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24 January 2013

The Directors
Time Watch Investments Limited
DBS Asia Capital Limited
CIMB Securities Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Time Watch Investments Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 30 June 2012 and the three months ended 30 September 2012 (the "Relevant Periods"), for the inclusion in the prospectus of the Company dated 24 January 2013 (the "Prospectus") in connection with the proposed listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on 21 September 2011. Through a group reorganisation as more fully explained in the paragraph headed "Reorganisation" in Appendix V to the Prospectus (the "Reorganisation"), the Company became the holding company of the Group on 1 June 2012.

Particulars of the Company's subsidiaries at the end of each reporting period and at the date of this prospectus are as follows:

Name of subsidiary	Country/place and date of incorporation/ establishment	Country/ place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group as at 30 June 2010	30 June 2011	30 June 2012	30 September 2012	Date of this report	Principal activities
Directly held:									
Immense Ocean Investments Limited ("Immense Ocean")[4]	British Virgin Islands ("BVI") 21 September 2011	Hong Kong	1 share of US$1	–	–	100%	100%	100%	Investment holding
Indirectly held:									
Win Source Trading Limited ("Win Source")[1&4]	Hong Kong 1 June 2011	Hong Kong	1 share of HK$1	–	100%	100%	100%	100%	Trading of watch movements
Win Sun International Limited ("Win Sun")[4] 捷新國際有限公司	Hong Kong 10 September 2007	Hong Kong	1 share of HK$1	100%	100%	100%	100%	100%	Trading of watches

Name of subsidiary	Country/place and date of incorporation/ establishment	Country/ place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group as at 2010	30 June 2011	2012	30 September 2012	Date of this report	Principal activities
Gold Joy Investments Limited ("Gold Joy")[4] 金愉投資有限公司	Hong Kong 2 November 2007	Hong Kong	1 share of HK$1	100%	100%	100%	100%	100%	Investment holding
Sky Sun Investments Limited ("Sky Sun")[4] 天新投資有限公司	Hong Kong 10 September 2007	Hong Kong	1 share of HK$1	100%	100%	100%	100%	100%	Investment holding
Gold Reach Investments Limited ("Gold Reach")[4] 金達投資有限公司	Hong Kong 26 February 2009	Hong Kong	1 share of HK$1	100%	100%	100%	100%	100%	Investment holding
Top World Trading Limited ("Top World")[4] 上華貿易有限公司	Hong Kong 5 March 2009	Hong Kong	1 share of HK$1	100%	100%	100%	100%	100%	Trading of watch parts
Ye Guang Li Electronics (Meizhou) Company Limited ("Ye Guang Li")[2] 業廣利電子(梅州)有限公司	People's Republic of China ("PRC") 17 June 2005	PRC	HK$3,880,000	100%	100%	100%	100%	100%	Assembling and trading of watches
Suzhou Paragon Watch Co., Ltd. ("Suzhou Paragon")[3] 蘇州寶利辰表行有限公司	PRC 17 July 2008	PRC	RMB20,000,000	51%	51%	51%	51%	51%	Sales of watches
Tian Wang Electronics (Shenzhen) Company Limited ("Tian Wang Shenzhen")[2] 天王電子(深圳)有限公司	PRC 17 December 2001	PRC	HK$10,000,000	100%	100%	100%	100%	100%	Assembling and trading of own branded watches
Time Watch (Hefei) Company Limited ("Time Watch HF")[3] 時計寶(合肥)鐘表有限公司	PRC 29 November 2011	PRC	RMB14,000,000	–	–	51%	51%	51%	Sales of watches
Time Watch (Shanghai) Company Limited ("Time Watch SH")[3] 時計寶(上海)鐘表有限公司	PRC 29 January 2012	PRC	RMB14,000,000	–	–	51%	51%	51%	Sales of watches
Balco Switzerland SAGL ("Balco SAGL")[4]	Switzerland 1 April 2009	Switzerland	20 shares of CHF1,000 each	100%	100%	100%	100%	100%	Sales of watches
Shenzhen Time Watch Management Consulting Company Limited ("Time Watch Management")[2] 深圳時計寶管理咨詢有限公司	PRC 24 September 2012	PRC	RMB6,000,000	–	–	–	100%	100%	Marketing and Consulting
Time Watch (Sichuan) Company Limited ("Time Watch SC") 時計寶(四川)鐘表有限公司[3]	PRC 4 December 2012	PRC	RMB10,000,000	–	–	–	–	51%	Sales of watches

1 Upon the completion of the Reorganisation, the Company's fellow subsidiary, Winning Metal Products Manufacturing Company Limited ("Winning Metal") transferred its assets and liabilities related to the watch movements trading business ("Watch Movements Trading Business") to Win Source. Details of the transfer are set out in note 1 to Section A below.

[2] Established in the PRC in the form of wholly foreign-owned enterprise. The financial year end date is 31 December.

[3] Established in the PRC in the form of sino-foreign equity joint venture. The financial year end date is 31 December.

[4] The financial year end date of these companies is 30 June.

No audited financial statements have been prepared for the Company, Immense Ocean and Balco SAGL since their respective dates of incorporation as there is no statutory audit requirements.

No audited financial statements have been prepared for Time Watch SH, Time Watch Management and Time Watch SC, as they have not reached their first financial year end since their respective establishment dates.

For the purpose of this report, we have reviewed the relevant transactions of the Company, Immense Ocean, Balco SAGL, Time Watch SH and Time Watch Management since their respective dates of incorporation or establishment and carried out such procedures as we considered necessary for inclusion of the financial information of these companies in the Prospectus.

We have acted as statutory auditor of Win Sun, Gold Joy and Sky Sun, for each of the two years ended 30 June 2011. We have also acted as statutory auditor of Gold Reach and Top World for the period from their respective date of incorporation to 30 June 2010 and for the year ended 30 June 2011. We have acted as statutory auditor of Win Source for the period from its date of incorporation to 30 June 2012. The statutory financial statements of these companies are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have been appointed as statutory auditor of Win Sun, Gold Joy, Sky Sun, Gold Reach and Top World for the year ended 30 June 2012, however, their statutory financial statements for the year ended 30 June 2012 are still not yet issued.

The statutory financial statements of Ye Guang Li, Shuzhou Paragon, Tian Wang Shenzhen and Time Watch HF were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC. They were audited by the following firms of certified public accountants registered in the PRC.

Name of subsidiary	Periods covered	Certified Public Accountants
Ye Guang Li	Each of the two years ended 31 December 2010	梅州有信會計師事務所
	For the year ended 31 December 2011	梅州首源信會計師事務所
Suzhou Paragon	Each of the three years ended 31 December 2011	蘇州方本會計師事務所
Tian Wang Shenzhen	For the year ended 31 December 2009	深圳國泰會計師事務所
	Each of the two years ended 31 December 2011	深圳東海會計師事務所
Time Watch HF	From 29 November 2011 (date of incorporation) to 31 December 2011	安徽中安會計師事務所

During the Relevant Periods, the Watch Movements Trading Business of the Group were carried out by Winning Metal. Win Source acquired the Watch Movements Trading Business from Winning Metal upon the completion of the Reorganisation. On 1 June 2012, the assets and the liabilities of Winning Metal except for (i) properties used for corporate purpose, (ii) investments in subsidiaries not forming part of the Group and certain current account balances with these subsidiaries (the "Watch Movements Trading Business Assets") were transferred to Win Source upon the completion of the Reorganisation.

The statutory financial statements of Winning Metal were prepared in accordance with HKFRSs issued by the HKICPA for each of the three years ended 30 June 2012 and were audited by us.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods in accordance with HKFRSs issued by the HKICPA (the "Underlying Financial Statements").

We have audited the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing issued by HKICPA. We have examined the Underlying Financial Statements for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 to Section A below. No adjustments are considered necessary to adjust the Underlying Financial Statements in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 to Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 30 June 2010, 30 June 2011, 30 June 2012 and 30 September 2012 and of the Company as at 30 June 2012 and 30 September 2012, and of the consolidated profits and cash flows of the Group for the Relevant Periods.

The comparative consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the three months ended 30 September 2011 together with the notes thereon have been extracted from the Group's unaudited financial information for the same period (the "30 September 2011 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30 September 2011 Financial Information in accordance with the Hong Kong Standard of Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA. Our review of the 30 September 2011 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 September 2011 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 September 2011 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

(A) FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 30 June			Three months ended 30 September	
	NOTES	**2010**	**2011**	**2012**	**2011**	**2012**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	*7*	919,605	1,189,325	1,524,779	338,485	508,197
Cost of sales		(474,478)	(493,940)	(606,319)	(120,622)	(197,867)
Gross profit		445,127	695,385	918,460	217,863	310,330
Other income	*10*	2,435	7,143	9,559	2,651	2,970
Other expenses	*10*	–	–	(17,930)	–	(2,259)
Selling and distribution costs		(309,472)	(444,610)	(575,791)	(128,383)	(186,689)
Administrative expenses		(44,705)	(71,222)	(83,798)	(21,537)	(17,813)
Finance costs	*11*	(3,638)	(4,323)	(6,010)	(994)	(2,556)
Profit before taxation		89,747	182,373	244,490	69,600	103,983
Income tax	*12*	(28,290)	(44,656)	(55,955)	(13,910)	(25,929)
Profit for the year/period	*13*	61,457	137,717	188,535	55,690	78,054
Other comprehensive income which will not be reclassified to profit or loss:						
Gain on revaluation of properties		–	4,670	–	–	–
Exchange differences arising on translation		170	21,519	4,462	320	265
Other comprehensive income for the year/period		170	26,189	4,462	320	265
Total comprehensive income for the year/period		61,627	163,906	192,997	56,010	78,319

	NOTE	Year ended 30 June			Three months ended 30 September	
		2010	**2011**	**2012**	**2011**	**2012**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Profit for the year/period attributable to:						
Owners of the Company		60,717	134,603	184,093	53,749	76,436
Non-controlling interests		740	3,114	4,442	1,941	1,618
		61,457	137,717	188,535	55,690	78,054
Total comprehensive income attributable to:						
Owners of the Company		60,864	159,951	188,484	54,072	76,697
Non-controlling interests		763	3,955	4,513	1,938	1,622
		61,627	163,906	192,997	56,010	78,319
Earnings per share, basic (HK cents)	*15*	4.0	9.0	12.3	3.6	5.1

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		THE GROUP				THE COMPANY	
		As at 30 June			As at 30 September	As at 30 June	As at 30 September
	NOTES	**2010**	**2011**	**2012**	**2012**	**2012**	**2012**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets							
Property, plant and equipment	*16*	41,084	52,863	47,297	48,848	–	–
Investment in a subsidiary	*17*	–	–	–	–	66,727	66,727
Amount due from a director	*18*	–	24,080	–	–	–	–
Amounts due from fellow subsidiaries	*18*	225,923	215,792	–	–	–	–
Deferred tax assets	*27*	4,000	4,000	12,000	9,612	–	–
		271,007	296,735	59,297	58,460	66,727	66,727
Current assets							
Inventories	*19*	232,245	300,515	466,370	474,331	–	–
Trade receivables	*20*	111,577	173,138	233,221	314,236	–	–
Other receivables, deposits and prepayments	*20*	25,109	43,339	56,129	61,048	5,477	6,077
Amounts due from fellow subsidiaries	*18*	8,074	16,119	834	468	–	–
Amount due from a related company	*18*	240	812	60	–	–	–
Bank balances and cash	*21*	70,981	110,063	156,512	135,217	48	48
Dividend receivable	*17*	–	–	–	–	–	38,290
		448,226	643,986	913,126	985,300	5,525	44,415

		THE GROUP				THE COMPANY	
		As at 30 June			As at 30 September	As at 30 June	As at 30 September
	NOTES	**2010**	**2011**	**2012**	**2012**	**2012**	**2012**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities							
Trade payables and bills payable	*22*	81,691	89,501	120,354	113,621	–	–
Other payables and accrued charges	*22*	51,931	81,356	73,501	91,101	13,590	14,196
Amount due to an intermediate holding company	*23*	26,853	28,250	–	–	–	–
Amount due to a director	*23*	–	–	33,483	33,204	–	–
Amounts due to fellow subsidiaries	*23*	61,699	52,177	316	–	–	–
Amounts due to subsidiaries	*17*	–	–	–	–	9,909	12,162
Dividend payable	*17*	–	–	–	16,290	–	16,290
Tax liabilities		12,359	13,850	19,154	26,807	–	–
Obligations under finance leases – due within one year	*24*	236	171	–	–	–	–
Bank borrowings	*25*	186,450	193,449	285,520	273,279	–	–
Financial guarantee liability	*32(i)*	–	–	4,000	3,500	–	–
		421,219	458,754	536,328	557,802	23,499	42,648
Net current assets (liabilities)		27,007	185,232	376,798	427,498	(17,974)	1,767
Total assets less current liabilities		298,014	481,967	436,095	485,958	48,753	68,494

