales and brand management roles in FJ Benjamin and Cosa Liebermann.

Ms Kang holds a Bachelor Degree in Business Administration from the National University of Singapore.

Tay Liam Sze

Is the Vice-President of Marketing for Singapore and key markets in Asia. She has been with Sincere since 1999 and is currently responsible for all advertising, promotions, public relations and all other marketing communications matters for the Group. Prior to joining Sincere, she held marketing positions with United Overseas Bank Limited, Ikea Asia Pacific Pte Ltd and DHL International (S) Pte Ltd.

Ms Tay holds a Bachelor Degree in Business Administration from the National University of Singapore and a Graduate Diploma in Marketing Management from the Singapore Institute of Management.

Principle 3: Chairman and Chief Executive Officer

The roles of the Chairman and CEO are separate. The Chairman leaves the daily running of the business to the CEO although he bears responsibility for the working of the Board. The CEO is the son of the Chairman.

Nevertheless, in view of the Board composition of which three of the eight directors are independent and the accessibility of information extended to independent directors, the Board is satisfied that the current arrangement represents an appropriate balance of power and authority and no individual member of the Board represents a disproportionate concentration of power. Directors are given Board papers in advance of meetings for them to be adequately prepared for the meetings and senior management staff are, where necessary, in attendance at Board and Committees meetings.

Principle 4: Nominating Committee

The NC comprises three independent directors, Mr Khong Teck Kim, who serves as its chairman, Mr Cecil Vivian Richard Wong and Mr Lua Cheng Eng. The other two members, Mr Tay Liam Wee and Mr Soh Gim Teik, are the CEO and the CFO respectively. The majority of the members, including the Chairman, are independent directors.

The NC's responsibility is to oversee Board membership and monitor Board performance.

The NC terms of reference are as follows:
The duties of the NC shall be:

- To ensure that the Board comprises members with suitably diverse backgrounds in order to meet the Company's operational and business requirements
- To establish a formal and transparent process for the appointment of new directors
- To assess the Directors' independence on an annual basis
- To evaluate the Board's performance and effectiveness, and propose recommendations, if any, for the Board's approval

Principle 5: Election of Directors

The Articles of Association of the Company requires one-third of the Board directors to retire from office at each AGM. Accordingly, the directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. In addition, a newly appointed director is required to retire at the AGM immediately following his appointment. He may, subject to the recommendation of the NC and the Board, offer himself for re-election at the AGM and he becomes subject to the one-third-rotation rule if re-elected.

Principle 6: Board Performance

As stated in the terms of reference, the NC will be responsible for reviewing and evaluating the performance of each director. The directors' evaluation is based on their participation and contribution at Board and Committees meetings.

Principle 7: Access to Information

Directors are given full access to all minutes and documents concerning all Board and Committees meetings. It is a policy that all Board papers are submitted to the directors prior to every Board and Committees meeting. Additionally, directors have access to any key officers of the Company when required.

Should the directors, either as an individual or as a group, require independent professional advice to fulfil their duties and responsibilities as directors, the Company will bear the costs of such advice.

Principle 8: Remuneration Matters

The RC comprises Mr Lua Cheng Eng, Mr Khong Teck Kim, Mr Cecil Vivian Richard Wong and Mr Tay Liam Wee. Mr Lua Cheng Eng is the Chairman of the RC and Mr Khong Teck Kim has been appointed as the Acting Chairman since 8 November 2005. With the exception of Mr Tay Liam Wee, who is the CEO, all members are independent directors of the Board. As mentioned earlier in the section under Principle 2: Board Composition and Balance, the Board is looking into appointing a new independent director. Upon this appointment being made, the RC composition will be changed to comprise entirely independent directors. In matters relating to the remuneration of the CEO, the CEO will abstain from the deliberation and decision process of the RC. The RC must have absolute independence and be free from any business or other relationships which may materially interfere with the exercise of its independent judgement.

Principle 9: Level and Mix of Remuneration

An appropriate and attractive level of remuneration has been set to retain and motivate all staff and directors. The current remuneration package generally includes a fixed as well as a variable component. The variable portion is determined based on the performance of both the individual employee as well as the Group's performance. The remuneration of all employees in the Group is subject to approval by the Executive Directors in consultation with the respective Heads of Department. Annual adjustments and increments to remuneration are based on the results of the annual review.