		THE GROUP				THE COMPANY	
		As at 30 June			As at 30 September	As at 30 June	As at 30 September
	NOTES	**2010**	**2011**	**2012**	**2012**	**2012**	**2012**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital and reserves							
Share capital	*26*	–	–	100	100	100	100
Reserves	*17*	277,069	452,015	377,019	420,375	48,653	68,394
Equity attributable to owners of the Company		277,069	452,015	377,119	420,475	48,753	68,494
Non-controlling interests		12,458	16,413	37,829	39,451	–	–
Total equity		289,527	468,428	414,948	459,926	48,753	68,494
Non-current liabilities							
Obligations under finance leases – due after one year	*24*	274	103	–	–	–	–
Deferred tax liabilities	*27*	8,213	13,436	21,147	26,032	–	–
		8,487	13,539	21,147	26,032	–	–
		298,014	481,967	436,095	485,958	48,753	68,494

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000	Special reserve HK$'000 (Note a)	Properties revaluation reserve HK$'000	Translation reserve HK$'000	Statutory surplus reserves HK$'000 (Note d)	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2009	–	–	54,417	13,880	5,152	7,644	8,161	125,550	214,804	11,695	226,499
Profit for the year	–	–	–	–	–	–	–	60,717	60,717	740	61,457
Other comprehensive income for the year	–	–	–	–	–	147	–	–	147	23	170
Total comprehensive income for the year	–	–	–	–	–	147	–	60,717	60,864	763	61,627
Appropriation to reserve	–	–	–	–	–	–	1,154	(1,154)	–	–	–
Net contributions from Winning Metal *(Note b)*	–	–	17,818	–	–	–	–	287	18,105	–	18,105
Dividend paid *(Note 14)*	–	–	(16,704)	–	–	–	–	–	(16,704)	–	(16,704)
At 30 June 2010	–	–	55,531	13,880	5,152	7,791	9,315	185,400	277,069	12,458	289,527
Profit for the year	–	–	–	–	–	–	–	134,603	134,603	3,114	137,717
Other comprehensive income for the year	–	–	–	–	4,670	20,678	–	–	25,348	841	26,189
Total comprehensive income for the year	–	–	–	–	4,670	20,678	–	134,603	159,951	3,955	163,906
Appropriation to reserve	–	–	–	–	–	–	2,723	(2,723)	–	–	–
Net return of contributions to Winning Metal *(Note b)*	–	–	(7,744)	–	–	–	–	22,739	14,995	–	14,995
At 30 June 2011	–	–	47,787	13,880	9,822	28,469	12,038	340,019	452,015	16,413	468,428
Profit for the year	–	–	–	–	–	–	–	184,093	184,093	4,442	188,535
Other comprehensive income for the year	–	–	–	–	–	4,391	–	–	4,391	71	4,462
Total comprehensive income for the year	–	–	–	–	–	4,391	–	184,093	188,484	4,513	192,997
Appropriation to reserve	–	–	–	–	–	–	3,189	(3,189)	–	–	–
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	16,903	16,903
Disposal of leasehold land and buildings	–	–	–	–	(7,391)	–	–	7,391	–	–	–
Issue of financial guarantee to ultimate holding company *(Note c)*	–	–	–	(6,000)	–	–	–	–	(6,000)	–	(6,000)
Issue of shares on the Reorganisation credited as fully paid	100	66,727	(66,827)	–	–	–	–	–	–	–	–
Net contributions from Winning Metal *(Note b)*	–	–	32,855	–	–	–	–	(31,731)	1,124	–	1,124
Deemed distribution upon completion of the Reorganisation *(Note e)*	–	–	(13,815)	(242,258)	(2,431)	–	–	–	(258,504)	–	(258,504)
At 30 June 2012	100	66,727	–	(234,378)	–	32,860	15,227	496,583	377,119	37,829	414,948

	Attributable to owners of the Company										
	Share capital	Share premium	Other reserve	Special reserve	Properties revaluation reserve	Translation reserve	Statutory surplus reserves	Accumulated profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*Note a*)	*HK$'000*	*HK$'000*	*HK$'000* (*Note d*)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2012	100	66,727	–	(234,378)	–	32,860	15,227	496,583	377,119	37,829	414,948
Profit for the period	–	–	–	–	–	–	–	76,436	76,436	1,618	78,054
Other comprehensive income for the period	–	–	–	–	–	261	–	–	261	4	265
Total comprehensive income for the period	–	–	–	–	–	261	–	76,436	76,697	1,622	78,319
Dividend recognised as distribution during the period *(note 14)*	–	(33,341)	–	–	–	–	–	–	(33,341)	–	(33,341)
At 30 September 2012	100	33,386	–	(234,378)	–	33,121	15,227	573,019	420,475	39,451	459,926
Unaudited											
At 1 July 2011	–	–	47,787	13,880	9,822	28,469	12,038	340,019	452,015	16,413	468,428
Profit for the period	–	–	–	–	–	–	–	53,749	53,749	1,941	55,690
Other comprehensive income for the period	–	–	–	–	–	323	–	–	323	(3)	320
Total comprehensive income for the period	–	–	–	–	–	323	–	53,749	54,072	1,938	56,010
Issue of financial guarantee to ultimate holding company *(Note c)*	–	–	–	(6,000)	–	–	–	–	(6,000)	–	(6,000)
Net contributions from Winning Metal *(Note b)*	–	–	14,310	–	–	–	–	(14,362)	(52)	–	(52)
At 30 September 2011	–	–	62,097	7,880	9,822	28,792	12,038	379,406	500,035	18,351	518,386

Notes:

(a) During the year ended 30 June 2009, Sky Sun and Win Sun were incorporated and acted as the holding company of Tian Wang Shenzhen and Ye Guang Li. As at 30 June 2010 and 2011, special reserve of HK$13,880,000 represents the difference between the nominal value of the share capital of holding companies and the nominal amount of the registered capital of Tian Wang Shenzhen and Ye Guang Li. As at 30 June 2012 and 30 September 2012, special reserve also includes the effect of the completion of the Reorganisation.

(b) "Net contributions/return of contributions from/to Winning Metal" represents net amount received by the Group in respect of operations carried out by Winning Metal which is not attributable to Watch Movements Trading Business and the transfer of the results of the Watch Movements Trading Business to other reserve as such profits are non-distributable profits of the Group.

(c) During the year ended 30 June 2012, several subsidiaries of the Group provide financial guarantees to its ultimate holding company, the fair value of the financial guarantees is recognised as deemed distribution to the shareholder at initial recognition. The details of the financial guarantees are set out in note 32(i).

(d) The statutory surplus reserves represent enterprise development and general reserve fund appropriated from the profit after taxation of subsidiaries established in the PRC.

(e) The deemed distribution upon the completion of the transfer of Watch Movements Trading Business to Win Source in an aggregate amount of approximately HK$258,504,000 mainly represented amounts due from related parties and properties not transferred to Win Source.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 30 June			Three months ended 30 September	
	2010	2011	2012	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
OPERATING ACTIVITIES					
Profit before taxation	89,747	182,373	244,490	69,600	103,983
Adjustments for:					
Reversal of allowance for bad and doubtful debts	(28)	–	–	–	–
Allowance (reversal of allowance) for obsolete inventories	11,272	229	12,935	1,176	(329)
Depreciation of property, plant and equipment	11,944	16,588	22,019	4,829	5,854
Interest expenses	3,638	4,323	6,010	994	2,556
Financial guarantee income	–	–	(2,000)	(500)	(500)
Interest income	(273)	(1,477)	(2,209)	(525)	(48)
Loss (gain) on disposal and write off of property, plant and equipment	1,382	3,572	(647)	477	392
Operating cash flows before movements in working capital	117,682	205,608	280,598	76,051	111,908
Increase in inventories	(59,424)	(53,751)	(178,790)	(66,359)	(7,632)
Increase in trade receivables	(21,306)	(59,999)	(60,083)	(20,845)	(81,015)
Increase in other receivables, deposits and prepayments	(1,194)	(18,230)	(12,790)	(12,987)	(4,919)
Decrease in amount due from a related company	–	240	1,533	–	60
Increase (decrease) in trade payables and bills payable	24,490	7,810	30,853	42,804	(6,733)
Increase (decrease) in other payables and accrued charges	25,400	29,159	(7,917)	10,490	15,623
Cash generated from operations	85,648	110,837	53,404	29,154	27,292
Interest received	273	1,477	2,209	525	48
Income tax paid	(22,608)	(37,121)	(50,940)	(10,766)	(11,029)
NET CASH GENERATED FROM OPERATING ACTIVITIES	63,313	75,193	4,673	18,913	16,311

	Year ended 30 June			Three months ended 30 September	
	2010	2011	2012	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
INVESTING ACTIVITIES					
Purchases of property, plant and equipment	(21,262)	(26,449)	(32,811)	(6,152)	(7,792)
Proceeds from disposal of property, plant and equipment	79	116	13,617	–	–
Advance to ultimate holding company	–	–	(48,060)	(17,286)	–
Advance to a director	–	(24,080)	(3,825)	–	–
Advance to fellow subsidiaries	(31,883)	(29,791)	(11,491)	(1,176)	–
Repayment from fellow subsidiaries	21,863	46,060	15,625	–	366
NET CASH USED IN INVESTING ACTIVITIES	(31,203)	(34,144)	(66,945)	(24,614)	(7,426)
FINANCING ACTIVITIES					
Dividend paid	(16,704)	–	–	–	(17,051)
Contribution from non-controlling interest	–	–	16,903	–	–
Interest paid	(3,460)	(4,289)	(5,923)	(994)	(2,556)
Borrowings raised	429,915	504,440	684,152	143,943	81,140
Repayment of bank borrowings	(412,567)	(497,441)	(592,081)	(146,610)	(93,381)
Repayment of obligations under finance leases	(293)	(270)	(361)	(60)	–
Repayment from a director	–	–	–	–	(279)
Advance from intermediate holding company	43,225	29,283	–	–	–
Advance from a non-controlling shareholder of a subsidiary	–	–	–	–	1,915
Repayment to intermediate holding company	(59,198)	(27,886)	(9,426)	(2,591)	–
Advance from fellow subsidiaries	14,014	4,373	11,361	53	–
Repayment to fellow subsidiaries	(7,967)	(13,887)	(226)	–	(316)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(13,035)	(5,677)	104,399	(6,259)	(30,528)

	Year ended 30 June			Three months ended 30 September	
	2010	**2011**	**2012**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19,075	35,372	42,127	(11,960)	(21,643)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	51,773	70,981	110,063	110,063	156,512
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	133	3,710	4,322	319	348
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	70,981	110,063	156,512	98,422	135,217

NOTES TO FINANCIAL INFORMATION

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on 21 September 2011. Its immediate holding company is Red Glory Investments Limited ("Red Glory"), a company incorporated in the BVI. Its ultimate holding company is Red Rewarding Limited ("Red Rewarding"), a company incorporated in the BVI. Red Rewarding is wholly owned by Mr. Tung Koon Ming ("Mr. Tung"). The address of the Company's registered office and the principal place of business is disclosed in the paragraph headed "Corporate Information" to the Prospectus.

In the preparation for the listing of the Company's shares on the Stock Exchange, the Company underwent the Reorganisation which included the following steps:

(a) On 16 August 2011, Red Glory was incorporated by Winning Metal in the BVI. Red Glory is acted as an investment holding company.

(b) On 21 September 2011, the Company was incorporated by Red Glory in the Cayman Islands as an exempted company. The authorised share capital of the Company is HK$350,000 divided into 3,500,000 shares of HK$0.10 each. Upon its incorporation, one nil-paid share was allotted and issued, nil paid, to the subscriber, which was transferred to Red Glory on the same day.

(c) On 21 September 2011, Immense Ocean was incorporated in the BVI with limited liability with 50,000 authorised shares of US$1.00 each. On 14 October 2011, one share of US$1.00 was alloted and issued as fully paid at par by Immense Ocean to the Company, and Immense Ocean has become the Company's wholly owned subsidiary.

(d) On 1 June 2011, Win Source was incorporated in Hong Kong with limited liability with 10,000 authorised shares of HK$1.00 each. Upon its incorporation, one subscriber's share was alloted and issued to Ready-Made Incorporations Limited for cash at par of HK$1.00. On 20 June 2011, Ready-Made Incorporations Limited transferred its one subscriber's share in Win Source to Mr. Tung, a director and controlling shareholder of the Company, for cash at the consideration of HK$1.00. On 29 November 2011, Mr. Tung transferred its one share in Win Source to Immense Ocean for cash consideration of HK$1.00 and Win Source has become a wholly owned subsidiary of Immense Ocean since then.