The remuneration of independent directors is determined, after taking into account the effort and time spent and level of responsibilities assigned. The recommendation is submitted annually by the Board for the approval of shareholders at the AGM.

Principle 10: Disclosure of Remuneration

The Executive Chairman and the CEO, as Executive Directors, do not receive directors' fees. Their compensation comprise salaries, bonuses and a performance-related variable bonus element based on their attainment of certain performance targets. A breakdown of the remuneration paid to each director in remuneration bands of $250,000 for the financial year in review is as follows:

	Remuneration Band	Fees	Salary	Bonus	Performance Bonus*
	$	%	%	%	%
Executive Directors					
Tay Liam Wee	3m – 3.25m	-	20	6	74
Tay Boo Jiang	1.25m – 1.5m	-	8	2	90
Soh Gim Teik	500k – 750k	-	70	30	-
Tay Chok Yan	< 250k	-	80	20	-
Tay Ngiap Jiang	< 250k	-	80	20	-
Non–Executive Directors					
Cecil Vivian Richard Wong	< 250k	100	-	-	-
Khong Teck Kim	< 250k	100	-	-	-
Lua Cheng Eng	< 250k	100	-	-	-

* Performance bonus is based on the employment contract.

Employees who are immediate family members of the directors of the Company and whose remuneration exceed $150,000 during the financial year are as follows:

Name	Remuneration Band	Immediate Family Member of	Designation
	$		
Tay Liam Wuan	500k – 750k	Tay Chok Yan	Chief Executive Officer of Hong Kong subsidiary, Sincere Watch (Hong Kong) Limited
Tay Liam Sze	< 250k	Tay Ngiap Jiang	Vice-President – Regional Marketing Manager of Sincere Watch Limited and key markets in Asia

Key Executives

Mr Kevin Chau, Vice-Chairman of Sincere Watch (Hong Kong) Limited, was paid in the region of $1.5m - $1.75m during the financial year. A substantial amount comprised performance bonus (approximately 69%) calculated on the basis of the profitability of the subsidiary.

Save for the above and for competitive reasons, the Company is not disclosing the remuneration paid to its other executives.

Accountability and Audit

Principle 11: Accountability

The Board is accountable to the shareholders while the Management is accountable to the Board.

The Board has provided shareholders with a balanced and understandable assessment of the Company's and Group's performance, position and prospects via its interim reporting and other SGX-ST announcements.

Principle 12: Audit Committee

The AC comprises three independent directors - Mr Cecil Vivian Richard Wong, who serves as its Chairman, Mr Lua Cheng Eng and Mr Khong Teck Kim. The Board is satisfied that each of the AC members has appropriate accounting and/or related financial management expertise and experience.

The AC terms of reference are as follows:
The duties of the AC shall be:

- To review the audit plan with the external auditors and their evaluation of the system of internal controls, audit report, management letters and responses from Management
- To review the quarterly, half-year and annual financial statements for announcement to SGX-ST before submission to the Board for approval
- To discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss in the absence of Management where necessary
- To review the internal audit programme and ensure co-ordination between the internal and external auditors and Management
- To review the scope and results of the internal audit procedures
- To review the accounts of the Company and the consolidated accounts of the Group before submission to the Board for approval
- To review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement of any Singapore law, rules and regulations, which has or is likely to have a material impact on the Group's operating results or financial position
- To review transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual
- To consider the appointment of the external auditors at each AGM, the audit fees and matters relating to the resignation or dismissal of the auditors
- To review all non-audit services provided by the external auditors with a view of establishing their independence

Four AC meetings were held during the financial year in review. Members of the Management have, by invitation of the AC, been present at all meetings to answer queries from the AC.

The AC has reviewed the non-audit services provided by the external auditors and in their opinion, they did not affect the independence of the external auditors.

Principle 13: Internal Controls

The Group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial information and to safeguard and maintain accountability of its assets. Procedures are in place to identify major business risks and to evaluate its potential financial impact.

The Board acknowledges its responsibility for ensuring that there is a sound system of internal controls to safeguard shareholders' investments and the Company's assets.