(e) On 1 June 2012, Win Source acquired the Watch Movements Trading Business Assets from Winning Metal and Immense Ocean acquired the entire issued capital of each of Win Sun, Gold Joy, Sky Sun, Gold Reach and Top World from Winning Metal. The acquisitions were settled by the Company allotting and issuing to Red Glory 499,999 shares and 500,000 shares, credited as fully paid respectively.

Pursuant to the Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 1 June 2012. The Company and its subsidiaries (including the Watch Movements Trading Business) have been under the common control of Mr. Tung throughout the Relevant Periods or since their respective date of incorporation or establishment, where there is a shorter period.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Financial Information has been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting which is consistent with the principle as stated in the Accounting Guideline 5 "Merger Accounting Under Common Control Combinations" issued by HKICPA. The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Relevant Periods include the results, changes in equity and cash flows of the companies (including the Watch Movements Trading Business) now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation or establishment, where there is a shorter period. The consolidated statements of financial position of the Group as at 30 June 2010 and 2011 have been prepared to present the assets and liabilities of the companies (including the Watch Movements Trading Business) now comprising the Group, as if the current group structure has been in existence at those dates taking into account the respective dates of incorporation/establishment, or where applicable.

During the Relevant Periods, the Watch Movements Trading Business of the Group were carried out by Winning Metal. Win Source acquired the Watch Movements Trading Business from Winning Metal upon the completion of the Reorganisation. On 1 June 2012, the assets and the liabilities of Winning Metal except for (i) properties used for corporate purpose, and (ii) the investments in subsidiaries not forming part of the Group and certain current account balances with these subsidiaries were transferred to Win Source upon completion of the Reorganisation. Accordingly, the Financial Information includes all of the Group's activities in doing Watch Movements Trading Business for the Relevant Periods. Considering the extent of the Watch Movements Trading Business carried out by Winning Metal, other than specific assets and income that are identified to the investment holding activity of Winning Metal which are not directly attributable to the Watch Movements Trading Business, all items of assets, liabilities, income and expenses of Winning Metal are included in the Financial Information.

The functional currency of the Company is Renminbi ("RMB"), while the Financial Information is presented in Hong Kong dollar ("HK$"), which the management of the Group considered that it is more beneficial for the users of the Financial Information, as the Company's shares will be listed on the Stock Exchange.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently adopted Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKAS"), amendments and interpretations issued by the HKICPA that are effective for the Group's annual accounting periods beginning on 1 July 2012 throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new and revised standards, amendments and interpretation which are not yet effective.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 cycle[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting financial assets and financial liabilities[1]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures[2]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment entities[3]
HKFRS 9	Financial instruments[2]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities[3]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.

2 Effective for annual periods beginning on or after 1 January 2015.

3 Effective for annual periods beginning on or after 1 January 2014.

The Group has not early applied these new and revised standards, amendments or interpretation that have been issued but are not yet effective in the preparation of Financial Information. Management of the Group anticipates that the application of these new and revised standards, amendments or interpretation will have no material impact on the Financial Information of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for properties, which are measured at revalued amounts, as appropriate, and in accordance with the following accounting policies which conform to HKFRSs. Historical cost is generally based on the fair value of the consideration given in exchange for goods. In addition, the Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the group entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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 in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Merger accounting for business combination involving entities/business under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Investment in a subsidiary

Investment in a subsidiary is included in the Company's statements of financial position at cost (including deemed capital contribution) less accumulated impairment losses.

Revenue recognition

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that economic benefits will flow to the Group and the amount of income can be measured reliably. 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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment (other than leasehold land and buildings held for use in production or supply of goods or services, or for administrative purposes) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statements of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on revaluation of leasehold land and buildings is recognised in other comprehensive income and accumulated in properties revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the properties revaluation reserve relating to a previous revaluation of that item of asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the property revaluation reserve is transferred to accumulated profits.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

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 consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

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

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

For the purposes of presenting the Financial Information, the assets and liabilities of group entities are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

Payments to state-managed retirement benefits schemes and the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as expenses when employees have rendered service entitling them to the contributions.

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises 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 associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are deducted from the fair value of the financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. The accounting policies adopted in respect of loans and receivables are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from a director, fellow subsidiaries and a related company, bank balances and dividend receivable) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets of the Group are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the companies now comprising the Group after deducting all of its liabilities. Equity instruments issued by the companies now comprising the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade payables, bills payable, other payables and accrued charges, amounts due to an intermediate holding company, a director, subsidiaries and fellow subsidiaries, dividend payable and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequently to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the assets to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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. When 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss unless the relevant asset is carried at revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately unless that relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Allowances for inventories

Management of the Group reviews the inventory aging analysis at the end of the reporting period and identifies the slow-moving inventory items that are no longer suitable for use in production or sales. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. In addition, the Group carries out an inventory review on a product-by-product basis at the end of each reporting period and provides necessary allowance if the net realisable value is estimated to be below the cost.

Allowances of approximately HK$11,272,000, HK$229,000, HK$12,935,000 and HK$1,176,000 (unaudited) were made for obsolete inventories for the years ended 30 June 2010, 2011, 2012 and for the three months ended 30 September 2011 respectively and allowance for obsolete inventories of approximately HK$329,000 was reversed during the three months ended 30 September 2012.

Allowances for bad and doubtful debts

The allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of individual trade debts performed by the management. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

During the year ended 30 June 2010, allowance for bad and doubtful debts of HK$28,000 was reversed. No allowance for bad and doubtful debts was made for the years ended 30 June 2011 and 2012 and for the three months ended 30 September 2011 and 2012.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes bank borrowings as disclosed in note 25, and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of bank borrowings or the repayment of the existing bank borrowings.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group				The Company	
	As at 30 June			As at 30 September	As at 30 June	As at 30 September
	2010	2011	2012	2012	2012	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets						
Loans and receivables (including cash and cash equivalents)	421,764	551,468	403,306	465,531	48	38,338
Financial liabilities						
Amortised cost	392,903	424,538	486,702	483,650	23,499	42,648
Obligations under finance leases	510	274	–	–	–	–
Financial guarantee liability	–	–	4,000	3,500	–	–

Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables, amounts due from a director, fellow subsidiaries and a related company, bank balances and cash, trade and bills payable, other payables and accrued charges, amounts due to an intermediate holding company, a director and fellow subsidiaries, dividend payable, bank borrowings and financial guarantee liability. The Company's financial instruments include bank balances and cash, dividend receivable, other payables and accrued charges, and amounts due to subsidiaries and dividend payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group has foreign currency sales, which expose itself to foreign currency risk. In addition, certain trade and other receivables, bank balances, other payables and accrued expenses, and bank borrowings of the Group and intra-group balances are denominated in foreign currencies of respective group entities.

The currency risk of the Group is mainly arising from exchange rate of RMB against HK$, HK$ against RMB and Swiss Franc ("CHF") against HK$.

The carrying amounts of the Group's foreign currencies denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	Assets				**Liabilities**			
	As at 30 June			**As at 30 September**	**As at 30 June**			**As at 30 September**
	2010	**2011**	**2012**	**2012**	**2010**	**2011**	**2012**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
HK$	40,071	43,216	36,454	17,956	45,432	47,885	13,379	33,149
RMB	–	–	734	489	3,959	4,188	–	–
CHF	2,380	3,757	5,122	6,788	5,474	2,728	3,618	11,189

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	Assets				**Liabilities**			
	As at 30 June			**As at 30 September**	**As at 30 June**			**As at 30 September**
	2010	**2011**	**2012**	**2012**	**2010**	**2011**	**2012**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
HK$	–	–	48	38,338	–	–	22,461	41,610

Other than above, several subsidiaries of the Group have the following intra-group receivables/payables denominated in HK$, CHF and RMB, which are foreign currencies of relevant group entities.

	Amounts due from group entities				**Amounts due to group entities**			
	As at 30 June			**As at 30 September**	**As at 30 June**			**As at 30 September**
	2010	**2011**	**2012**	**2012**	**2010**	**2011**	**2012**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
HK$	15,723	16,505	63,456	146,042	27,963	41,960	88,149	194,695
RMB	5,089	12	12	12	–	6,632	15,318	13,310
CHF	3,107	8,568	24,757	20,358	–	–	–	–

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in RMB against HK$, HK$ against RMB and CHF against HK$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as well as amounts due from and to group entities where the denomination of the balance is in a foreign currency of the group entity. A negative number below indicates a decrease in post-tax profit for the year/period where the HK$ strengthen 5% against RMB and CHF. For a 5% weakening of the HK$ against RMB and CHF, there would be an equal and opposite impact on the post-tax profit for the year/period.

	Year ended 30 June			Three months ended 30 September
	2010	**2011**	**2012**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The Group				
Decrease in post-tax profit for the year/period	(782)	(1,207)	(140)	(2,797)
The Company				
Decrease in post-tax profit for the year/period	–	–	(936)	(137)

Interest rate risk

The Company does not have any exposure on interest rate risk.

The Group is exposed to fair value interest rate risk in relation to its fixed rate amount due from a director (note 18) as at 30 June 2011.

The Group's cash flow interest rate risk primarily relates to the bank balances as well as bank borrowings (note 25 for details of bank borrowings).

The Group has not used any interest rate swaps in order to mitigate its exposure associated with fluctuations relating to cash flows interest rate risk. However, the management of the Group will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

In the opinion of management of the Group, the expected change in interest rate on bank balances will not be significant in the near future, hence sensitivity analysis is not presented.

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of each reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of each reporting period was outstanding for the whole year/period. A 50 basis points increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the impact on the Group's post-tax profit for the year ended 30 June 2010, 2011 and 2012 and the three months ended 30 September 2012 would be:

The Group

	Year ended 30 June			Thee months ended 30 September
	2010	**2011**	**2012**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Decrease/increase	778	808	1,192	285

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties and financial guarantees provided by the Group to related parties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position at the end of the reporting period; and the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 32.

The Company's maximum exposure to credit risk is arising from the carrying amount of recognised financial assets as stated in the statements of financial position.

The Group had no concentration of credit risk in respect of trade receivables, with exposure spread over a number of counterparties. The Group had concentration of credit risk in respect of amounts due from certain fellow subsidiaries. The details are disclosed in note 18. The management of the Group considered that the credit risk of amounts due from fellow subsidiaries is insignificant after considering the credit quality and financial quality of these fellow subsidiaries.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. For the financial guarantees, those guarantees are provided to related companies and the management of the Group continuously monitors the credit quality and financial conditions of the guaranteed parties that the Group issued financial guarantee contracts in favour of to ensure that the Group will not suffer significant credit losses as a result of the failure of the guaranteed parties on the repayment of the relevant loans. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

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

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows.

The Group

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 – 6 months	6 – 12 months	1 – 2 years	Over 2 years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2010								
Non-derivative financial liabilities								
Trade payables and bills payable	N/A	81,691	–	–	–	–	81,691	81,691
Other payables and accrued charges	N/A	36,210	–	–	–	–	36,210	36,210
Amount due to an intermediate holding company	N/A	26,853	–	–	–	–	26,853	26,853
Amounts due to fellow subsidiaries	N/A	61,699	–	–	–	–	61,699	61,699
Obligations under finance leases	3.25	68	67	135	195	118	583	510
Bank borrowings	2.31	186,450	–	–	–	–	186,450	186,450
		392,971	67	135	195	118	393,486	393,413
As at 30 June 2011								
Non-derivative financial liabilities								
Trade payables and bills payable	N/A	89,501	–	–	–	–	89,501	89,501
Other payables and accrued charges	N/A	61,161	–	–	–	–	61,161	61,161
Amount due to an intermediate holding company	N/A	28,250	–	–	–	–	28,250	28,250
Amounts due to fellow subsidiaries	N/A	52,177	–	–	–	–	52,177	52,177
Obligations under finance leases	3.50	67	57	71	118	–	313	274
Bank borrowings	2.17	193,449	–	–	–	–	193,449	193,449
		424,605	57	71	118	–	424,851	424,812
As at 30 June 2012								
Non-derivative financial liabilities								
Trade payables and bills payable	N/A	120,354	–	–	–	–	120,354	120,354
Other payables and accrued charges	N/A	47,029	–	–	–	–	47,029	47,029
Amount due to a director	N/A	33,483	–	–	–	–	33,483	33,483
Amounts due to fellow subsidiaries	N/A	316	–	–	–	–	316	316
Bank borrowings	3.62	285,520	–	–	–	–	285,520	285,520
Financial guarantee liability	N/A	339,955	–	–	–	–	339,955	4,000
		826,657	–	–	–	–	826,657	490,702

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 – 6 months	6 – 12 months	1 – 2 years	Over 2 years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 September 2012								
Non-derivative financial liabilities								
Trade payables and bills payable	N/A	113,621	–	–	–	–	113,621	113,621
Other payables and accrued charges	N/A	47,256	–	–	–	–	47,256	47,256
Amount due to a director	N/A	33,204	–	–	–	–	33,204	33,204
Dividend payable	N/A	16,290	–	–	–	–	16,290	16,290
Bank borrowings	3.00	273,279	–	–	–	–	273,279	273,279
Financial guarantee liability	N/A	354,842	–	–	–	–	354,842	3,500
		838,492	–	–	–	–	838,492	487,150

The Company

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 – 6 months	6 – 12 months	1 – 2 years	Over 2 years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2012								
Non-derivative financial liabilities								
Other payables and accrued charges	N/A	13,590	–	–	–	–	13,590	13,590
Amounts due to subsidiaries	N/A	9,909	–	–	–	–	9,909	9,909
		23,499	–	–	–	–	23,499	23,499
As at 30 September 2012								
Non-derivative financial liabilities								
Other payables and accrued charges	N/A	14,196	–	–	–	–	14,196	14,196
Amounts due to subsidiaries	N/A	12,162	–	–	–	–	12,162	12,162
Dividend payable	N/A	16,290	–	–	–	–	16,290	16,290
		42,648	–	–	–	–	42,648	42,648

The amounts included above for financial guarantee liability are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount (excluding the amount utilised by the group entities) if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantees which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses. Details of the financial guarantees are set out in note 32.

Bank loans with a repayment on demand clause are included in the "Repayment on demand or less than 3 months" time band in the above maturity analysis. As at 30 June 2010, 2011 and 2012 and 30 September 2012, the aggregate carrying amount of these bank loans of amounted to HK$186,450,000, HK$193,449,000, HK$285,520,000 and HK$273,279,000 respectively. Taking into account the Group's financial position, management do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Management of the Group believes that such bank loans of the Group will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. As such, the aggregate principal and interest cash outflows will be HK$187,939,000, HK$196,722,000, HK$295,309,000 and HK$279,308,000 as at 30 June 2010, 2011 and 2012, and 30 September 2012 respectively.

For the purpose of managing liquidity risk, management reviews the expected cash flow information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowings agreements as set out in the table below:

The Group

	Weighted average effective interest rate	Repayable less than 3 months	3 – 6 months	6 – 12 months	1 – 2 years	2 – 5 years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings:								
As at 30 June 2010	2.31	158,281	3,231	6,448	12,505	7,474	187,939	186,450
As at 30 June 2011	2.17	161,593	4,831	9,360	11,207	9,731	196,722	193,449
As at 30 June 2012	3.62	206,659	12,456	10,687	17,777	47,730	295,309	285,520
As at 30 September 2012	3.00	204,768	7,609	9,249	14,870	42,812	279,308	273,279

Fair value of financial instruments

Fair Value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

For management purpose, the Group is currently organised into four operating divisions:

a. Manufacturing, trading of own branded and retailing business of watches – Tian Wang Watch ("Tian Wang Watch Business");

b. Trading of own branded and retailing business of watches – Balco Watch ("Balco Watch Business");

c. Trading of watch movements ("Watch Movements Trading Business"); and

d. Retailing business of imported watches mainly of well-known brands ("Other Brands").

These operating divisions are the basis of internal reports about components which are regularly reviewed by the chief operating decision maker, represented by the chief executive director of Winning Metal who is also the chief executive director of the Company, for the purposes of resources allocation and assessing their performance. Each of the operating division represents an operating segment.

Segment revenue and results

Year ended 30 June 2010

	Tian Wang Watch Business HK$'000	Balco Watch Business HK$'000	Watch Movements Trading Business HK$'000	Other Brands HK$'000	Consolidated HK$'000
Revenue					
External sales	465,818	82,995	299,256	71,536	919,605
Inter-segment sales	–	–	19,677	–	19,677
Segment revenue	465,818	82,995	318,933	71,536	939,282
Elimination					(19,677)
Group revenue					919,605
Results					
Segment results	126,818	(16,135)	4,782	4,398	119,863
Interest income					273
Central administration costs					(26,751)
Finance costs					(3,638)
Profit before taxation					89,747

Year ended 30 June 2011

	Tian Wang Watch Business HK$'000	Balco Watch Business HK$'000	Watch Movements Trading Business HK$'000	Other Brands HK$'000	Consolidated HK$'000
Revenue					
External sales	711,243	90,523	273,250	114,309	1,189,325
Inter-segment sales	–	–	23,382	–	23,382
Segment revenue	711,243	90,523	296,632	114,309	1,212,707
Elimination					(23,382)
Group revenue					1,189,325
Results					
Segment results	194,695	128	18,601	10,496	223,920
Interest income					1,477
Central administration costs					(38,701)
Finance costs					(4,323)
Profit before taxation					182,373

Year ended 30 June 2012

	Tian Wang Watch Business	Balco Watch Business	Watch Movements Trading Business	Other Brands	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	980,446	108,523	251,603	184,207	1,524,779
Inter-segment sales	–	–	67,177	–	67,177
Segment revenue	980,446	108,523	318,780	184,207	1,591,956
Elimination					(67,177)
Group revenue					1,524,779
Results					
Segment results	281,486	2,071	13,712	7,379	304,648
Interest income					2,209
Financial guarantee income					2,000
Central administration costs					(58,357)
Finance costs					(6,010)
Profit before taxation					244,490

Three months ended 30 September 2011 (unaudited)

	Tian Wang Watch Business	Balco Watch Business	Watch Movements Trading Business	Other Brands	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	216,751	25,929	60,275	35,530	338,485
Inter-segment sales	–	–	15,649	–	15,649
Segment revenue	216,751	25,929	75,924	35,530	354,134
Elimination					(15,649)
Group revenue					338,485
Results					
Segment results	67,549	(348)	5,959	5,632	78,792
Interest income					154
Financial guarantee income					500
Central administration costs					(8,852)
Finance costs					(994)
Profit before taxation					69,600

Three months ended 30 September 2012

	Tian Wang Watch Business	Balco Watch Business	Watch Movements Trading Business	Other Brands	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	327,360	31,905	85,261	63,671	508,197
Inter-segment sales	–	–	6,369	–	6,369
Segment revenue	327,360	31,905	91,630	63,671	514,566
Elimination					(6,369)
Group revenue					508,197
Results					
Segment results	104,303	4,106	4,606	2,948	115,963
Interest income					48
Financial guarantee income					500
Central administration costs					(9,972)
Finance costs					(2,556)
Profit before taxation					103,983

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represents the results of each segment without allocation of corporate items, including interest income, financial guarantee income, central administration costs and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

As at 30 June 2010

	Tian Wang Watch Business	Balco Watch Business	Watch Movements Trading Business	Other Brands	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Segment assets	239,808	74,042	50,262	36,773	400,885
Leasehold land and buildings					9,130
Amounts due from fellow subsidiaries					233,997
Amount due from a related company					240
Bank balances and cash					70,981
Deferred tax assets					4,000
Consolidated total assets					719,233

	Tian Wang Watch Business	Balco Watch Business	Watch Movements Trading Business	Other Brands	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
LIABILITIES					
Segment liabilities	78,430	11,921	30,281	4,715	125,347
Amount due to an intermediate holding company					26,853
Amounts due to fellow subsidiaries					61,699
Tax liabilities					12,359
Obligations under finance leases					510
Bank borrowings					186,450
Deferred tax liabilities					8,213
Other liabilities					8,275
Consolidated total liabilities					429,706

As at 30 June 2011

	Tian Wang Watch Business	Balco Watch Business	Watch Movements Trading Business	Other Brands	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Segment assets	370,099	85,223	42,676	58,357	556,355
Leasehold land and buildings					13,500
Amount due from a director					24,080
Amounts due from fellow subsidiaries					231,911
Amount due from a related company					812
Bank balances and cash					110,063
Deferred tax assets					4,000
Consolidated total assets					940,721
LIABILITIES					
Segment liabilities	108,378	16,974	17,867	14,638	157,857
Amount due to an intermediate holding company					28,250
Amounts due to fellow subsidiaries					52,177
Tax liabilities					13,850
Obligations under finance leases					274
Bank borrowings					193,449
Deferred tax liabilities					13,436
Other liabilities					13,000
Consolidated total liabilities					472,293

As at 30 June 2012

	Tian Wang Watch Business *HK$'000*	Balco Watch Business *HK$'000*	Watch Movements Trading Business *HK$'000*	Other Brands *HK$'000*	Consolidated *HK$'000*
ASSETS					
Segment assets	525,424	102,407	41,163	134,023	803,017
Amounts due from fellow subsidiaries					834
Amount due from a related company					60
Bank balances and cash					156,512
Deferred tax assets					12,000
Consolidated total assets					972,423
LIABILITIES					
Segment liabilities	115,563	14,259	13,049	29,044	171,915
Amount due to a director					33,483
Amounts due to fellow subsidiaries					316
Tax liabilities					19,154
Bank borrowings					285,520
Financial guarantee liability					4,000
Deferred tax liabilities					21,147
Other liabilities					21,940
Consolidated total liabilities					557,475

As at 30 September 2012

	Tian Wang Watch Business *HK$'000*	Balco Watch Business *HK$'000*	Watch Movements Trading Business *HK$'000*	Other Brands *HK$'000*	Consolidated *HK$'000*
ASSETS					
Segment assets	584,247	113,683	51,425	149,108	898,463
Amounts due from fellow subsidiaries					468
Bank balances and cash					135,217
Deferred tax assets					9,612
Consolidated total assets					1,043,760
LIABILITIES					
Segment liabilities	118,675	17,078	21,725	34,238	191,716
Amount due to a director					33,204
Tax liabilities					26,807
Bank borrowings					273,279
Financial guarantee liability					3,500
Deferred tax liabilities					26,032
Dividend payable					16,290
Other liabilities					13,006
Consolidated total liabilities					583,834

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments, other than leasehold land and buildings, amounts due from a director, fellow subsidiaries and a related company, deferred tax assets, bank balances and cash.
- all liabilities are allocated to operating segments, other than tax liabilities, amounts due to an intermediate holding company, a director and fellow subsidiaries, obligations under finance leases, bank borrowings, financial guarantee liability, deferred tax liabilities, dividend payable and certain corporate liabilities.

Other segment information

Year ended 30 June 2010

	Tian Wang Watch Business	Balco Watch Business	Watch Movements Trading Business	Other Brands	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or segment assets:						
Additions of property, plant and equipment	16,318	3,181	921	1,335	–	21,755
Allowance for obsolete inventories	3,408	7,864	–	–	–	11,272
Depreciation of property, plant and equipment	8,400	2,331	307	606	300	11,944
Loss (gain) on disposal and write off of property, plant and equipment	1,431	–	(49)	–	–	1,382
Reversal of allowance for bad and doubtful debts	(28)	–	–	–	–	(28)

Year ended 30 June 2011

	Tian Wang Watch Business	Balco Watch Business	Watch Movements Trading Business	Other Brands	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or segment assets:						
Additions of property, plant and equipment	22,757	183	1,479	2,030	–	26,449
Allowance (reversal of allowance) for obsolete inventories	4,112	(3,883)	–	–	–	229
Depreciation of property, plant and equipment	12,840	2,042	455	951	300	16,588
Loss on disposal and write off of property, plant and equipment	3,572	–	–	–	–	3,572

Year ended 30 June 2012

	Tian Wang Watch Business	Balco Watch Business	Watch Movements Trading Business	Other Brands	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or segment assets:						
Additions of property, plant and equipment	29,938	245	1,758	870	–	32,811
Allowance for obsolete inventories	4,770	6,165	–	2,000	–	12,935
Depreciation of property, plant and equipment	17,332	1,381	621	2,385	300	22,019
Loss (gain) on disposal and write off of property, plant and equipment	3,070	136	–	(137)	(3,716)	(647)

Three months ended 30 September 2011 (unaudited)

	Tian Wang Watch Business	Balco Watch Business	Watch Movements Trading Business	Other Brands	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or segment assets:						
Addition of property, plant and equipment	6,049	94	–	9	–	6,152
Allowance for obsolete inventories	1,176	–	–	–	–	1,176
Depreciation of property, plant and equipment	3,951	405	114	284	75	4,829
Loss on disposal and write off of property, plant and equipment	477	–	–	–	–	477

Three months ended 30 September 2012

	Tian Wang Watch Business HK$'000	Balco Watch Business HK$'000	Watch Movements Trading Business HK$'000	Other Brands HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or segment assets:						
Additions of property, plant and equipment	6,709	15	3	1,065	–	7,792
Reversal of allowance for obsolete inventories	(329)	–	–	–	–	(329)
Depreciation of property, plant and equipment	5,113	201	153	387	–	5,854
Loss on disposal and write off of property, plant and equipment	392	–	–	–	–	392

Information about major customers

There is no single customer contributing over 10% of total revenue of the Group for the Relevant Periods.