Principle 14: Internal Audit

The AC has reviewed and evaluated the system of internal controls with the external auditors and internal auditor. The Board is of the view that there are no major weaknesses in the existing system of internal controls.

The Internal Audit function reports directly to the Chairman of the AC on audit matters, and the CEO and CFO on administrative matters. The Internal Audit Department is independent of Management and submits its internal audit plan to the AC for approval at the beginning of each year after consultation with the Management.

The Internal Audit Department has adopted the Standards for Professional Practice of Internal Auditing as set by the Institute of Internal Auditors.

Principle 15: Regular, Effective and Fair Communication

The Board is committed to provide timely disclosure of information to the shareholders.

Principle 16: Greater Shareholder Participation

All information on the Company's performance is published through the SGXNET. Annual report and notices of general meeting are sent to all shareholders of the Company.

The Company has also retained an investor relations firm and has at regular intervals, updated investors and the general public on the progress of the Group.

External auditors are also present at AGMs to assist directors in addressing any relevant queries from shareholders.

Interested Persons Transactions

During the financial year under review, the aggregate value of all transactions conducted with interested persons as defined in Chapter 9, Clause 904 of the Listing Manual of SGX-ST did not exceed $100,000. All transactions with interested persons are reviewed by the AC and the Board.

Material Contracts

Other than transactions mentioned under Interested Persons Transactions above and for the remuneration received by the directors in their capacity as directors, there were no material contracts entered into in the ordinary course of business, by the Company and its subsidiaries involving the interests of the CEO, the directors or the controlling shareholders.

Dealing With Securities

The Group has adopted the SGX-ST Best Practices Guide with respect to the dealings in securities. All officers are prohibited from dealing in securities of the Company during the period of four weeks before the announcement of the Company's full-year and half-year results and ending two days after the announcement of the results, in accordance with the guidelines set out in the Best Practices Guide. Similarly, the 'closed' period before the announcement of the Company's results for the first and third quarters is one week before the announcement until one day after the announcement.

The directors and officers are not expected to deal in the Company's securities on short-term basis. Directors and officers are required to observe insider trading provisions under the Securities and Futures Act at all times even when dealing in the Company's securities within the permitted periods. To enable the Company to monitor such transactions, directors of the Company are required to report all dealings to the Company Secretaries.

Managing Risk

Business & Operational Risk Management

The Group is subject to business and operational risks common to the luxury watch retail industry. These risks include, among other things, competition from other watch retailers, availability of suitable operating sites, increases in operating costs such as rental and labour costs, the recurring need to refurbish and upgrade retail boutiques/outlets, government regulations and adverse local or international economic and market conditions.

In addition, the Group adopts additional measures by observing a comprehensive brand management policy and constantly seeks diversification in brands to mitigate the incident of over-reliance on a particular brand.

Competition Risk Management

The luxury watch industry is a highly competitive market. Changes in economic conditions, domestic market conditions and consumer behavioural preferences may affect the demand of the Group's range of products. As such risks cannot be completely eliminated, the Group has undertaken continuous efforts in improving and developing its market share and brand awareness through comprehensive marketing and promotional programmes.

Foreign Exchange Risk

As the Group transacts in currencies like the Swiss Franc, any significant adverse movement in exchange rates will have an impact on the Group's performance. The Group seeks to minimise this impact by entering into forward foreign exchange contracts and options and also buy or sell foreign currencies at spot rates where necessary to address any short-term imbalances. Forward foreign exchange contracts and options are entered purely as a hedging tool and the Group does not take speculative positions for trading purposes.

Analysis of Shareholdings

SINCERE WATCH LIMITED AND ITS SUBSIDIARIES
AS AT 8 JUNE 2006

ISSUED AND FULLY PAID-UP CAPITAL	:	S$19,620,000
NO. OF SHARES ISSUED	:	196,200,000
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	1 VOTE PER SHARE

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	28	2.72	10,412	0.01
1,000 - 10,000	649	63.01	3,735,246	1.90
10,001 - 1,000,000	342	33.20	19,321,040	9.85
1,000,001 & Above	11	1.07	173,133,302	88.24
Total	1,030	100.00	196,200,000	100.00