Geographical information

The Group's operations are located in the PRC and Hong Kong. The Group's revenue from external customers based on the location of the customer and information about its non-current assets by geographical location of the assets are detailed below:

Revenue by geographical location:

	Year ended 30 June			Three months ended 30 September	
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000 (unaudited)	2012 HK$'000
Hong Kong and others	306,950	281,973	271,860	63,213	91,601
The PRC	612,655	907,352	1,252,919	275,272	416,596
	919,605	1,189,325	1,524,779	338,485	508,197

Non-current assets other than financial instruments and deferred tax assets by geographical location:

	As at 30 June			As at 30 September
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2012 HK$'000
Hong Kong	11,166	16,561	4,045	3,902
The PRC	29,918	36,302	43,252	44,946
	41,084	52,863	47,297	48,848

8. DIRECTORS' REMUNERATION

During the Relevant Periods, the remuneration paid or payable to the Company's directors was as follows:

	Mr. Tung *HK$'000* *(Note b)*	Mr. Tung Wai Kit *HK$'000*	Mr. Hou Qing Hai *HK$'000*	Mr. Lo Wing Sang *HK$'000*	Total *HK$'000*
For the year ended 30 June 2010					
Fee	–	–	–	–	–
Salaries and allowances	360	242	373	–	975
Bonus *(Note a)*	8,275	30	125	–	8,430
Contributions to retirement benefits scheme	12	10	–	–	22
Total remuneration	8,647	282	498	–	9,427
For the year ended 30 June 2011					
Fee	–	–	–	–	–
Salaries and allowances	360	368	440	–	1,168
Bonus *(Note a)*	22,000	37	129	–	22,166
Contributions to retirement benefits scheme	12	12	–	–	24
Total remuneration	22,372	417	569	–	23,358
For the year ended 30 June 2012					
Fee	–	–	–	–	–
Salaries and allowances	360	368	506	906	2,140
Bonus *(Note a)*	20,000	33	183	330	20,546
Contributions to retirement benefits scheme	12	12	–	11	35
Total remuneration	20,372	413	689	1,247	22,721
For the three months ended 30 September 2011 (unaudited)					
Fee	–	–	–	–	–
Salaries and allowances	90	98	122	167	477
Bonus *(Note a)*	4,000	–	–	–	4,000
Contributions to retirement benefits scheme	3	3	–	2	8
Total remuneration	4,093	101	122	169	4,485
For the three months ended 30 September 2012					
Fee	–	–	–	–	–
Salaries and allowances	900	102	133	250	1,385
Bonus *(Note a)*	–	–	–	470	470
Contributions to retirement benefits scheme	4	4	–	4	12
Total remuneration	904	106	133	724	1,867

Notes:

a. Incentive performance bonus was determined by the board of directors of the Company or Winning Metal having regard to the performance of directors and the Group's operating results.

b. Based on the service contract entered by Mr. Tung and the Group on 1 July 2012, Mr. Tung is only entitled to discretionary performance bonus with effect from 1 July 2013.

During the Relevant Periods, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any remuneration during the Relevant Periods.

9. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included three directors of the Company for the year ended 30 June 2012 and three months ended 30 September 2011 and 2012 and two directors for each of the years ended 30 June 2010 and 2011. The emoluments of the remaining two individuals for the year ended 30 June 2012 and three months ended 30 September 2011 and 2012 and three individuals for each of the years ended 30 June 2010 and 2011, which were individually less than HK$1,000,000, were as follows:

	Year ended 30 June			Three months ended 30 September	
	2010	**2011**	**2012**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries and other benefits	1,674	1,898	1,519	344	361
Contributions to retirement benefits scheme	32	41	24	6	8
	1,706	1,939	1,543	350	369

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group.

10. OTHER INCOME/OTHER EXPENSES

	Year ended 30 June			Three months ended 30 September	
	2010	**2011**	**2012**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Other income					
Bank interest income	273	867	698	154	48
Interest income from a director	–	610	1,511	371	–
Financial guarantee income	–	–	2,000	500	500
Others	2,162	5,666	5,350	1,626	2,422
	2,435	7,143	9,559	2,651	2,970
Other expenses					
Listing expenses	–	–	17,930	–	2,259

11. FINANCE COSTS

	Year ended 30 June			Three months ended 30 September	
	2010	**2011**	**2012**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
The finance costs represent interests on:					
Bank borrowings wholly repayable within five years	3,602	4,289	5,923	986	2,556
Finance leases	36	34	87	8	–
	3,638	4,323	6,010	994	2,556

12. INCOME TAX

	Year ended 30 June			Three months ended 30 September	
	2010	**2011**	**2012**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current tax:					
Hong Kong Profits Tax	–	64	–	–	–
PRC Enterprise Income Tax	27,501	37,564	51,886	10,822	18,935
PRC withholding tax	909	1,805	4,318	–	–
	28,410	39,433	56,204	10,822	18,935
Underprovision (overprovision) in prior years:					
PRC Enterprise Income Tax	–	–	40	–	(279)
	28,410	39,433	56,244	10,822	18,656
Deferred taxation *(note 27)*	(120)	5,223	(289)	3,088	7,273
	28,290	44,656	55,955	13,910	25,929

The Company and its subsidiaries incorporated in Cayman Islands and BVI are exempted under the tax laws of the Cayman Islands and the BVI.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits. No provision for Hong Kong Profits Tax has been made for the years ended 30 June 2010 and 2012, and the three months ended 30 September 2011 and 2012 as the Group's subsidiaries subject to Hong Kong Profits Tax either incurred tax losses or their assessable profits wholly absorbed by tax losses brought forward.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa (2007) No.39), the tax concessions of Ye Guang Li and Tian Wang Shenzhen (set out below) are still applicable under the EIT Law.

Pursuant to the relevant laws and regulations in the PRC, Ye Guang Li is entitled to an exemption from PRC Enterprise Income Tax for the two years starting from their first profit-making year, followed by a 50% tax relief for the next three years. The tax charge provided has taken into account these tax incentives. Ye Guang Li commenced its first profit making year for the calendar year ended 31 December 2007 and accordingly, Ye Guang Li was exempted from PRC Enterprise Income Tax for the calendar years ended 31 December 2007 and 2008, the applicable tax rate for the calendar years ended 31 December 2009, 2010 and 2011 was 12.5% and the applicable tax rate for the six months ended 30 June 2012 and three months ended 30 September 2012 was 25%.

The applicable tax rates for Tian Wang Shenzhen for the calendar years ended 31 December 2009 and 2010 are 20% and 22% respectively, being the concession tax rate for foreign invested enterprise in the area of Shenzhen Economic Zone. Tian Wang Shenzhen obtained the qualification as a high and new technology enterprise on 23 February 2011, which is valid for three years, and it also completed the relevant filing requirements with the competent tax authorities on 18 April 2012. Hence, Tian Wang Shenzhen is subject to the preferential tax treatment and the applicable tax rate for the calendar years ended 31 December 2011 and 2012 was 15%.

Under the EIT Law, PRC withholding income tax is applicable to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries to non-PRC tax resident group entities in Hong Kong in respect of profits generated after 1 January 2008 shall be subject to the withholding tax at 5%. Deferred tax in relation to withholding income tax for the undistributed profits of the PRC subsidiaries have been provided. Details of the movement of the deferred tax recognised in respect to withholding income tax for the undistributed profits are set out in note 27.

The tax charge for the year/period can be reconciled to the profit before taxation as follows:

	Year ended 30 June			Three months ended 30 September	
	2010	**2011**	**2012**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit before taxation	89,747	182,373	244,490	69,600	103,983
Tax at the PRC Income Tax rate of 25%	22,437	45,593	61,123	17,400	25,996
Tax effect of expenses not deductible for tax purpose	1,483	733	5,025	961	635
Tax effect of income not taxable for tax purpose	(309)	(548)	(1,338)	(252)	(993)
Income tax on concession and preferential tax rates	(4,413)	(13,531)	(30,189)	(8,528)	(7,630)
Tax effect of tax loss not recognised	4,303	5,533	9,265	1,241	3,768
Tax effect of utilisation of tax losses previously not recognised	–	(152)	–	–	(453)
Underprovision (overprovision) in prior years	–	–	40	–	(279)
Withholding tax for distributable earnings of PRC subsidiaries	4,789	7,028	12,029	3,088	4,885
Tax charge for the year/period	28,290	44,656	55,955	13,910	25,929

13. PROFIT FOR THE YEAR/PERIOD

	Year ended 30 June			Three months ended 30 September	
	2010	2011	2012	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit for the year/period has been arrived at after charging (crediting):					
Auditor's remuneration	1,619	2,167	1,500	439	535
Directors' remuneration *(Note 8)*					
Fees	–	–	–	–	–
Other emoluments	9,405	23,334	22,686	4,477	1,855
Retirement benefits scheme contributions	22	24	35	8	12
	9,427	23,358	22,721	4,485	1,867
Other staff costs	95,288	130,420	166,251	36,327	42,597
Retirement benefits scheme contributions	4,569	7,273	13,081	2,013	4,634
Total staff costs	109,284	161,051	202,053	42,825	49,098
Depreciation of property, plant and equipment					
Owned assets	11,850	16,494	21,876	4,805	5,854
Leased assets	94	94	143	24	–
Cost of inventories recognised as cost of sales	448,712	478,948	558,477	116,688	194,535
Research and development costs recognised as cost of sales	14,494	14,763	34,907	2,758	3,661
Allowance (reversal of allowance) for obsolete inventories recognised as cost of sales	11,272	229	12,935	1,176	(329)
Loss (gain) on disposal and write off of property, plant and equipment	1,382	3,572	(647)	477	392
Concessionaire fee *(Note)*	145,572	213,430	282,463	65,716	100,796
Operating lease payment in respect of shop counters and shops	6,268	8,609	14,686	2,670	5,371
Operating lease payment for office premises and factories	966	1,171	1,465	272	1,576
Reversal of allowance for bad and doubtful debts	(28)	–	–	–	–
Net foreign exchange loss (gain)	319	(5,068)	1,060	(437)	(1,180)

Note: Certain shop counters of the Group paid concessionaire fee to department stores based on monthly sales recognised by these shop counters pursuant to the terms and conditions as set out in the respective agreements signed with individual department stores.

14. DIVIDEND

Prior to the Reorganisation, during the year ended 30 June 2010, Winning Metal declared and paid a dividend of HK$16,704,000 to its holding company.

During the three months ended 30 September 2012, the Company declared a total dividend of HK$33,341,000 to its holding company.

Other than disclosed above, no dividend was paid or declared by the Company since its incorporation or by other group entities to external parties during the Relevant Periods.

The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

15. EARNINGS PER SHARE

The calculation of the basic earnings per share are based on the following data:

	Year ended 30 June			**Three months ended 30 September**	
	2010	**2011**	**2012**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Earnings:					
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	60,717	134,603	184,093	53,749	76,436
	'000	*'000*	*'000*	*'000*	*'000*
Numbers of shares:					
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined based on 1,500,000,000 ordinary shares after adjusting for the effect of the Reorganisation set out in note 1 and the capitalisation issue as described more fully in section (B) and Appendix V to the Prospectus.

There was no diluted earnings per share for the Relevant Periods as there were no potential ordinary shares in issue during the Relevant Periods.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Machinery *HK$'000*	Furniture fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Light boxes *HK$'000*	Total *HK$'000*
COST OR VALUATION							
At 1 July 2009	10,360	5,451	646	3,303	5,813	20,353	45,926
Exchange adjustments	–	12	1	5	7	43	68
Additions	–	2,748	127	477	2,208	16,195	21,755
Disposals and written off	–	–	–	–	(755)	(3,342)	(4,097)
At 30 June 2010	10,360	8,211	774	3,785	7,273	33,249	63,652
Exchange adjustments	–	484	46	224	247	1,950	2,951
Additions	–	3,323	91	1,117	3,615	18,303	26,449
Disposals and written off	–	–	–	(37)	(247)	(8,280)	(8,564)
Surplus on revaluation	3,140	–	–	–	–	–	3,140
At 30 June 2011	13,500	12,018	911	5,089	10,888	45,222	87,628
Exchange adjustments	–	165	11	70	88	611	945
Additions	–	2,757	1,448	1,659	2,471	24,476	32,811
Disposals and written off	(9,810)	–	–	(51)	(632)	(9,072)	(19,565)
Deemed distribution upon completion of the Reorganisation	(3,690)	–	–	–	–	–	(3,690)
At 30 June 2012	–	14,940	2,370	6,767	12,815	61,237	98,129
Exchange adjustments	–	4	–	1	2	14	21
Additions	–	1,125	90	387	625	5,565	7,792
Disposal and written off	–	–	–	–	–	(1,161)	(1,161)
At 30 September 2012	–	16,069	2,460	7,155	13,442	65,655	104,781
At 30 June 2010							
At cost	–	8,211	774	3,785	7,273	33,249	53,292
At valuation	10,360	–	–	–	–	–	10,360
	10,360	8,211	774	3,785	7,273	33,249	63,652
At 30 June 2011							
At cost	–	12,018	911	5,089	10,888	45,222	74,128
At valuation	13,500	–	–	–	–	–	13,500
	13,500	12,018	911	5,089	10,888	45,222	87,628
At 30 June 2012							
At cost	–	14,940	2,370	6,767	12,815	61,237	98,129
At valuation	–	–	–	–	–	–	–
	–	14,940	2,370	6,767	12,815	61,237	98,129
At 30 September 2012							
At cost	–	16,069	2,460	7,155	13,442	65,655	104,781
At valuation	–	–	–	–	–	–	–
	–	16,069	2,460	7,155	13,442	65,655	104,781

	Leasehold land and buildings	Leasehold improvements	Machinery	Furniture fixtures and equipment	Motor vehicles	Light boxes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
DEPRECIATION							
At 1 July 2009	930	2,591	281	1,098	2,301	6,026	13,227
Exchange adjustments	–	7	–	3	3	20	33
Provided for the year	300	1,740	108	476	878	8,442	11,944
Eliminated on disposals and written off	–	–	–	–	(725)	(1,911)	(2,636)
At 30 June 2010	1,230	4,338	389	1,577	2,457	12,577	22,568
Exchange adjustments	–	346	27	112	108	1,422	2,015
Provided for the year	300	2,486	120	595	1,181	11,906	16,588
Eliminated on disposals and written off	–	–	–	(15)	(174)	(4,687)	(4,876)
Eliminated on revaluation	(1,530)	–	–	–	–	–	(1,530)
At 30 June 2011	–	7,170	536	2,269	3,572	21,218	34,765
Exchange adjustments	–	99	7	31	27	579	743
Provided for the year	300	3,907	309	745	1,787	14,971	22,019
Eliminated on disposals and written off	(200)	–	–	(34)	(453)	(5,908)	(6,595)
Deemed distribution upon completion of the Reorganisation	(100)	–	–	–	–	–	(100)
At 30 June 2012	–	11,176	852	3,011	4,933	30,860	50,832
Exchange adjustments	–	3	–	1	1	11	16
Provided for the period	–	831	89	197	433	4,304	5,854
Eliminated on disposals and written off	–	–	–	–	–	(769)	(769)
At 30 September 2012	–	12,010	941	3,209	5,367	34,406	55,933
CARRYING VALUES							
At 30 June 2010	9,130	3,873	385	2,208	4,816	20,672	41,084
At 30 June 2011	13,500	4,848	375	2,820	7,316	24,004	52,863
At 30 June 2012	–	3,764	1,518	3,756	7,882	30,377	47,297
At 30 September 2012	–	4,059	1,519	3,946	8,075	31,249	48,848

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	3%
Leasehold improvements	Shorter of 10% – 20% and over the leases terms
Machinery	10% – 20%
Furniture, fixtures and equipment	10% – 20%
Motor vehicles	10% – 20%
Light boxes	33%

The fair values of the Group's leasehold land and buildings at 30 June 2010 and 2011 were arrived at on the basis of a valuation carried out on that date by Knight Frank Hong Kong Limited ("Knight Frank") and LCH (Asia-Pacific) Surveyors Limited ("LCH") respectively, independent qualified professional valuers who are members of the Hong Kong Institute of Surveyors, not connected with the Group. The address of Knight Frank is 4/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong and the address of LCH is 17/F, Champion Building, 287-291 Des Voeux Road Central, Central, Hong Kong. The valuations were arrived at by reference to comparable market transactions for similar properties. As at 30 June 2011, change in fair value of leasehold land and buildings amounted to HK$4,670,000 was credited to the properties revaluation reserve. During the year ended 30 June 2012, the Group disposed of the leasehold land and buildings with carrying amount of HK$9,610,000 and the remaining leasehold land and buildings with carrying amount of HK$3,590,000 was retained by Winning Metal at the completion of the Reorganisation. At 30 June 2010 and 2011, had the above leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK$3,979,000 and HK$3,833,000 respectively.

The leasehold land and buildings are located in Hong Kong under medium term lease.

At 30 June 2010 and 30 June 2011, the carrying values of motor vehicles included an amount of approximately HK$755,000 and HK$661,000 respectively in respect of assets held under finance leases.

17. INVESTMENT IN A SUBSIDIARY, AMOUNTS DUE TO SUBSIDIARIES, DIVIDEND RECEIVABLE, DIVIDEND PAYABLE AND RESERVES OF THE COMPANY

	THE COMPANY	
	At 30 June 2012	**At 30 September 2012**
	HK$'000	*HK$'000*
Investment in a subsidiary		
Unlisted investment, at cost *(Note i)*	66,727	66,727
Amounts due to subsidiaries *(Note ii)*	9,909	12,162
Dividend receivable *(Note iii)*	–	38,290
Dividend payable *(Note iii)*	–	16,290

Notes:

(i) The investment costs represent (i) one ordinary share of US$1 in Immense Ocean invested by the Company and (ii) the deemed capital contribution in respect of the acquisition of Win Sun, Gold Joy, Sky Sun, Gold Reach, Top World and Watch Movements Trading Business Assets which were settled by the issuance of the Company's shares and representing the carrying amount of the total equity of these investees on the date of which the Company issued new shares to Red Glory pursuant to the Reorganisation on 1 June 2012 (see note 1 for details).

(ii) The amounts are unsecured, interest-free and repayable on demand. As at 30 June 2012 and 30 September 2012, the Company's amounts due to subsidiaries were denominated in HK$, foreign currency of the Company.

(iii) The dividend receivable and dividend payable are denominated in HK$, foreign currency of the Company.

Reserves of the Company

	Share premium *HK$'000*	Accumulated (losses) profit *HK$'000*	Total *HK$'000*
On date of incorporation	–	–	–
Loss and comprehensive expense for the period	–	(18,074)	(18,074)
Issue of shares on Reorganisation	66,727	–	66,727
At 30 June 2012	66,727	(18,074)	48,653
Profit and comprehensive income for the period	–	53,082	53,082
Dividend recognised as distribution during the period	(33,341)	–	(33,341)
At 30 September 2012	33,386	35,008	68,394

18. AMOUNTS DUE FROM A DIRECTOR, FELLOW SUBSIDIARIES AND A RELATED COMPANY

	As at 1 July 2009 *HK$'000*	As at 30 June 2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	As at 30 September 2012 *HK$'000*
Name of the related party					
Amount due from a director, controlling shareholder of the Company – non-current:					
Mr. Tung	–	–	24,080	–	–
Amounts due from fellow subsidiaries:					
Aimfar Holdings Limited	5,488	6,337	8,089	–	–
Balco Electronic (Zhuhai) Company Limited	–	–	–	30	–
China City Trading Limited	2,558	1,332	–	–	–
East Base Limited	441	424	426	–	–
Fine Jade International Limited	4,593	8,244	8,418	175	175
Fortune Silver Holdings Limited	2,090	7,650	15,693	165	60
Master Wave Limited	562	1,924	1,933	3	3
Perfect Fame Investments Limited	50,009	62,009	62,025	–	–
Semtek Limited	150	–	–	–	–
Skyrex Investment Limited	98,708	99,008	89,511	–	–
Stategrace Group Limited	37,669	37,688	20,605	–	–
Win Ford (BVI) Investments Limited	9,278	9,381	–	10	–
Time Watch Investments Private Limited	430	–	–	–	–
Time Watch (Zheng Zhou) Property Management Company Limited	–	–	–	36	–
Goldford International (Malaysia) Limited	–	–	1,140	–	–
Goldford International Limited	–	–	–	141	–
Grand Ocean Industrial Limited	–	–	–	44	–
Winning Asia Holdings Group Limited	–	–	24,071	230	230
	211,976	233,997	231,911	834	468

	As at 1 July 2009	As at 30 June 2010	2011	2012	As at 30 September 2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Amount due from a related company – current:					
Eastern Glory Enterprise Limited ("Eastern Glory")	–	240	812	60	–
Amounts due from fellow subsidiaries:					
Classified as current		8,074	16,119	834	468
Classified as non-current		225,923	215,792	–	–
		233,997	231,911	834	468

Eastern Glory is a jointly controlled entity of the Company's intermediate holding company with 47% equity interests.

Maximum amount of the non-trade balances outstanding during the respective years/period:

	Year ended 30 June 2010	2011	2012	Three months ended 30 September 2012
	HK$'000	HK$'000	HK$'000	HK$'000
Name of the related party				
Amount due from a director, controlling shareholder of the Company – non-current:				
Mr. Tung	–	24,080	24,080	–
Amounts due from fellow subsidiaries:				
Aimfar Holdings Limited	6,614	8,089	8,089	–
Balco Electronic (Zhuhai) Company Limited	–	–	30	30
China City Trading Limited	2,878	1,332	–	–
East Base Limited	441	426	426	–
Fine Jade International Limited	8,801	8,418	8,613	175
Fortune Silver Holdings Limited	7,650	15,693	15,693	165
Master Wave Limited	1,924	1,933	1,963	3
Perfect Fame Investments Limited	62,009	62,025	62,025	–
Semtek Limited	150	–	–	–
Skyrex Investment Limited	99,008	99,008	89,511	–
Stategrace Group Limited	37,688	37,688	20,605	–
Win Ford (BVI) Investments Limited	9,395	9,381	10	10
Time Watch Investments Private Limited	430	–	–	–
Time Watch (Zheng Zhou) Property Management Company Limited	–	–	36	36
Goldford International (Malaysia) Limited	–	1,140	1,140	–
Goldford International Limited	–	–	141	141
Grand Ocean Industrial Limited	–	–	44	44
Winning Asia Holdings Group Limited	–	24,071	24,071	230
Amount due from a related company:				
Eastern Glory	240	812	812	60

Amount due from a director as at 30 June 2011 was unsecured. The amount of RMB20,000,000 (equivalent to HK$24,080,000) carried interest at an interest rate of 6.16% per annum and was repayable in December 2012. On 1 June 2012, the amount due from a director was set off under the deed of novation, assignment and set off.

Amounts due from fellow subsidiaries are unsecured, interest-free and no fixed terms of repayment. In the opinion of the directors, the amounts due from fellow subsidiaries of approximately HK$225,923,000 and HK$215,792,000 as at 30 June 2010 and 2011 respectively, are not expected to be recoverable within twelve months from the end of respective reporting period and therefore are classified as non-current.

Amount due from a related company is unsecured, interest-free and repayable on demand.

A deed of novation, assignment and set off dated 1 June 2012 was executed by and entered into between Win Source, Win Sun, Top World, Sky Sun, Ye Guang Li, Tian Wang Shenzhen, Suzhou Paragon, Balco SAGL, Winning Metal, Aimfar Holdings Limited, China City Trading Limited, Fine Jade International Limited, Goldford International Limited, Grand Ocean Industrial Limited, Master Wave Limited, Perfect Fame Investments Limited, Skyrex Investment Limited, Win Ford (BVI) Investments Limited, Goldford International (Malaysia) Limited, Balco Electronics (Zhuhai) Company Limited, Winning Asia Holdings Group Limited, Red Glory, Time Watch (Zheng Zhou) Property Management Company Limited, Time Watch Investments Private Limited and Mr. Tung, pursuant to which certain amounts due from and due to among the parties are novated, assigned or set off among the parties. Accordingly, the amounts due from a director, due from fellow subsidiaries, due to fellow subsidiaries and due to an intermediate holding company of HK$23,154,000, HK$31,390,000, HK$73,954,000 and HK$18,824,000 respectively as at, 1 June 2012, have been set off, and resulting in an amount due to a director, Mr. Tung, of HK$38,234,000. The amount due to a director is unsecured, non-interest bearing and repayable on demand. After the execution of the deed of novation, assignment and set off, the aggregate remaining balance of amounts due from these fellow subsidiaries and amount due from ultimate holding company of approximately HK$254,571,000 were retained by Winning Metal upon the transfer of Watch Movements Trading Business to Win Source.

The amounts due from fellow subsidiaries as at 30 September 2012 were fully settled in October 2012.

As at 30 June 2010, 2011 and 2012 and 30 September 2012, the Group's amounts due from fellow subsidiaries of approximately HK$39,907,000, HK$43,055,000, nil, and nil respectively were denominated in HK$, foreign currency of the respective companies.

19. INVENTORIES

		As at 30 June		**As at 30 September**
	2010	**2011**	**2012**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials and consumables	34,703	52,114	60,914	57,989
Work in progress	8,716	11,707	22,936	8,774
Finished goods	188,826	236,694	382,520	407,568
	232,245	300,515	466,370	474,331

During the years ended 30 June 2011 and 30 June 2012, and three months ended 30 September 2012, certain inventories previously provided for impairment were sold and hence, allowance for obsolete inventories of HK$3,883,000, HK$1,835,000 and HK$329,000 respectively, were reversed.