TOP TWENTY SHAREHOLDERS AS AT 8 JUNE 2006

Name	No. of Shares	%
TBJ HOLDINGS PTE LTD	98,455,500	50.18
HSBC (SINGAPORE) NOMINEES PTE LTD	21,219,500	10.81
TAY LIAM TIAK	11,376,000	5.80
TAY LIAM HWEE @ TAY YONG TIAK	7,848,000	4.00
TAY LIAM KIAT	7,848,000	4.00
UNITED OVERSEAS BANK NOMINEES PTE LTD	6,541,000	3.33
DBS NOMINEES PTE LTD	5,959,800	3.04
DB NOMINEES (S) PTE LTD	4,860,000	2.48
ESTATE OF TAY LIAM HOONG DECEASED	3,757,502	1.92
TAY CHOK YAN	2,664,000	1.36
TAY NGIAP JIANG	2,604,000	1.32
LIM MEE HWA	960,000	0.49
CITIBANK NOMINEES SINGAPORE PTE LTD	717,000	0.37
TAY LIAM KAI	610,500	0.31
TAN ENG HWA ROSE	541,000	0.28
CIMB-GK SECURITIES PTE LTD	510,002	0.26
LAM LAI CHENG	510,000	0.26
WEE AIK KOON PTE LTD	495,000	0.25
SILVAROYAL PTE LTD	360,000	0.18
DBSN SERVICES PTE LTD	321,000	0.16
	178,157,804	90.80

SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest	%	Deemed Interest	%
TBJ HOLDINGS PTE LTD	98,455,500	50.18	-	-
TAY BOO JIANG	-	-	98,455,500[1]	50.18
TAY LIAM WEE	-	-	98,455,500[1]	50.18
CHARTERED ASSET MANAGEMENT PTE LTD	-	-	23,920,000[2]	12.19
CAM-GTF LIMITED	18,579,000[3]	9.47	-	-
TAY LIAM TIAK	11,802,000[4]	6.02	-	-

SHAREHOLDING HELD IN THE HANDS OF PUBLIC

Based on the information available to the Company as at 8 June 2006, approximately 31% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Listing Manual of SGX-ST is complied with.

Notes :

(1) Deemed interests of Mr Tay Boo Jiang and Mr Tay Liam Wee comprise the total interest of TBJ Holdings Pte Ltd

(2) Chartered Asset Management Pte Ltd is deemed to have an interest in the shares held as follows:

(i)	HSBC (Singapore) Nominees Pte Ltd	18,579,000
(ii)	Citibank Nominees Pte Ltd	654,000
(iii)	G.K. Goh Stockbrokers Pte Ltd	285,000
(iv)	DBS Nominees Pte Ltd	4,402,000

(3) Direct interest of CAM-GTF Limited is held through HSBC (Singapore) Nominees Pte Ltd

(4) Direct interest of Mr Tay Liam Tiak includes interest acquired through CPF investment account and under the Supplementary Retirement Scheme

Notice of Annual General Meeting

SINCERE WATCH LIMITED (INCORPORATED IN THE REPUBLIC OF SINGAPORE)

Notice is hereby given that the 29th Annual General Meeting of the Company will be held at Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Level 3, Meeting Room 314, Singapore 039593, on Friday, July 21, 2006 at 10.00 a.m. for the following purposes:

As Ordinary Business

1 To receive and adopt the Audited Accounts for the year ended March 31, 2006, the Auditors' Report and the Directors' Report thereon.

2 To declare a first and final dividend of 1 cent per share (10%) less tax of 20% as recommended by the Directors for the year ended March 31, 2006.

3 To declare a special dividend of 1.65 cents per share (16.5%) less tax of 20% as recommended by the Directors for the year ended March 31, 2006.

4 To approve Directors' Fees of $160,000 for the year ended March 31, 2006.

5 To re-elect Mr Tay Ngiap Jiang, a Director who is retiring under Article 92 of the Company's Articles of Association.

6 To re-elect Mr Soh Gim Teik, a Director who is retiring under Article 92 of the Company's Articles of Association.

7 To re-appoint Messrs Deloitte & Touche as the Auditors of the Company and to authorise the Directors to fix their remuneration.

As Special Business

8 To consider, and if thought fit, to pass with or without modification the following resolution:

"That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Cecil Vivian Richard Wong be and is hereby re-appointed a Director of the Company to hold such office until the next Annual General Meeting of the Company."