20. TRADE AND OTHER RECEIVABLES

The Group

	As at 30 June			As at 30 September
	2010	2011	2012	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables from third parties	110,647	170,468	227,956	308,821
Trade receivables from fellow subsidiaries	2,809	3,100	3,469	4,544
Trade receivable from a related company	–	–	2,226	1,301
Less: allowance for doubtful debts	(1,879)	(430)	(430)	(430)
	111,577	173,138	233,221	314,236
Other receivables, deposits and prepayments	25,109	43,339	56,129	61,048
Total trade and other receivables	136,686	216,477	289,350	375,284

The Company

Prepayments	–	–	5,477	6,077

Trade receivables from third parties mainly represent receivables from department stores in relation to the collection of sales proceeds from concessionaire sales of merchandise to customers. The average credit period granted to the department stores is 60 days. The Group did not have a credit period policy to its related party customers and the related party customers normally settled trade receivables within three months.

The following is an aged analysis of trade receivables from third parties net of allowance for doubtful debts presented based on the invoice date:

	As at 30 June			As at 30 September
	2010	2011	2012	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 60 days	93,951	142,715	194,330	262,288
61 to 120 days	11,287	18,495	19,681	29,712
121 to 180 days	1,490	4,510	5,461	8,976
Over 180 days	2,040	4,318	8,054	7,415
	108,768	170,038	227,526	308,391

The following is an aged analysis of trade receivables from fellow subsidiaries presented based on invoice date:

	As at 30 June			As at 30 September
	2010	2011	2012	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 60 days	2,809	3,100	3,469	3,242
61 to 120 days	–	–	–	1,302
	2,809	3,100	3,469	4,544

The following is an aged analysis of trade receivable from a related company (in which Mr. Tung has control) presented based on invoice date:

		As at 30 June		As at 30 September
	2010	2011	2012	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 60 days	–	–	1,293	866
61 to 120 days	–	–	933	435
	–	–	2,226	1,301

As at 30 June 2010, 2011 and 2012 and 30 September 2012, included in the Group's trade receivables are debtors with a carrying amount of HK$14,817,000, HK$27,323,000, HK$33,196,000 and HK$46,103,000 respectively, which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there were subsequent settlement or no historical default of payments by the respective customers and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables as at 30 June 2010, 2011 and 2012 and 30 September 2012 are 105 days, 110 days, 118 days and 117 days respectively.

Aging of trade receivables from third parties past due but not impaired

		As at 30 June		As at 30 September
	2010	2011	2012	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
61 to 120 days	11,287	18,495	19,681	29,712
121 to 180 days	1,490	4,510	5,461	8,976
Over 180 days	2,040	4,318	8,054	7,415
	14,817	27,323	33,196	46,103

Movement in the allowance for doubtful debts

		As at 30 June		As at 30 September
	2010	2011	2012	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance at beginning of the year/period	1,935	1,879	430	430
Amounts written off as uncollectible	(28)	(1,449)	–	–
Reversal of allowance for doubtful debts	(28)	–	–	–
Balance at end of the year/period	1,879	430	430	430

The concentration of credit risk is limited due to the customer base being large and unrelated. Management of the Group believes that there is no further credit provision required in excess of the allowance for doubtful debts.

The trade receivables and other receivables that are denominated in foreign currencies of the relevant group entities are set out below:

		As at 30 June		As at 30 September
	2010	2011	2012	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
CHF	2,096	3,507	4,943	6,692
HK$	–	–	347	329

21. BANK BALANCES AND CASH

The amounts comprise cash and bank balances with original maturity of three months or less and carrying interest at average market rates of 0.185%, 0.225%, 0.25% and 0.265% per annum as at 30 June 2010, 2011 and 2012, and 30 September 2012 respectively.

At 30 June 2010, 2011 and 2012 and 30 September 2012, the bank balances and cash of HK$68,199,000, HK$104,515,000, HK$79,009,000 and HK$98,145,000 respectively were denominated in RMB, which is not freely convertible into other currencies.

Bank balances and cash of the Group denominated in foreign currencies of the relevant group entities are set out below:

		As at 30 June		As at 30 September
	2010	**2011**	**2012**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	164	161	36,107	17,627
CHF	284	250	179	96
RMB	–	–	734	489

As at 30 June 2012 and 30 September 2012, the Company's bank balances of approximately HK$48,000 and HK$48,000 were denominated in HK$, foreign currency of the Company.

22. TRADE PAYABLES AND BILLS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES

		As at 30 June		As at 30 September
	2010	**2011**	**2012**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables and bills payable:				
Trade payable	67,418	79,506	107,010	99,010
Bills payable	14,273	9,995	6,532	9,707
Trade payable to entity owned by non-controlling shareholder of a subsidiary	–	–	6,812	4,904
	81,691	89,501	120,354	113,621
Other payables and accrued charges:				
Other tax payables	10,949	15,727	20,071	28,148
Accrued bonus to a director	8,275	13,000	8,350	810
Accrued advertising expenses	5,986	15,259	1,269	1,375
Accrued staff related costs	16,380	24,482	15,833	20,023
Other payables and accrued charges	10,341	12,888	27,978	38,830
Amount due to a non-controlling shareholder of a subsidiary	–	–	–	1,915
	51,931	81,356	73,501	91,101
	133,622	170,857	193,855	204,722

Amount due to a non-controlling shareholder of a subsidiary was unsecured, interest-free and repayable on demand.

The average credit period on purchases of goods is 30 to 60 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at 30 June			As at 30 September
	2010	**2011**	**2012**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	40,956	47,028	48,761	54,321
31 – 60 days	15,448	15,633	20,301	18,260
61 – 90 days	5,320	7,871	15,688	9,497
Over 90 days	5,694	8,974	22,260	16,932
	67,418	79,506	107,010	99,010

The entity owned by non-controlling shareholder of a subsidiary did not have a specified credit period policy to the Group and the Group normally settled trade payables within three months. The following is an aged analysis of trade payables to entity owned by non-controlling shareholder of a subsidiary based on invoice date at the end of the reporting period:

	As at 30 June			As at 30 September
	2010	**2011**	**2012**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 60 days	–	–	6,812	1,455
Over 90 days	–	–	–	3,449
	–	–	6,812	4,904

Bills payable at the end of each reporting period are aged within 30 days.

The other payables and accrued charges that are denominated in foreign currency of the relevant group entities are set out below:

	As at 30 June			As at 30 September
	2010	**2011**	**2012**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	–	–	13,379	16,859

As at 30 June 2012 and 30 September 2012, the Company's other payables and accrued charges of approximately HK$12,552,000 and HK$13,158,000, which were denominated in HK$, foreign currency of the Company.

23. AMOUNTS DUE TO AN INTERMEDIATE HOLDING COMPANY, FELLOW SUBSIDIARIES AND A DIRECTOR

Amounts due to an intermediate holding company, fellow subsidiaries and a director, Mr. Tung, at the end of each reporting period were unsecured, interest-free and repayable on demand.

On 1 June 2012, the intermediate holding company and fellow subsidiaries entered into deed of novation, assignment and set off agreement with other related parties to set off the balances as at 1 June 2012. Details are set out in note 18.

The directors represented that the amount due to a director will be fully settled prior to the listing of the Company's shares on the Stock Exchange.

Amounts due to fellow subsidiaries denominated in foreign currencies of the relevant group entities are set out below:

		As at 30 June		As at 30 September
	2010	**2011**	**2012**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	45,432	47,885	–	–
RMB	3,959	4,188	–	–

24. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments				Present value of minimum lease payments			
		As at 30 June		As at 30 September		As at 30 June		As at 30 September
	2010	**2011**	**2012**	**2012**	**2010**	**2011**	**2012**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases:								
Within one year	270	195	–	–	236	171	–	–
In the second to fifth year inclusive	313	118	–	–	274	103	–	–
	583	313	–	–	510	274	–	–
Less: future finance charges	(73)	(39)	–	–	N/A	N/A	–	–
Present value of lease obligations	510	274	–	–	510	274	–	–
Less: amounts due for settlement within one year (shown as current liabilities)					(236)	(171)	–	–
Amounts due for settlement after one year					274	103	–	–

The Group leased certain of its motor vehicles under finance leases. The average lease term was 4 years. The average borrowing rates were 3.5% and 3.5% per annum as at 30 June 2010 and 2011 respectively. Interest rates were fixed at the contract date. All leases were on a fixed repayment basis and no arrangement was entered into for contingent rental payments. The Group repaid the finance leases during the year ended 30 June 2012. All lease obligations were denominated in HK$.

The Group's obligations under finance leases were secured by the lessors' charge over the leased assets.

25. BANK BORROWINGS

	As at 30 June			As at 30 September
	2010	2011	2012	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trust receipts loans	91,601	98,929	36,372	70,582
Bank loans	94,849	94,520	249,148	202,697
	186,450	193,449	285,520	273,279
Analysed as:				
Secured	–	–	146,004	127,812
Unsecured	186,450	193,449	139,516	145,467
	186,450	193,449	285,520	273,279
The borrowings are repayable as follows:				
On demand and within one year	166,920	174,123	225,353	220,612
Carrying amount of bank loans that are repayable within one to two years from the end of the reporting period but contain a repayment on demand clause	12,188	10,473	15,000	14,000
Carrying amount of bank loans that are repayable within two to five years from the end of the reporting period but contain a repayment on demand clause	7,342	8,853	45,167	38,667
Total amount shown as current liabilities	186,450	193,449	285,520	273,279

The details of the Group's borrowings which are denominated in foreign currency of the relevant group entities are set out below:

	As at 30 June			As at 30 September
	2010	2011	2012	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
CHF	5,474	2,728	3,618	11,189

Trust receipt loans and bank loans were arranged at floating rates at interest rates ranged from Hong Kong Inter-Bank Offering Rate plus 1.25% to 2.25%, and the average interest rates of approximately 2.31%, 2.17%, 3.62% and 3.00% per annum as at 30 June 2010, 2011 and 2012, and 30 September 2012 respectively. Thus, the Group exposes to cash flow interest rate risk.

The Group's trust receipt loans and bank loans are under guarantees provided by certain group entities, a director and fellow subsidiaries (see notes 31 and 32 for details). On 25 May 2012, a subsidiary provided a floating charge on its bank accounts of a bank to secure a banking facility. On 11 July 2012, the Group pledged the shares of Win Sun and Sky Sun to secure a banking facility from a bank. As at 30 June 2012 and 30 September 2012, the secured trust receipt loans and bank loans related to the facilities stated above amounted to approximately HK$134,159,000 and HK$127,812,000, respectively.

As at 30 June 2012, the Group has trust receipts loans of approximately HK$11,845,000, which were secured by properties in PRC owned by a fellow subsidiary of the Group (see note 31 for details). The bank loans were fully repaid during the three months ended 30 September 2012.

26. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
On date of incorporation and at 30 June 2012 and 30 September 2012	3,500,000	350
Issued:		
1 share allotted and issued, nil-paid on the date of incorporation	1	–
Issue of shares on Reorganisation	999,999	100
At 30 June 2012 and 30 September 2012	1,000,000	100

Share capital of the Group at 1 July 2009 and 30 June 2010 represented the aggregate share capital of Gold Joy, Win Sun, Sky Sun, Gold Reach and Top World.

Share capital of the Group at 30 June 2011 represented the aggregate share capital of Gold Joy, Win Sun, Sky Sun, Gold Reach, Top World and Win Source.

The Company was incorporated and registered as an exempted company in the Cayman Islands on 21 September 2011 with an authorised share capital of HK$350,000 divided into 3,500,000 shares of HK$0.1 each. Upon its incorporation, one nil-paid share was allotted and issued to Red Glory. On 1 June 2012, through the Reorganisation (set out in note 1), 999,999 shares was allotted, issued, credited as fully paid to Red Glory.

Further details on the Company's share capital are set out in the paragraph headed "Further Information About Our Group – changes in share capital of our Company" in Appendix V to the Prospectus.

27. DEFERRED TAXATION

The following are the major deferred tax (assets) liabilities recognised and movement during the Relevant Periods:

	Allowance for inventories	Unrealised profit	Accelerated tax depreciation	Withholding tax arising from PRC subsidiaries	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2009	–	–	533	3,800	4,333
(Credited) charged to profit or loss	(4,000)	–	–	3,880	(120)
At 30 June 2010	(4,000)	–	533	7,680	4,213
Charged to profit or loss	–	–	–	5,223	5,223
At 30 June 2011	(4,000)	–	533	12,903	9,436
(Credited) charged to profit or loss	(3,000)	(5,000)	–	7,711	(289)
At 30 June 2012	(7,000)	(5,000)	533	20,614	9,147
Charged to profit or loss	–	2,388	–	4,885	7,273
As 30 September 2012	(7,000)	(2,612)	533	25,499	16,420

For the purpose of presentations in the consolidated statements of financial position, the following is the analysis of the deferred taxation.