Mr Cecil Vivian Richard Wong, upon re-election as Director of the Company, will remain as the Chairman of the Audit Committee and will be considered to be independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

9 To consider, and if thought fit, to pass with or without modification the following resolution:

"That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Tay Boo Jiang be and is hereby re-appointed a Director of the Company to hold such office until the next Annual General Meeting of the Company."

10 To consider, and if thought fit, to pass with or without modification the following resolution:

"That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Tay Chok Yan be and is hereby re-appointed a Director of the Company to hold such office until the next Annual General Meeting of the Company."

11. To consider and if thought fit, to pass with or without modification, the following resolution:

"That authority be and is hereby given to the Directors to:-

(a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:-

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent. of the issued shares in the capital of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent. of the issued shares in the capital of the Company (as calculated in accordance with paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company at the time this Resolution is passed, after adjusting for:-

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

12. Any other business.

By Order of the Board

Soh Gim Teik
Company Secretary

July 6, 2006
Singapore

Note: A member entitled to attend and vote at the above Meeting may appoint a Proxy (or a representative in the case of a corporation) to attend and vote on his/her behalf and such Proxy (or representative) need not be a member of the Company. Every instrument of proxy shall be deposited at the registered office of the Company at 8 Temasek Boulevard, #23-03 Suntec Tower 3, Singapore 038988 not less than 48 hours before the time set for the holding of the Meeting or any adjournment thereof.

IMPORTANT:
1. For investors who have used their CPF monies to buy Sincere Watch Limited shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

Proxy Form

SINCERE WATCH LIMITED
(INCORPORATED IN THE REPUBLIC OF SINGAPORE)

I/We

Of
being a member/members of the above named Company, hereby appoint:

NAME	ADDRESS	NRIC NO./ PASSPORT NO.	PROPORTION OF SHAREHOLDINGS (%)
AND OR (DELETE AS APPROPRIATE)			

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf, and if necessary, to demand a poll, at the 29th Annual General Meeting of the Company to be held at Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Level 3, Meeting Room 314, Singapore 039593, on Friday, July 21, 2006 at 10.00 a.m. and any adjournment thereof. I/We have indicated with a "X" in the appropriate box against any such item, how I/we wish my/our proxy/proxies to vote. If no specific direction as to voting is given or in the event of any item arising not summarised below, my/our proxy/proxies may vote or abstain at the discretion of my/our proxy/proxies.

ORDINARY RESOLUTIONS RELATING TO :	FOR	AGAINST
1 Adoption of Reports and Accounts		
2 Declaration of a first and final dividend of 1.0 cent per share less tax		
3 Declaration of a special dividend of 1.65 cents per share less tax		
4 Approval of Directors' Fees		
5 Re-election of retiring Director, Mr Tay Ngiap Jiang		
6 Re-election of retiring Director, Mr Soh Gim Teik		
7 Re-appointment of Auditors and fixing their remuneration		
8 Re-appointment of Director pursuant to Section 153(6) of the Companies Act, Cap. 50: Mr Cecil Vivian Richard Wong		
9 Re-appointment of Director pursuant to Section 153(6) of the Companies Act, Cap. 50: Mr Tay Boo Jiang		
10 Re-appointment of Director pursuant to Section 153(6) of the Companies Act, Cap. 50: Mr Tay Chok Yan		
11 Authority to issue Shares		

Signed this ______________________ day of ______________________ 2006.

TOTAL NO. OF SHARES HELD IN
CDP REGISTER
MEMBER'S REGISTER

Signature(s) of Member(s) or Common Seal

Important: Please read notes overleaf

FOLD THIS FLAP

AFFIX
23 CENTS
STAMP

THE SECRETARY
SINCERE WATCH LIMITED
8 TEMASEK BOULEVARD
#23-03 SUNTEC TOWER 3
SINGAPORE 038988

NOTES

1 Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2 A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxy or proxies to attend and vote instead of him.

3 Where a member appoints two proxies, the appointments shall be invalid un-less he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4 The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Temasek Boulevard, #23-03 Suntec Tower 3, Singapore 038988, not less than 48 hours before the time appointed for the Annual General Meeting.

5 The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

6 A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

GENERAL

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly complete or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointer is now shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by the Central Depository (Pte) Limited to the Company.