	As at 30 June			As at 30 September
	2010	2011	2012	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax assets	4,000	4,000	12,000	9,612
Deferred tax liabilities	8,213	13,436	21,147	26,032

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. The deferred tax liabilities were related to such undistributed profits retained by the PRC subsidiaries.

The Group had unused tax losses of approximately HK$39,820,000 (including HK$38,870,000 attributable to Winning Metal), HK$61,343,000 (including HK$60,975,000 attributable to Winning Metal), HK$18,002,000 and HK$31,263,000 as at 30 June 2010, 2011 and 2012 and 30 September 2012, respectively. No deferred tax assets have been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

28. COMMITMENTS

a. Operating lease commitments

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 June			As at 30 September
	2010	2011	2012	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,728	4,016	18,602	18,477
In the second to fifth year inclusive	332	1,451	9,944	19,373
Over five years	34	–	381	–
	2,094	5,467	28,927	37,850

The Group leases its office premises, factories, shops and shop counters under operating lease arrangements. Leases for office premises, factories, shops and shop counters are negotiated for fixed terms ranged from 2 to 6 years.

b. Concessionaire fee commitments

Certain shop counters of the Group paid concessionaire fee to department stores based on monthly sales recognised by these shop counters pursuant to the terms and conditions as set out in the respective agreements signed with individual department stores. In the opinion of the management of the Group, as the future sales of these shop counters could not be estimated reliably, the concessionaire fee commitments has not been quantified and presented.

29. MAJOR NON-CASH TRANSACTIONS

During the year ended 30 June 2010, the Group purchased motor vehicles amounted to HK$493,000 under finance leases.

On 1 June 2012, a deed of novation, assignment and set off was executed between the Group and various related parties (see note 18), the amounts due from a director, due from fellow subsidiaries, due to fellow subsidiaries and due to an intermediate holding company of approximately of HK$23,154,000, HK$31,390,000, HK$73,954,000 and HK$18,824,000 respectively were novated, assigned or set off among the parties, and resulting in an amount due to a director of HK$38,234,000. On the same date, the transfer of Watch Movements Trading Business by Winning Metal to Win Source was completed. The aggregate remaining balance of amounts due from these fellow subsidiaries and amount due from ultimate holding company of approximately HK$254,571,000 and certain properties (collectively referred to the "Retained Assets") were retained by Winning Metal upon the transfer of Watch Movements Trading Business Assets to Win Source. A deemed distribution of approximately HK$258,504,000 in respect of the Retained Assets was recognised upon the completion of the transfer of Watch Movements Trading Business to Win Source.

On 1 June 2012, as part of the Reorganisation, the Company issued 499,999 shares and 500,000 shares to Red Glory for the acquisition of the Watch Movements Trading Business and acquisition of the entire issued capital of Win Sun, Gold Joy, Sky Sun, Gold Reach and Top World respectively.

During the three months ended 30 September 2012, the Company declared a total dividend of HK$33,341,000 to its holding company and approximately HK$17,051,000 was settled as at 30 September 2012. The remaining amount of approximately HK$16,290,000 was recognised as dividend payable and was fully settled on 9 October 2012.

30. RETIREMENT BENEFITS SCHEMES

The Group operates defined contribution retirement benefits plans for all qualifying employees in Hong Kong. Contributions are made based on a percentage of the employee's basic salary with a cap of HK$1,250 per month starting from 1 June 2012 (prior to 1 June 2012: HK$1,000) and charged to profit or loss as they become payable in accordance with the rules of MPF Scheme. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The Group's PRC subsidiaries and a Swiss subsidiary are required to make contributions to the state-managed retirement schemes operated by respective local governments based on certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The only obligation of these subsidiaries with respect to the state-managed schemes is to make the specified contributions.

As at 30 June 2010, 2011 and 2012 and 30 September 2012, there were no outstanding contributions payable to the schemes.

31. RELATED PARTY TRANSACTIONS

Other than the amounts due from and to related parties, trade receivables from fellow subsidiaries and a related company, trade payables and amount to an entity owned by a non-controlling shareholder of a subsidiary, the guarantees provided by related parties for the Group's banking facilities and financial guarantees provided by the Group to related parties as disclosed in notes 18, 20, 22, 23, 25 and 32, the Group had the following related party transactions during the Relevant Periods:

	Year ended 30 June			**Three months ended 30 September**	
	2010	**2011**	**2012**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Sales to fellow subsidiaries	19,956	24,918	20,868	4,316	3,863
Sales to a related company *(Note a)*	–	651	5,590	822	1,301
Sales commission paid/payable to a fellow subsidiary	77	66	161	27	–
Purchase from a fellow subsidiary	377	707	–	–	–
Purchase from an entity owned by a non-controlling shareholder of a subsidiary	–	–	33,773	–	2,142
Management fee paid/payable to intermediate holding company	3,898	4,287	–	–	–
Rental expenses paid/payable to a director and a related company *(Note b)*	386	416	273	100	43
Rental expenses paid/payable to non-controlling shareholder of a subsidiary	–	–	59	–	22

	Year ended 30 June			Three months ended 30 September	
	2010	2011	2012	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Rental expenses paid/payable to a fellow subsidiary *(Note c)*	–	–	–	–	1,020
Interest income from a director	–	610	1,511	371	–
Service fee paid/payable to non-controlling shareholder of a subsidiary	1,407	2,114	6,748	–	3,664

Notes:

(a) The amount represented sales of watch movements to a related company in which Mr. Tung has control.

(b) The related company is wholly owned and controlled by Mr. Tung.

(c) During the year ended 30 June 2012, the Group used the office premises owned by a fellow subsidiary without payment of any rental. On 1 July 2012, the Group entered into a rental agreement with the fellow subsidiary and paid rental of HK$1,020,000 for the three months ended 30 September 2012.

During the year ended 30 June 2012, the Group acquired several trademarks from intermediate holding companies and a fellow subsidiary either at nil consideration or at a nominal value of HK$1.

On 14 June 2012, Mr. Tung, several fellow subsidiaries including Fine Jade International Limited, Goldford International Limited, Master Wave Limited, Skyrex Investment Limited, Winning Asia Holdings Group Limited and the intermediate holding companies including Winning Metal and Red Rewarding provide personal and corporate guarantees to a bank for a banking facility of HK$45,000,000 granted to Win Source. The personal and corporate guarantees will be released upon the listing of the Company's shares on the Stock Exchange.

On 19 November 2010, Time Watch (Zheng Zhou) Property Management Company Limited pledged certain properties in the PRC to a bank for a banking facility of RMB70,000,000 granted to Tian Wang Shenzhen. This banking facility is also under the personal guarantee provided by Mr. Tung. Both the pledged properties and personal guarantee will be released upon the listing of the Company's share on the Stock Exchange.

Compensation of key management personnel

The remuneration of directors and other members of key management during the years ended 30 June 2010, 2011 and 2012 and three months ended 30 September 2012 were as follows:

	Year ended 30 June			Three months ended 30 September	
	2010	2011	2012	2011	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Short-term benefits	10,829	24,932	24,608	4,836	4,058
Post-employment benefits	54	80	83	19	34
	10,883	25,012	24,691	4,855	4,092

32. CONTINGENT LIABILITIES

(i) On 29 July 2011, Win Sun, Gold Joy, Sky Sun, Ye Guang Li and Tian Wang Shenzhen provided financial guarantees to a bank for a bank loan of HK$265,000,000 with maturity of three years granted to Red Rewarding. In addition, the shares of Win Sun, Gold Joy and Sky Sun were pledged to the bank as securities of the bank loan. The share charges were released in May 2012. The fair value of the financial guarantees as at 29 July 2011 was arrived at on the basis of valuation carried out on that date by LCH, independent qualified professional valuer not connected with the Group. The address of LCH is set out in note 16. The fair value of the financial guarantees was calculated using the single asset credit default swap model. On 29 July 2011, the estimated fair value of the financial guarantees of HK$6,000,000 was recognised in the consolidated statement of financial position as financial guarantee liability with the equivalent amount charged to equity as shareholder distribution. During the year ended 30 June 2012 and three months ended 30 September 2011 and 2012, financial guarantee income of HK$2,000,000, HK$500,000 (unaudited) and HK$500,000 were recognised in profit or loss respectively. As at 30 June 2012 and 30 September 2012, the carrying amount of the financial guarantee liability was HK$4,000,000 and HK$3,500,000 respectively. On 12 November 2012, the financial guarantees provided by Win Sun, Gold Joy, Sky Sun, Ye Guang Li and Tian Wang Shenzhen were released by the bank.

(ii) During the Relevant Periods, several group companies have provided corporate guarantees to the joint banking facilities granted by the banks to Winning Metal and Win Source. On 1 June 2012, there were outstanding bank loans of approximately HK$274,043,000 (included in the financial information of Watch Movements Trading Business) drawn down by Winning Metal and transferred to Win Source. The management of the Group considered that the fair value of the financial guarantees to Winning Metal on 1 June 2012, 30 June 2012 and 30 September 2012 is insignificant. In November 2012, the banking facilities have been replaced by new banking facilities which solely granted to Win Source with financial guarantees provided by Mr. Tung, Winning Metal and other group entities. Pursuant to the new banking facilities agreements entered in November 2012, the financial guarantees from Mr. Tung and Winning Metal will be released upon the listing of the Company's shares on the Stock Exchange.

(iii) On 23 May 2012, Win Source, Fortune Silver Holdings Limited and Winning Metal have provided cross corporate guarantees to each other for the banking facilities of HK$45,000,000 in addition to the personal guarantee provided by Mr. Tung. The banking facilities are available to Win Source, Fortune Silver Holdings Limited and Winning Metal. The management of the Group considered that the fair value of the financial guarantee provided by Win Source is insignificant. On 30 November 2012, the banking facilities have been replaced by new banking facilities which solely granted to Win Source with financial guarantees provided by Mr. Tung, Fortune Silver Holdings Limited and Winning Metal. Pursuant to the new banking facilities agreement dated 30 November 2012, the financial guarantees from Mr. Tung, Winning Metal and Fortune Silver Holdings Limited will be released upon the listing of the Company's shares on the Stock Exchange.

(iv) On 4 June 2012, Win Source, Winning Asia Holdings Group Limited and Winning Metal have provided cross corporate guarantees to each other for the banking facilities of HK$71,000,000 in addition to the personal guarantee provided by Mr. Tung. The banking facilities are available to Win Source and Winning Metal. The management of the Group considered that the fair value of the financial guarantee provided by Win Source is insignificant. On 23 November 2012, the banking facilities have been replaced by new banking facilities which solely granted to Win Source with financial guarantees provided by Winning Asia Holdings Group Limited, Winning Metal and Mr. Tung. Pursuant to the new banking facilities agreement dated 23 November 2012, the financial guarantees from Mr. Tung, Winning Asia Holdings Group Limited and Winning Metal will be released upon the listing of the Company's shares on the Stock Exchange.

(B) SUBSEQUENT EVENTS

(i) On 18 October 2012 and 29 October 2012, the Company declared dividend of HK$33,200,000 and HK$4,000,000 respectively to its holding company.

(ii) On 11 January 2013, the Company conditionally adopted a share option scheme pursuant to a resolution passed by its sole shareholder on 11 January 2013, where eligible employees and directors of the Group, among others, may be granted options entitling them to subscribe for the Company's shares. No share has been granted since the adoption of the scheme. The principal terms of the share option scheme are summarised in the section headed "Share Option Scheme" in Appendix V to the Prospectus.

(iii) Pursuant to a written resolution of the sole shareholder passed on 11 January 2013:

(a) the authorised share capital of the Company was conditionally increased from HK$350,000 to HK$10,000,000,000 by the creation of 99,996,500,000 new shares of HK$0.10 each; and

(b) conditional on the share premium account of the Company being credited as a result of the offering of the shares of the Company to the public in Hong Kong and placing of the Company's shares, the directors were authorised to capitalise HK$149,900,000 standing to the credit of the share premium account of the Company applying such sum in paying up in full at par 1,499,000,000 shares for allotment and issue to the holder of shares whose name appears on the register of the members of the Company at the close of business on 11 January 2013.

(C) DIRECTORS' EMOLUMENTS

Under the arrangement presently in force, the aggregate amount of the directors' remunerations, excluding yearly bonus of approximately HK$100,000, guaranteed management bonus and discretionary management bonus for the year ending 30 June 2013, is estimated to be approximately HK$6,400,000.

(D) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 September 2012.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong