Time Watch Investments Limited
時計寶投資有限公司
(Incorporated in the Cayman Islands with limited liability)
Stock code: 2033

ANNUAL REPORT 2013

Every *Second Counts* for a *breakthrough*

CORPORATE PROFILE

Time Watch Investments Limited (the "Company" or "Time Watch") and its subsidiaries (collectively, the "Group") are the leading manufacturer, brand-owner and retailer of watches in the People's Republic of China ("PRC") national brand watch market. Established in 1988, the Group's core proprietary brand, Tian Wang (天王), has been developed into a well-known brand in the PRC. Tian Wang was the top national watch brand in the PRC in 2011, with a market share of approximately 11.1% in terms of retail sales value among approximately 130 national watch brands. Tian Wang was also the top national watch brand in the mid-end watch market in the PRC in terms of both retail sales value and retail sales volume in 2011. Another proprietary brand of the Group, Balco (拜戈), which was initially registered in Switzerland in 1986 by an independent third party and acquired by the Group in 2002, offers Swiss-made watches targeting younger mid-income consumers in the PRC.

2013 RESULTS AT A GLANCE

Profit attributable to owners of the Company:
HK$213.6m
(2012: HK$184.1m)
+16.0%

EBITDA:
HK$327.6m
(2012: HK$272.5m)
+20.2%

Equity attributable to owners of the Company:
HK$1,286.5m
(2012: HK$377.1m)
+241.1%

Earnings per share – basic:
HK12.4 cents
(2012: HK12.3 cents)
+0.8%

Return on average equity attributable to owners of the Company:
25.7%
(2012: 44.4%)
-42.1%

Current ratio:
6.0
(2012: 1.7)
+252.9%

Average inventory/cost of sales:
220 days
(2012: 231 days)
-4.8%

CORE BUSINESSES OF THE GROUP

CONTENTS

"STUDY THE PAST IF YOU WOULD DIVINE THE FUTURE."

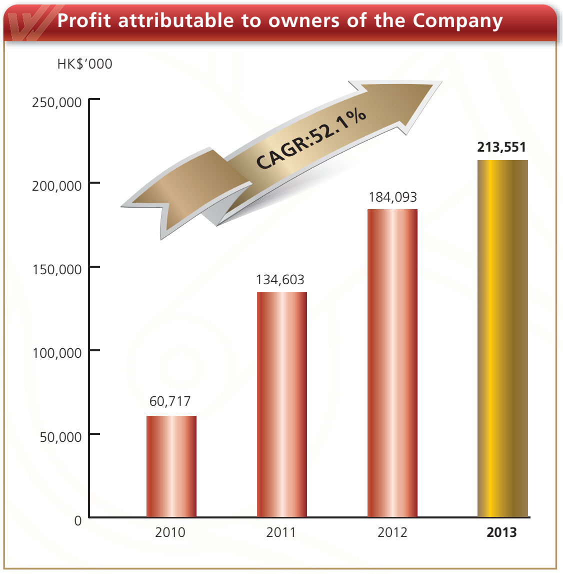
Confucius

FINANCIAL HIGHLIGHTS

The following is a summary of the published results of the Group for the last four financial years. The financial information for FY2012 and FY2013 is extracted from the consolidated financial statements in this annual report while such for FY2010 and FY2011 is extracted from the prospectus of the Company dated 24 January 2013.

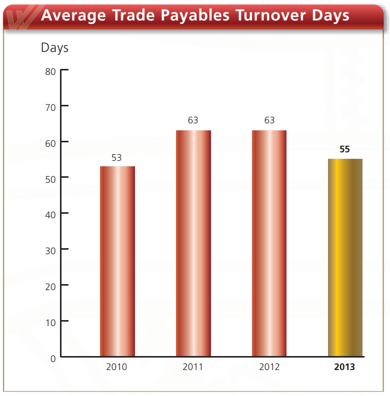
For the years ended 30 June	2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	**2013** ***HK$'000***
Revenue	919,605	1,189,325	1,524,779	**1,912,235**
Gross Profit	445,127	695,385	918,460	**1,159,357**
Gross Margin	48.4%	58.5%	60.2%	**60.6%**
Profit attributable to owners of the Company	60,717	134,603	184,093	**213,551**
Profit attributable to owners of the Company (excluding listing expenses)	60,717	134,603	202,023	**239,291**

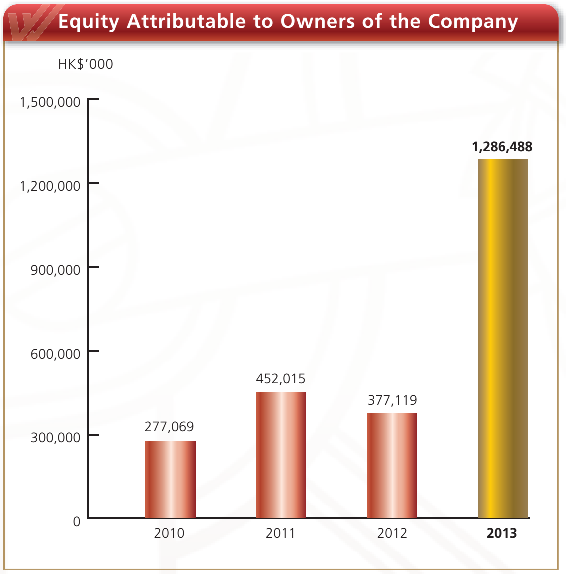
FINANCIAL HIGHLIGHTS



FINANCIAL HIGHLIGHTS

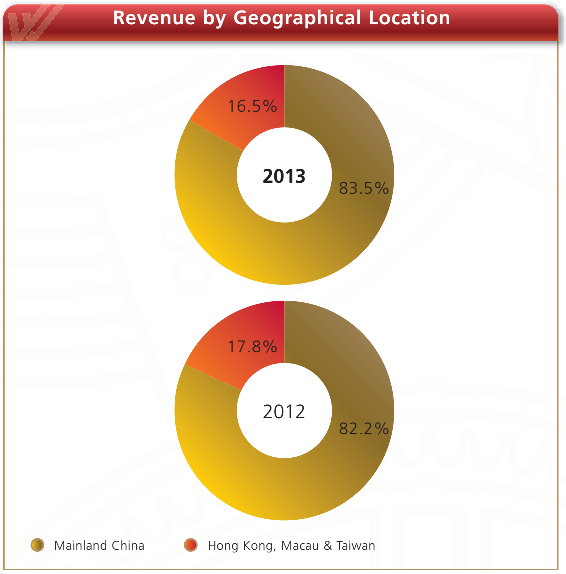
As at 30 June	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013 HK$'000**
Total assets	719,233	940,721	972,423	**1,620,215**
Total liabilities	429,706	472,293	557,475	**287,827**
Equity attributable to owners of the Company	277,069	452,015	377,119	**1,286,488**
Average Inventory Turnover Days (days)	160	197	231	**220**
Average Trade Receivables Turnover Days (days)	40	44	49	**55**
Average Trade Payables Turnover Days (days)	53	63	63	**55**

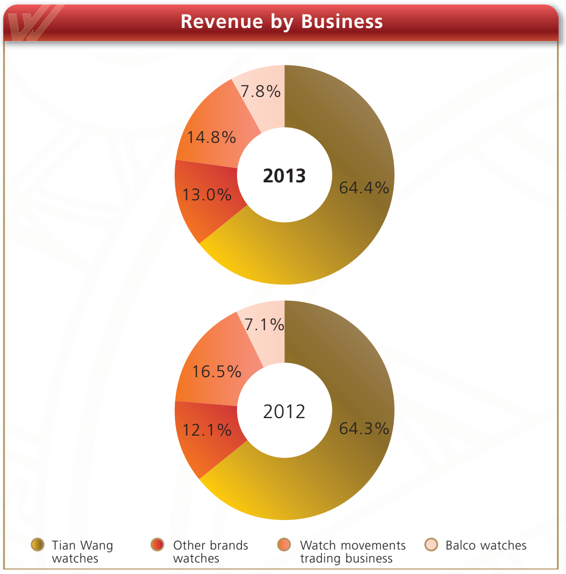


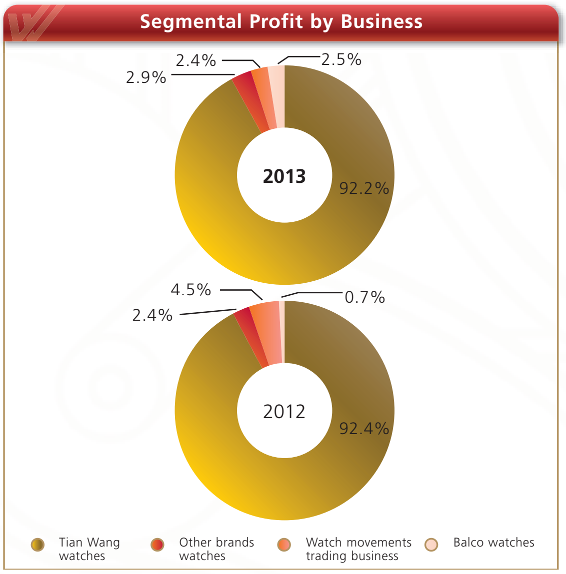


OPERATIONAL HIGHLIGHTS

OVERALL REVENUE AND PROFIT COMPOSITION







SAME STORE SALES GROWTH (%)**

	30 June 2013	30 June 2012
Tian Wang	**10.1**	17.3
Overall	**11.6**	16.0

** Same store sales for the years ended 30 June 2012 and 2013 refers to the revenue generated from the Group's POS existing as at the end of the relevant financial year and which have been operating for at least 24 months immediately prior to the end of that financial year.

"GREAT THINGS ARE NOT DONE BY IMPULSE, BUT BY A SERIES OF SMALL THINGS BROUGHT TOGETHER."

Vincent van Gogh

CHAIRMAN'S STATEMENT

According to Euromonitor, our Sales Network was the largest network of directly managed watches retail outlets in the PRC in terms of number of outlets as at 31 December 2011. Tian Wang was the top national watch brand in the PRC in 2011, with a market share of 11.1% in terms of retail sales value among approximately 130 national watch brands. Tian Wang was also the top national watch brand in the mid-end watch market in the PRC in terms of both retail sales value and retail sales volume in 2011 and its market share by retail sales value in the PRC watch market as a whole was approximately 2.2% in 2011*. In FY2012 and FY2013, I believe that Tian Wang also took the leading position in the national watch market based on turnover.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 February 2013, pursuant to in which the amount paid for subscription of the Company's public offer shares was over HK$60 billion for a total of 39,086,672,000 shares, which was equivalent to over 600 times of the total number of 60,000,000 shares initially available for subscription under the Hong Kong public offering.

In May 2013, Time Watch was selected to be a component of MSCI Global Small Cap for China Index.

REVIEW OF THE YEAR ENDED 30 JUNE 2013

We are pleased to inform you that during the financial year ended 30 June 2013 ("FY2013"), the Group had generated a total revenue of approximately HK$1,912.2 million, representing a growth of approximately 25.4% as compared with that of the previous year. Profit attributable to shareholders of the Company increased by approximately 16.0% to approximately HK$213.6 million with an earnings per share of HK12.4 cents. The board (the "Board") of directors (the "Directors") of the Company recommends the payment of a final dividend of HK3.0 cents per share, representing a payout of approximately 30% of profit attributable to owners of the Company and a special dividend of HK2.0 cents per share as a way to commemorate the 25th anniversary of Tian Wang watches.

During FY2013, China's economy was volatile and full of challenges. That said, the Group was still able to achieve satisfactory results. For FY2013, the Group achieved a record sales of approximately HK$1,912.2 million. The same-store sales of the Group was approximately 11.6%, as compared to approximately 16.0% for the financial year ended 30 June 2012 ("FY2012"). We opened a net total of 424 new points-of sale ("POS") for our proprietary brands watches and joint ventures companies during FY2013, mainly in first or second tiers and/or lower tier cities in the PRC.

* Details of the finding of Euromonitor are set out in the prospectus of the Company dated 24 January 2013.

CHAIRMAN'S STATEMENT

In March 2013, the Group invested in a new e-commerce business by forming a non-wholly owned subsidiary with an independent third party. The e-commerce platform focuses on sales of low-end watches and new youth series watches so as to attract younger customers. For the three months ended 30 June 2013, the e-commerce business of the Group made a revenue of over HK$9.2 million.

OUTLOOK

Since China is still one of the world's largest consumer markets, the Group's extensive retail network and strong relationship with most department stores therein further secure the Group's leading role in the PRC's national watch market. As China's economy continues to transform, and the purchasing power per capita strengthens, consumers' demand for mid to low level watches is expected to continues to increase. The extensive sales network of the Group enables the Group to get information of market trends, closely monitor consumer preference and changes of customers' tastes in each city very quickly through its POS. Therefore, the Group can respond by launching models of watches catering for the needs of the customers into markets faster than its competitors. The Group's vertically integrated business model from designing to marketing continues to enable the Group to get more flexibility in terms of innovation and design for products with better products quality and lower cost of sales. The Group will strive to realise more profits steadily to achieve profit growth, and generate more satisfying returns for its shareholders, investors, staff and the society.

Last but not least, I would like to take this chance to thank the board of directors for their contribution to the Group for further growth in the future. I would also like to thank our hard-working and loyal employees for their concerted effort and collective contributions to the Group.

Mr. Tung Koon Ming
Chairman

Hong Kong, 27 September 2013

FINANCIAL REVIEW

Revenue

Revenue of the Group has increased by approximately HK$387.5 million or approximately 25.4% from approximately HK$1,524.8 million for FY2012 to approximately HK$1,912.2 million for FY2013.

Tian Wang watches

Sales of Tian Wang watches continued to be the Group's main source of revenue and accounted for approximately 64.4% of the total revenue of the Group during FY2013 (FY2012: 64.3%). Sales of Tian Wang watches recorded a revenue of approximately HK$1,231.5 million for FY2013, representing an increase of approximately HK$251.1 million or approximately 25.6% as compared to approximately HK$980.4 million for FY2012. The growth during FY2013 was mainly driven by the expansion of the Group's retail network which increased by approximately 28.5% from 1,178 POS as at 30 June 2012 to 1,514 POS as at 30 June 2013. The average monthly revenue per POS of Tian Wang watches remained stable at approximately HK$71,000 for both periods. The same-store sales growth rate of Tian Wang watches was approximately 10.1% for FY2013 (FY2012: 17.3%).

Balco watches

Sales of Balco watches increased by approximately HK$41.6 million or approximately 38.3% from approximately HK$108.5 million for FY2012 to approximately HK$150.1 million for FY2013, and accounted for approximately 7.8% of the total revenue of the Group for FY2013 (FY2012: 7.1%). The increase was primarily due to (i) the increase in the number of POS which increased by approximately 21.6% from 333 POS as at 30 June 2012 to 405 POS as at 30 June 2013; and (ii) the increase in the average monthly revenue generated from individual POS by approximately 13.0% from approximately HK$23,000 for FY2012 to approximately HK$26,000 for FY2013. In addition, sales to multi-brand watch distributors in Hong Kong, Macau and Taiwan and sales to the Group's corporate customers increased from approximately HK$20.3 million for FY2012 to approximately HK$33.4 million for FY2013, representing an increase of approximately HK$13.1 million or approximately 64.5%.

Leading manufacturer, brand-owner and retailer of watches in the PRC national brand watch market with two well-known proprietary brands Tian Wang and Balco

Other brands watches

Sales of well-known branded watches other than Tian Wang and Balco brands (the "Other Brands") watches increased by approximately HK$64.4 million or approximately 34.9% from approximately HK$184.2 million for FY2012 to approximately HK$248.6 million for FY2013. Sales of Other Brands watches accounted for approximately 13.0% of the total revenue of the Group for FY2013 (FY2012: 12.1%). The increase in sales of Other Brands watches primarily attributed to the contribution of full year's revenue from two joint venture companies of approximately HK$100.7 million for FY2013 (FY2012: approximately HK$29.4 million). The two joint venture companies are Time Watch (Hefei) Timepieces Company Limited ("Time Watch Hefei") and Time Watch (Shanghai) Timepieces Company Limited ("Time Watch Shanghai") which were established in November 2011 and January 2012 respectively.

Watch movements trading business

Trading of watch movements generated a revenue of approximately HK$282.1 million, which accounted for approximately 14.8% of the Group's total revenue for FY2013 (FY2012: 16.5%), representing an increase of approximately HK$30.5 million or approximately 12.1% as compared with approximately HK$251.6 million for FY2012. The increase was primarily due to having more spare watch movements for trading after the Group had met its production volume target of its Tian Wang watches for FY2013.

Gross profit

The Group's gross profit increased by approximately HK$240.9 million or approximately 26.2% from approximately HK$918.5 million for FY2012 to approximately HK$1,159.4 million for FY2013, while the gross profit margin remained stable at approximately 60.6% for FY2013 as compared to approximately 60.2% for FY2012. The increase in gross profit was primarily due to increase in sales of Tian Wang, Balco and Other Brands watches.

Other gains and income and other expenses

The Group's other income increased from approximately HK$9.6 million for FY2012 to approximately HK$16.8 million for FY2013, representing an increase of approximately HK$7.3 million or approximately 76.2%. This was primarily due to the increase in foreign exchange gain and bank interest income. In addition, the Group recognized a financial guarantee income of approximately HK$4.0 million upon the release of financial guarantees provided by the Group to its ultimate holding company in relation to certain banking facilities of the ultimate holding company in November 2012, representing an increase of approximately 100.0% as compared to approximately HK$2.0 million for FY2012. The Group's other expenses included professional fees incurred for the initial public offering (the "IPO") of the ordinary shares (the "Shares") of HK$0.10 each in the share capital of the Company.

Selling and distribution costs

The Group's selling and distribution costs increased by approximately HK$183.2 million or approximately 31.8% from approximately HK$575.8 million for FY2012 to approximately HK$758.9 million for FY2013, accounting for approximately 39.7% of the Group's total revenue for FY2013 (FY2012: 37.8%). The increase was mainly due to (i) the increase in concessionaire and rental fees of approximately HK$106.1 million as a result of increase in revenue; (ii) the increase in salaries of sales personnel of approximately HK$37.5 million as a result of increase in number of sales staff following an increase in number of POS and increase in amount of sales commissions because of the increase in sales revenue; (iii) an increase in advertising and promotion fee of approximately HK$21.8 million; and (iv) the increase of approximately HK$17.8 million in other sales related costs such as depreciation, entertainment expenses and management fee, which were in connection with the Group's market expansion.

Administrative expenses

The Group's administrative expenses increased to approximately HK$91.4 million for FY2013 from approximately HK$83.8 million for FY2012, representing an increase of approximately HK$7.6 million or approximately 9.0%. The increase was primarily due to increase in the PRC local regulatory surcharges (such as city construction tax and education levy) of approximately HK$9.0 million, which was in line with the increase in revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs and income tax expenses

The Group's finance costs increased by approximately HK$2.1 million or approximately 34.8% from approximately HK$6.0 million for FY2012 to approximately HK$8.1 million for FY2013 as a result of increased bank borrowings in the first half of FY2013. The Group's income tax increased from approximately HK$56.0 million for FY2012 to approximately HK$76.7 million for FY2013, representing an increase of approximately HK$20.8 million or approximately 37.1%. The Group's effective tax rate (exclusive of listing expenses) increased from approximately 21.3% for FY2012 to approximately 24.1% for FY2013 mainly due to higher profit contribution from certain PRC subsidiaries which are taxed at corporate tax rate of 25%, as well as no deferred tax asset recognised in respect of allowance for inventories and unrealised profit for FY2013 (FY2012: HK$8.0 million).

Profit for the year

For the factors above, the Group's net profit for FY2013 increased by approximately HK$26.8 million or approximately 14.2% from approximately HK$188.5 million for FY2012 to approximately HK$215.3 million for FY2013. The net profit margin declined slightly from approximately 12.4% for FY2012 to approximately 11.3% for FY2013.

BUSINESS REVIEW

Overview

During FY2013, the Group's business remained focusing on the manufacture and retail sales of its two proprietary brands watches (namely, Tian Wang and Balco), the retail sales of the Other Brands watches in the PRC and its ancillary Watch Movements Trading Business.

Notwithstanding the continuing weakness in the global economy throughout FY2013, the Group achieved a sales growth of approximately 25.4% over the last year. FY2013 was a year full of challenges and uncertainties for the PRC watch industry. Since watches are not a necessity to daily lives, its market demand is particularly sensitive to changes in economic conditions and consumer confidence. The overall performance of the Group for the year was, to a certain extent, affected by the declining confidence among domestic consumers in the PRC, resulting in slower growth in sales and downward pressure on profitability. It is the major reason for the decrease of same store sales growth of Tian Wang watches from approximately 17.3% for FY2012 to approximately 10.1% for FY2013. Nevertheless, building on its competitive advantages developed over years, the Group continued to maintain its leading position in PRC national watch market.

Tian Wang watches continues to be the Group's core brand business, which contributed approximately 64.4% of the total revenue of the Group during FY2013. Its over-25-year long brand heritage and reputation of delivering high quality and precise watches are key factors of Tian Wang watches' continued success and widespread brand recognition. Based on the information gathered from customers through the Group's national wide POS network, the Group can strive to cater to Chinese customers' increasing demand for high quality and trendy watches. In FY2013, the

Group has invested in a new e-commerce business by forming a non-wholly owned subsidiary which has signed co-operation agreements with several online sales platforms (including but not limited to Paipai (Tencent QQ), Jingdong Mall and Tmall) and offered sales of lower-priced watches and new youth series watches products for the younger generation to capture their growing consumption power. The Directors believe that a wide variety of watches can enable the Group to reach out to an extensive range of customers across different age groups. The Group continued to expand its retail network in inland area and lower tier cities of the PRC as planned. As at 30 June 2013, the Group had a total of 1,514 POS for Tian Wang watches (30 June 2012: 1,178 POS), a total of 405 POS for Balco watches (30 June 2012: 333 POS), and a total of 78 POS for a mix brands of watches, including Tian Wang watches, Balco watches and Other Brands watches operated by the Group's joint ventures (30 June 2012: 62 POS). Among all the POS of the Group, 1,965 POS are sales counters located in department stores (30 June 2012: 1,548 POS), 23 POS are shop-in-shops (30 June 2012: 16 POS) and the remaining 9 POS are street stores (30 June 2012: 9 POS).

The Group recorded a same store sales growth of approximately 11.6% for FY2013, representing a drop of approximately 4.4% as compared to approximately 16.0% for FY2012, due to the economic slowdown and uncertainty throughout the year and a high base for comparison from last year. In light of the decrease of same store sales growth rate for FY2013 and the slowdown of the PRC economy, to boost the same store sales growth in the coming year, the Group will adopt the following measures: (i) organising more promotion and marketing activities including but not limited to inviting celebrities and/or models to attend promotion functions taken place at the Group's POS or locations in PRC with great pedestrian flow; (ii) setting up some temporary promotion counters in shopping malls or department stores to enhance the atmosphere for the Group's promotion activities; (iii) launching a series of television commercials featuring the new spokesperson of Tian Wang brand after the Group has engaged the new spokesperson; and (iv) introducing more new models of watches to the market such that the Group can cater for the needs of a wider range of consumers.

Retail network

The Group's retail network principally comprises sales counters located in department stores which are directly managed and controlled by the Group. Over 90% of the sales of Tian Wang and Balco watches by the Group were made through the Group's directly managed sales network. Since the Group sells most of its watches directly to retail customers, the Group has been able to obtain first hand market information and direct feedback from customers through its frontline staff. The Group considers that this is a competitive advantage over its competitors which do not have fully directly managed sales network and thus mainly sell their products through their distributors.

MANAGEMENT DISCUSSION AND ANALYSIS

Effective retail management through the Group's own sales network

Besides, as part of the strategic expansion of the Group, apart from opening new POS, the Group will also form new joint ventures with other independent local operators which shall inject their existing retail network into the joint venture companies formed. In FY2013, the Group has formed one new joint venture, namely, Time Watch (Sichuan) Company Limited ("Time Watch Sichuan"), which is in addition to the existing joint ventures of the Group, namely Suzhou Paragon Watch Company Limited ("Suzhou Paragon"), Time Watch Hefei and Time Watch Shanghai.

As at 30 June 2013, the Group's retail network of Tian Wang watches had 1,514 POS, representing a net increase of 130 POS and 336 POS as compared with the number of POS for Tian Wang watches as at 31 December 2012 and as at 30 June 2012, respectively. The Group plans to open an estimate of 200 more Tian Wang POS for the year ending 30 June 2014. As at 30 June 2013, the retail network of Balco watches and Other Brands watches had 405 POS and 78 POS, respectively, representing (i) a net increase of 24 POS and 12 POS, respectively as compared with the number of POS for Balco watches and Other Brands watches as at 31 December 2012; and (ii) a net increase of 72 POS and 16 POS, respectively as compared with the number of POS for Balco watches and Other Brands watches as at 30 June 2012.

Proprietary watches of the group

Tian Wang watches

Sales of Tian Wang watches were still the major source of revenue of the Group, which contributed approximately 64.4% of the Group's total revenue in FY2013. During FY2013, the Group has launched not less than 100 new models of Tian Wang watches with price ranging from approximately RMB100 to RMB8,000 for direct retail sales, corporate sales and e-commerce. The wide price range of Tian Wang watches can cater for the different needs of customers, and can capture more customers from different income level.

Balco watches

Balco watches are assembled and imported from Switzerland. The Group faces keen competition from other imported watches of similar price range, including Citizen, Casio, Titoni and Enicar. Sales of Balco watches had accounted for approximately 7.8% of the Group's total revenue for FY2013 (FY2012: 7.1%). In FY2013, revenue from Balco watches was approximately HK$150.1 million as compared to approximately HK$108.5 million in FY2012, representing an increase by approximately HK$41.6 million or approximately 38.3%. The increase was mainly due to increase in sales of Balco watches in the PRC by approximately HK$28.4 million or approximately 32.2% from approximately HK$88.3 million in FY2012 to approximately HK$116.7 million in FY2013. The Group continued to seek other ways to develop the Balco watch business, including broadening its sales and distribution channels in and outside of the PRC. There is an increase of approximately HK$13.1 million or approximately 64.5% in the sales of Balco watches to Hong Kong, Macau and Taiwan through multi-brand watches distributors. Revenue from these sales increased from approximately HK$20.3 million in FY2012 to approximately HK$33.4 million in FY2013.

Other brands watches

Revenue from sales of Other Brands watches was approximately HK$248.6 million in FY2013 as compared to approximately HK$184.2 million in FY2012, representing an increase of approximately HK$64.4 million or approximately 34.9%. Revenue from sales of Other Brands watches accounted for approximately 13.0% of the Group's total revenue for FY2013 (FY2012: 12.1%). The increase in sales of Other Brands watches was mainly due to contribution of full year's revenue from Time Watch Hefei and Time Watch Shanghai in FY2013 as compared to less than full year's contribution from the date of formation of these joint venture companies in FY2012.

Watch movements trading business

The Directors consider that the in-house watch movement procurement and trading arm of the Group is an integral segment of the Group's overall business operation for providing reliable and stable supply of watch movements for the assembly of its Tian Wang watches and bringing revenue to the Group through the watch movement trading business with other watch manufacturers and distributors when there is surplus of watch movements. In FY2013, sales of watch movements had accounted for approximately 14.8% of the Group's total revenue (FY2012: approximately 16.5%). There is an increase in sales of approximately HK$30.5 million or approximately 12.1% from approximately HK$251.6 million in FY2012 to approximately HK$282.1 million in FY2013.

E-commerce

In March 2013, the Group invested in a new e-commerce business by forming a non-wholly owned subsidiary with an independent third party. The Group plans to concentrate on the sales of low-end watches and new youth series watches in the e-commerce platform. The Group believes its e-commerce channels will continue to extend its customer reach, especially to the younger customers, which will enable the Group to enjoy the blend of online and in-store sales channels in the future. Details in relation to the e-commerce business are set out in the announcement of the Company dated 7 June 2013. In FY2013, sales of watches through e-commerce channel was approximately HK$9.2 million.

INVENTORY CONTROL

The Group's inventory balance was approximately HK$442.1 million as at 30 June 2013, representing a decrease of approximately HK$24.3 million or approximately 5.2% as compared to approximately HK$466.4 million as at 30 June 2012. The decrease was in line with the drop in the Group's inventory balance of Tian Wang finished watches from approximately HK$249.1 million as at 30 June 2012 to approximately HK$217.5 million as at 30 June 2013. The Group's inventory turnover days accordingly decreased from approximately 231 days for FY2012 to approximately 220 days for FY2013. The Group will continue to monitor and control its inventory level vigilantly while implementing its sales network expansion plan in order to ensure that the expansion plan and inventory level will not adversely affect the cash flow and the liquidity of the Group. As mentioned in the Prospectus, the Group intends to achieve and maintain an inventory benchmark level of around 500 Tian Wang watches per Tian Wang POS by 30 June 2013. The inventory quantity per Tian Wang POS had dropped from approximately 610 as at 30 June 2012 to approximately 489 as at 30 June 2013. For Balco watches, the Group plans to achieve an inventory balance of approximately HK$60 million by 30 June 2013. As at 30 June 2013, the inventory balance of Balco watches was approximately HK$53.5 million. For the Other Brands watches, the Group plans to achieve a benchmark of an inventory balance of approximately HK$1.5 million per joint venture POS by 30 June 2013. As at 30 June 2013, the inventory balance of the Other Brands watches was approximately HK$1.5 million per joint venture POS as at 30 June 2013.

The inventory aged over two years were approximately HK$47.6 million and approximately HK$59.1 million as at 30 June 2012 and 30 June 2013 respectively, with corresponding provision for these inventory balances of approximately HK$35.6 million and approximately HK$41.0 million respectively. The management assesses and reviews the inventory ageing analysis at the end of each reporting period and identifies the slow-moving inventory items that are no longer suitable for use in production or sales. At the end of each reporting period, the management will provide necessary provision if the net realisable value of the inventory is estimated to be below the cost.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group financed its operations primarily through cash flows from operations and short-term bank loans. The cash and cash equivalents were approximately HK$537.2 million and approximately HK$156.5 million as at 30 June 2013 and 30 June 2012 respectively.

The Group's net cash generated from operating activities for FY2013 was approximately HK$178.0 million, representing an increase of approximately HK$173.3 million from approximately HK$4.7 million for FY2012. The amount was primarily attributable to profit before income tax of approximately HK$292.0 million from the Group's operations adjusted for non-cash items of approximately HK$37.7 million, increase of working capital balances of approximately HK$95.2 million, income taxes paid of approximately HK$59.0 million and interest received of approximately HK$2.5 million.

The Group's net cash used in investing activities for FY2013 was approximately HK$201.2 million, which was mainly attributable to short-term deposit placed of approximately HK$150.0 million and purchase of property, plant and equipment of approximately HK$52.2 million, partially offset by repayment from fellow subsidiaries of approximately HK$0.8 million and proceeds from disposal of property, plant and equipment of approximately HK$0.2 million.

The Group's net cash generated from financing activities for FY2013 was approximately HK$397.2 million, which was mainly attributable to net proceeds from the Company's initial public offering of approximately HK$742.0 million, borrowings raised of approximately HK$335.1 million, advance from a non-controlling shareholder of a subsidiary of approximately HK$5.1 million and capital injection from a non-controlling shareholder of a subsidiary of approximately HK$8.0 million, which are partially offset by dividends paid of approximately HK$70.5 million, interest paid of approximately HK$8.1 million, repayment of bank borrowings of approximately HK$580.5 million and net repayment to a director of approximately HK$33.5 million. The Group's bank borrowings were approximately HK$40.5 million and approximately HK$285.5 million as at 30 June 2013 and 30 June 2012 respectively.

The net gearing ratio (which is calculated using bank borrowings net of bank balances and cash, divided by total equity) was 31.1% as at 30 June 2012. The Group has a net cash position as at 30 June 2013. As at 30 June 2013, the Group's total equity was approximately HK$1,332.4 million, representing an increase of approximately HK$917.5 million from approximately HK$414.9 million as at 30 June 2012. The Group's working capital was approximately HK$1,281.1 million as at 30 June 2013, an improvement of approximately HK$904.3 million as compared to approximately HK$376.8 million as at 30 June 2012.

Details of the Group's bank borrowings as at 30 June 2013 are set out in note 23 to the consolidated financial statements.

CHARGE ON GROUP ASSETS

On 25 May 2012, a subsidiary of the Company provided a floating charge on its bank accounts to secure a banking facility. On 11 July 2012, the Group pledged the shares of two subsidiaries to secure a banking facility from a bank. The pledged shares of the two subsidiaries and floating charge were released on 5 February 2013. As at 30 June 2013, there were no secured trust loans and bank loans related to the facility stated above (30 June 2012: approximately HK$134.2 million).

CONTINGENT LIABILITIES

Details of the Group's contingent liabilities as at 30 June 2013 are set out in note 31 to the consolidated financial statements.

CAPITAL COMMITMENTS

The Group did not have any material capital commitments as at 30 June 2013 and 30 June 2012.

FOREIGN CURRENCY EXPOSURE

Certain group entities have foreign currency sales, which expose the Group 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.

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

EMPLOYEES AND EMOLUMENTS POLICIES

As at 30 June 2013, the Group employed a total of approximately 2,800 full time employees (30 June 2012: approximately 2,500) engaging in design, purchasing, production, sales and marketing and administration. The staff costs incurred during FY2013 was approximately HK$225.3 million (FY2012: approximately HK$202.1 million).The Group's emolument policies are formulated on the performance of individual employees and on the basis of the trends of salaries in various regions, which will be reviewed regularly every year. Apart from provident fund scheme and medical insurance, discretionary bonuses are also awarded to employees according to the assessment of individual performance.

SOCIAL RESPONSIBILITY

The Group's charitable and other donations for FY2013 amounted to approximately HK$1.6 million (FY2012: nil), which comprised approximately HK$1.0 million donated to the Community Chest of Hong Kong, and approximately HK$0.6 million donated to the Ministry of Education in Dabu village, Guangdong Province in the PRC to build a school for the children there. No donations were made to political parties.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the IPO of the Company in February 2013, after the deduction of expenses, amounted to approximately HK$742.0 million which comprise approximately HK$640.0 million from the global offering and approximately HK$102.0 million from the partial exercise of over-allotment option, of which approximately HK$223.1 million had been utilised in FY2013 as set out below.

	Amount of net proceeds allocated *(HK$'m)*	**Amount of net proceeds utilised in FY2013** *(HK$'m)*	**Balance as at 30 June 2013** *(HK$'m)*	**Actual business progress up to 30 June 2013**
Opening of approximately 60 POS for FY2013, and approximately 200 POS in each of the years ending 30 June 2014 and 2015	154.0	33.8	120.2	Among the 336 new POS opened during FY2013, 130 new POS opened in the second half of FY2013 were financed by IPO proceeds of approximately HK$33.8 million.
Opening of approximately 38 concept stores for Tian Wang in major cities in the PRC	101.0	–	101.0	Due to significant increase in rent of the desired locations for concept stores and the slowdown of growth of retail sales in the PRC during FY2013 compared to previous years, as at 30 June 2013, the Group has not opened any concept stores yet. Please refer to the announcement of the Company dated 7 June 2013 for further details.

	Amount of net proceeds allocated *(HK$'m)*	Amount of net proceeds utilised in FY2013 *(HK$'m)*	Balance as at 30 June 2013 *(HK$'m)*	Actual business progress up to 30 June 2013
Establising joint ventures with experienced operators of watch sales network and acquiring their inventories	165.0	6.4	158.6	Approximately HK$6.4 million of IPO proceeds was used for injection of share capital for new joint venture company, namely Time Watch Sichuan.
Marketing and promotional activities for Tian Wang in FY2013 including (i) engaging an active and well-known Chinese television and movie actor celebrity as the new spokesperson for Tian Wang brand; (ii) production of television commercials focusing on the new Tian Wang spokesperson; and (iii) rolling-out advertisement on television and various other media	114.0	–	114.0	As at 30 June 2013, the Group is still looking for suitable candidate whose image is in line with the brand image and recognition of Tian Wang brand and the proposed large-scale nationwide marketing campaign for Tian Wang brand.
Enhancing product design and development capabilities	27.0	1.9	25.1	Approximately HK$1.9 million of IPO proceeds was used for purchase of new software for product design.
Repayment of bank loans	175.0	175.0	–	Among the approximately HK$175.0 million of net proceeds used for repayment of bank loans, approximately HK$102.0 million was from the net proceeds brought by the partial exercise of over-allotment option.
Working capital and other general corporate purposes	6.0	6.0	–	–
TOTAL	**742.0**	**223.1**	**518.9**	

Actual application of the net proceeds, except for repayment of bank loans and working capital and other general corporate purpose, was lower as compared to the planned application due to the reasons as explained above and/or the weak economic condition and declining confidence among domestic consumers in PRC.

CHANGE OF USE OF PROCEEDS

The Group has been monitoring the progress of opening concept stores for Tian Wang. As the rent of the desired locations for concept store has increased significantly and growth of retail sales in the PRC during FY2013 slowed down compared to previous years, as mentioned above, approximately HK$101.0 million of IPO net proceeds allocated for opening concept stores for Tian Wang remained unused as at 30 June 2013. In light of the persistently high rent and that the objective to open concept stores is to strengthen Tian Wang's market presence in major cities in the PRC, the Board considers that opening concept stores at desired locations with high rent is not an effective business strategy to achieve the Group's objective at present. In order to better utilise the cashflow and to minimise unnecessary expense of the Group, the Board resolved to reallocate approximately HK$101.0 million of net proceeds from the IPO originally designated for opening concept stores for Tian Wang to (i) opening of POS for the five years ending 30 June 2018 and (ii) investment in advertising and promotion across the PRC to further promote the brand awareness and brand image of Tian Wang for the three years ending 30 June 2016. Among the approximately HK$101.0 million of net proceeds to be reallocated, approximately HK$76.0 million would be used for opening of POS of Tian Wang and approximately HK$25.0 million would be used for marketing and promotional activities for Tian Wang. Following the reallocation, the unutilised IPO proceeds will be used in the following manner:

Originally intended use of net proceeds	**Balance as at 30 June 2013** *(HK$'m)*	**Revised intended use after the reallocation of use of proceeds**	**Revised amount of net proceeds allocated** *(HK$'m)*
Opening of approximately 200 POS in each of the years ending 30 June 2014 and 2015	120.2	Opening of approximately 200 POS in each of the years ending 30 June 2014 and 2015 and an addition of approximately 200 POS in total for the five years ending 30 June 2018.	196.2
Opening of approximately 38 concept stores for Tian Wang in major cities in the PRC	101.0	Nil	Nil
Establishing joint ventures with experienced operators of watch sales network and acquiring their inventories	158.6	Establishing joint ventures with experienced operators of watch sales network and acquiring their inventories	158.6
Marketing and promotional activities for Tian Wang in FY2013 including (i) engaging an active and well-known Chinese television and movie actor celebrity as the new spokesperson for Tian Wang brand; (ii) production of television commercials focusing on the new Tian Wang spokesperson; and (iii) rolling-out advertisement on television and various other media	114.0	Marketing and promotional activities for Tian Wang for the years ending 30 June 2014, 2015 and 2016 including (i) engaging an active and well-known Chinese television and movie actor celebrity as the new spokesperson for Tian Wang brand; (ii) production of television commercials focusing on the new Tian Wang spokesperson; and (iii) rolling-out advertisement on television and various other media	139.0
Enhancing product design and development capabilities	25.1	Enhancing product design and development capabilities	25.1
TOTAL	**518.9**		**518.9**

The Board considers that the aforementioned partial reallocation of the unutilised IPO proceeds will meet the financial needs of the Group more efficiently and will increase the Company's flexibility in its financial management. The Directors will constantly evaluate the Group's business objectives stated in the Prospectus and above for the use of proceeds and will change or modify plans against the changing market condition to ascertain the business growth of the Group where appropriate.

“TIME STAYS LONG ENOUGH FOR THOSE WHO USE IT.”

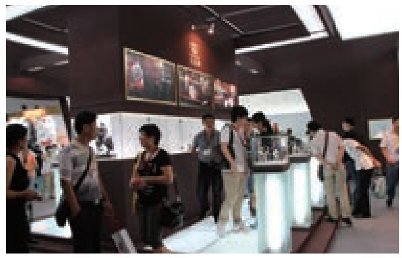
Leonardo da Vinci

PROSPECTS AND STRATEGIES

Despite the weak economic conditions during FY2013, the Directors expect that PRC will see a continuation in economic growth attributable to the PRC government's ongoing favourable monetary and credit policies, accelerating urbanisation, rising disposable incomes and increasing watch consumption in the country. The above factors lead to a fast-growing middle-to-low class and high net worth population in the world's largest retail market, which is an indicator of rising demand for watches. As the new PRC government continues to take measures against consumption of public funds on three major private purposes, namely cars, banquets and overseas visits, there is some change on the consumption practice of the consumers, including the change from purchasing luxury international brand watch to mid-to-low price national brand watch. Therefore, the Directors believe that Tian Wang watches, which is one of the top national watch brands in the PRC, will be benefited from the PRC government's measures.

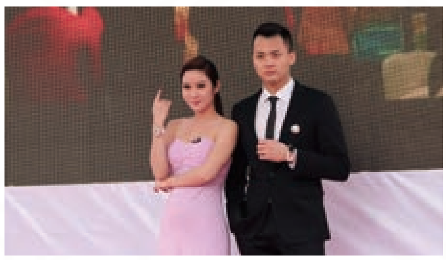
The short-term macro-economic environment is likely to remain uncertain in the year ending 30 June 2014. Yet the management sees there will be gradual signs of recovery in the fourth quarter of 2013. The sales for Tian Wang watch increased by approximately HK$62.0 million (representing an increase of approximately 22.0%) during the fourth quarter of FY2013 as compared with the sales during the fourth quarter of last year, and based on the management accounts for the two months ended 31 August 2013, the growth was sustainable in July and August 2013. On the above basis, the Directors are confident that the Group can forge through the economic headwinds and maintain a positive view on the Group's business development.

06 • 2012



Shenzhen Watch & Clock Fair

12 • 2012





Promotion activities in Moi Department Store (Shenzhen Huaqiangbei)

MAJOR EVENTS

02 • 2013

IPO Lisitng


SINGTAO FINANCE 星島財經

暫超購649倍 擬上限定價

時計寶凍資逾526億勢稱王

股市

時計寶超購649倍凍526億

三半新股升勢曇花一現

時計寶

凍資527億元

2萬人搶時計寶 凍資526億

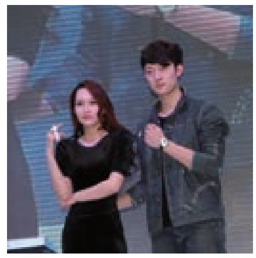
超購650倍 凍資僅次米蘭站

國際配售熱 擬上限1.35元定價

今年新股公開認購反應

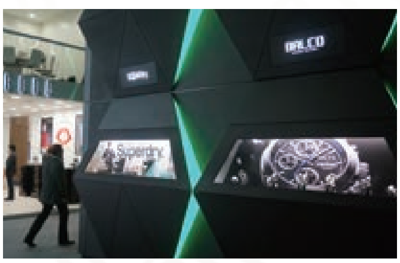
MAJOR EVENTS

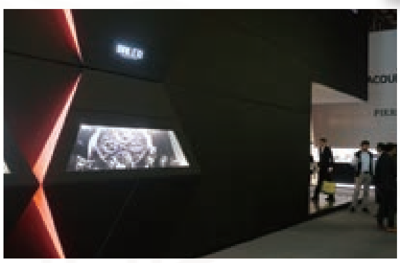
04 • 2013

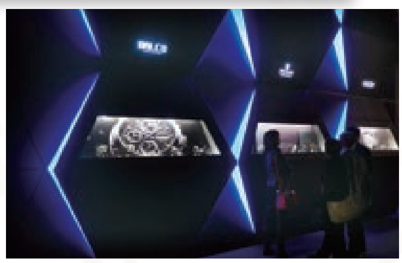


Promotion Activities in Daqing Department Store – Guest Jia Nailiang


BALCO 瑞士拜戈表
精准走时, 内外兼修





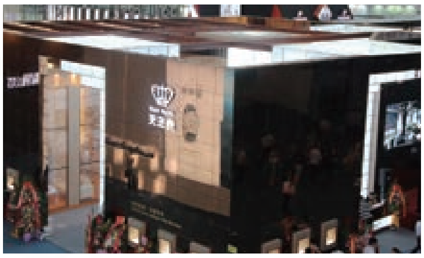


Basel Fair

MAJOR EVENTS

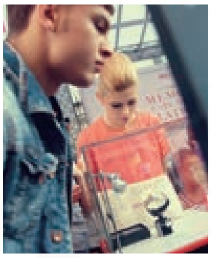
06 • 2013





The Show of the Legend of Tian Wang Watch's 25th Anniversary in Shenzhen Watch & Clock Fair



Static Show in Liqun Department Store (Qingdao Taidong)

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tung Koon Ming (董觀明), aged 62, is the founder of the Group, Chairman, executive Director and chief executive officer of the Company. Mr. Tung is the father of Mr. Tung Wai Kit, an executive Director. He was appointed as an executive Director on 21 September 2011. He is responsible for the overall direction, management and daily operation of the Group. He is also a director of all subsidiaries of the Group, except for Ye Guang Li Electronics (Meizhou) Company Limited ("Ye Guang Li"), Balco Switzerland SAGL, Time Watch Hefei, Time Watch Shanghai, Time Watch Sichuan and Shenzhen Time Watch Trading Company Limited.

Mr. Tung has over 30 years of experience in the manufacturing and trading of watches business. Mr. Tung is the founder and chairman of Winning Metal Products Manufacturing Company Limited ("Winning Metal") since its incorporation in 1980. He has been the chairman, chief executive officer and director of Time Watch Investments Private Limited ("Time Watch Singapore"), a company which was listed on the Singapore Stock Exchange ("SGX") until it was privatised in June 2011, since 8 November 2005 after the completion of a reverse take-over of Winning Metal group by Time Watch Singapore. Through Winning Metal and Time Watch Singapore, Mr. Tung established the Group's watch movements trading business; developed two brands of watches (namely, Tian Wang and Balco) and sales network of the Group in the PRC. Mr. Tung was awarded the Top Ten Persons of the Year (十大風雲人物獎) by the China Watch and Clock Top Forum in 2005 and the outstanding entrepreneurship award by Enterprise Asia in September 2013. He was also a member of the 8th, 9th and 10th Hunan Province People's Political Consultative Committee since 1998. Apart from his interest in the Group, Mr. Tung is also one of the indirect owners of Winning Metal and its subsidiaries. Mr. Tung is currently a director of Red Glory Investments Limited, Winning Metal, Time Watch Singapore and Red Rewarding Limited, all being controlling shareholders (within the meaning of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) of the Company.

Mr. Lo Wing Sang (勞永生), aged 47, was appointed as an executive Director on 10 January 2013. He is the deputy chief executive officer and is responsible for the Group's corporate strategic development and operation. He is also the Company Secretary of the Company. He is also a director of Time Watch Hefei, Time Watch Sichuan and Shenzhen Time Watch Management Consulting Limited, all being subsidiaries of the Company.

Mr. Lo has over 20 years of experience in accounting and finance. He is a practising member of the Hong Kong Institute of Certified Public Accountants, an associate member of both the Institute of Chartered Accountants in England and Wales, and the Hong Kong Institute of Chartered Secretaries. He is also a fellow member of the Association of Chartered Certified Accountants. He first joined the Group as the chief financial officer in July 2006, left in October 2007. Then, he rejoined the Group in August 2011.

Mr. Hou Qinghai (侯慶海), aged 64, was appointed as an executive Director on 10 January 2013. Mr. Hou is responsible for the Group's daily operation and production of Tian Wang watches. He is currently a director and general manager of Ye Guang Li, a director, deputy general manager of Tian Wang Shenzhen and a director of Suzhou Paragon.

Mr. Hou has over 20 years of experience in manufacturing of watches. He graduated from Harbin Worker Part-time University with a diploma in the manufacture of machinery and equipment course in October 1976. In July 1990, he joined Tian Wang Electronics Co., Ltd. (a limited liability company incorporated in the PRC on 30 August 1988 and was dissolved on 1 December 2009, and was indirectly owned as to approximately 98.17% by Winning Metal before dissolution) as a deputy general manager in which he was responsible for the production of our Tian Wang brand of watches. He continues to work in Tian Wang Shenzhen since 2003. In 2009, he was the permanent vice-president of 11th Council of Shenzhen Watch & Clock Association. He is currently the vice president of Shenzhen City Watch & Clock Association.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Tung Wai Kit (董偉傑), aged 39, was appointed as an executive Director on 21 September 2011. Mr. Tung Wai Kit is the son of Mr. Tung Koon Ming, the Chairman, executive Director and chief executive officer of Company. Mr. Tung Wai Kit is the Group's marketing and administrative controller and is responsible for the marketing, production and administration of the Group's brand of Balco. Mr. Tung Wai Kit has over 13 years of experience in sales and marketing. He is currently a director of Ye Guang Li, Time Watch Hefei, Time Watch Shanghai, Time Watch Sichuan, Shenzhen Time Watch Trading Company Limited and Shenzhen Time Watch Management Consulting Limited. Mr. Tung Wai Kit is currently a director of Time Watch Singapore, one of the controlling shareholders (within the meaning of Listing Rules) of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ma Ching Nam, J.P. (馬清楠), aged 60, was appointed as an independent non-executive Director on 10 January 2013.

Mr. Ma obtained a degree of Bachelor of Science in Economics with honours from The University of Hull in July 1977. Mr. Ma has been practising law for more than 30 years. He is currently a partner of Hastings & Co, Solicitors & Notaries and also a Notary Public, China Appointed Attesting Officer and Civil Celebrant.

Mr. Ma currently serves as directors of Heptacontinental group of companies, Ma Kam Ming Company Limited, Tai Sang Bank Limited, Ma's Enterprises Company Limited and Ma Kam Ming Charitable Foundation. Mr. Ma is also the president of the Hong Kong Society of Notaries. He has been a director of Po Leung Kuk since 2009. He was an appointed member of Political and Consultative Conference in Hunan Province, the PRC since 2008 and a visiting professor of the China Agricultural University since 1999 respectively.

Mr. Wong Wing Keung Meyrick (王泳強), aged 54, was appointed as an independent non-executive Director on 10 January 2013.

In August 1987, Mr. Wong obtained his Bachelor of Laws from The University of London as an external student. He was called to the degree of utter barrister of the Honourable Society of Gray's Inn in April 1989. In 1990, he started his practice as a barrister-at-law in Hong Kong. Mr. Wong also obtained Master of Laws in international economic law from The Chinese University of Hong Kong in December 2009 and Postgraduate Diploma in Corporate Governance and Directorship jointly issued by the School of Business, Hong Kong Baptist University and The Hong Kong Institute of Directors in June 2011. He obtained a degree in Master of Science in Corporate Governance and Directorship (Distinction) issued by the School of Business, Hong Kong Baptist University in 2011. He is also a Chartered Engineer, a member of the Institute of Energy, the Institution of Mechanical Engineers and the Institution of Engineering and Technology.

From November 2005 to June 2011, he served as an independent non-executive director of the Time Watch Singapore, one of the controlling shareholders (within the meaning of Listing Rules) of the Company, whose shares were listed on the SGX until its delisting in June 2011.

Dr. Tam Hok Lam Tommy, Ph.D., J.P. (譚學林), aged 64, was appointed as an independent non-executive Director on 10 January 2013. By virtue of mutual agreement between the Company and Dr. Tam, the appointment of Dr. Tam as independent non-executive Director was terminated with effect from 10 May 2013 (details of which are set out in the announcement of the Company dated 10 May 2013). Please refer to the section headed "Directors, senior management and staff" of the Prospectus for further details of Dr. Tam.

Mr. Choi Ho Yan (蔡浩仁), aged 37, was appointed as an independent non-executive Director on 10 May 2013. Mr. Choi attained his qualification as a certified public accountant in the American Institute of Certified Public Accountants in 2002. Mr. Choi obtained a degree of Bachelor of Arts in Accounting from the University of Hertfordshire in July 1998. He has over 14 years of experience in auditing, accounting, corporate finance and investors relations. Mr. Choi worked in Ernst and Young as an accountant, and subsequently a senior accountant, from September 1998 to August 2004. Mr. Choi was appointed as an assistant company secretary and a director of Mobile Telecom Network (Holdings) Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8266), in May 2010 and July 2010 respectively.

SENIOR MANAGEMENT

Mr. Deng Guang Lei (鄧光磊), aged 43, is the sales and marketing general manager of the Group. He is responsible for overseeing the operation of the Group's sales and marketing departments and sales network. Mr. Deng graduated from Anhui Finance and Trade College with a diploma in accounting in June 1994. Mr. Deng has over 14 years of experience in sales and marketing. He became a director and general manager of the sales and marketing department of Tian Wang Shenzhen since September 2007.

Mr. Li Yu Zhong (李育忠), aged 47, is the factory general manager of Tian Wang Shenzhen and the head of the manufacturing and assembly department of the Group. He is responsible for the manufacturing and assembly department of the Group. Mr. Li has more than 20 years of experience in the watch manufacturing business. In 2007, he obtained the qualification of watch repair examiner issued by Shenzhen Occupational Skill Testing Authority. He graduated from Guangdong Boluo Province Botong Agricultural Vocational School in 1984. Starting from 2008, he becomes a committee member of Materials and External Watch Parts Subcommittee on National Technical Committee on Watches of Standardisation Administration of China.

Ms. Low Mui Kee (劉美琪), aged 38, is the chief financial officer of the Group. She is responsible for the overall financial management and planning of the Group. She has over 13 years of experience in auditing, accounting and finance. She was appointed as a director of Time Watch Singapore in September 2011. Before joining Time Watch Singapore, Ms. Low worked in Ernst & Young from 1997 to 2007. She graduated from Nanyang Technological University with a Bachelor of Accountancy degree in 1997. She is a CPA of the Institute of Certified Public Accountants of Singapore since 2002.

Ms. Wong Siu Yu Rachel (黃少如), aged 43, is the financial controller of the Group. She is responsible for overseeing the Group's financial matters and the accounts of the PRC subsidiaries and the joint venture companies of the Group. She is also a director of Time Watch Shanghai, Shenzhen Time Watch Trading Company Limited and Shenzhen Time Watch Management Consulting Limited. She has more than 10 years of experience in accounting and finance. She obtained Bachelor of Business (major in accounting and manufacturing management) from the Swinburne University of Technology in 1999.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board and the Company are always committed to maintaining high standards of corporate governance. Apart from adopting the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code") as the Company's corporate governance code, the Company has also established a corporate governance committee (the "CG Committee") with corporate governance functions set out in code provision D.3 of the CG Code. The Company and the CG Committee periodically review its corporate governance practice to ensure continuous compliance with the CG Code. During the period from 5 February 2013 (date of listing of the Shares on the Main Board of the Stock Exchange) (the "Listing Date") and up to the date of this report, save as disclosed below, the Company has complied with the CG Code.

CODE PROVISION A.2.1

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current corporate structure of the Group, Mr. Tung performs both the roles of the Chairman and the Chief Executive Officer of the Company. Although the responsibilities of the Chairman and the Chief Executive Officer are vested in one person, all major decisions are made in consultation with the Board members and the senior management of the Company. As there are three independent non-executive Directors in the Board, the Board considers that there is sufficient balance of power in the Board. Also, taking into account of Mr. Tung's strong expertise and insight of the watch industry, the Board considered that the roles of chairman and chief executive officer being performed by Mr. Tung enables more effective and efficient overall business planning, decision making and implementation thereof by the Group.

In order to maintain good corporate governance and to ensure Company's compliance with code provisions of the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting that the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all the Directors, the Company is satisfied that and the Directors confirmed that they have fully complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transaction since the Listing Date and up to the date of this report.

BOARD OF DIRECTORS

The Board has a balance of skills and experience and a balanced composition of executive and independent non-executive Directors. As at 30 June 2013, the Board comprised seven Directors, four of whom are executive Directors and three of whom are independent non-executive Directors as set out below:

Executive Directors

Mr. Tung Koon Ming *(Chairman and chief executive officer)*
Mr. Lo Wing Sang
Mr. Hou Qinghai
Mr. Tung Wai Kit

Independent non-executive Directors

Mr. Ma Ching Nam
Mr. Wong Wing Keung Meyrick
Mr. Choi Ho Yan (appointed on 10 May 2013)

The Board is responsible for overseeing management of the Group's business and affairs. The Board has delegated the day-to-day responsibility to the executive Directors and senior management of the Company who are closely supervised by the Board to ensure compliance with the Company's policy and strategy.

Save for the father and son relationship between Mr. Tung Koon Ming and Mr. Tung Wai Kit, both being executive Directors, there is no relationship including financial, business, family or other material or relevant relationships, between board members.

DIRECTORS' ATTENDANCE AT BOARD MEETINGS AND GENERAL MEETINGS

From the Listing Date and up to 30 June 2013, the Company had held six board meetings and no general meeting was held. The attendance of each of the Directors at these meetings, by name, is set out below:

Directors	Attendance/ Number of board meetings held
Executive Directors	
Mr. Tung Koon Ming *(Chairman)*	5/6
Mr. Lo Wing Sang	6/6
Mr. Hou Qinghai	4/6
Mr. Tung Wai Kit	4/6
Independent non-executive Directors	
Mr. Ma Ching Nam	3/6
Dr. Tam Hok Lam Tommy (resigned on 10 May 2013)	2/3
Mr. Wong Wing Keung Meyrick	5/6
Mr. Choi Ho Yan (appointed on May 2013)	3/3

For the individual attendance record of the Directors at the meetings of the remuneration committee, the audit committee, the nomination committee and the CG Committee of the Board, please refer to the paragraphs headed "remuneration committee", "audit committee", "nomination committee" and "corporate governance committee" respectively of this corporate governance report.

Minutes of meetings of the Board and committee are recorded in appropriate detail and are kept by the Company Secretary of the Company. The minutes are circulated to the Directors for review within reasonable time after each meeting.

The Directors are able, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide independent professional advice to assist the relevant Directors to discharge their duties.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Based on these confirmations, the Company considers that each of the independent non-executive Directors to be independent.

TERMS OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors is appointed for an initial term of one year which shall be renewable automatically for a successive term of one year each commencing from the next day after the expiry of the then current term of his appointment, unless terminated by either party by giving not less than three month's written notice expiring at the end of the initial term or any time thereafter. The appointment of the independent non-executive Directors is subject to the provisions of the articles of association of the Company with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

Pursuant to code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During FY2013, all the Directors have participated in continuous professional development and provided a record of training they received to the Company.

The individual training record of each of the Directors received for FY2013 is set out below:

Directors	Briefings and updates on the business, operations and corporate governance matters	Reading regulatory update	Attending or participating in seminars/ workshops or working in technical committee relevant to the business/ directors' duties
Executive Directors			
Mr. Tung Koon Ming *(Chairman)*	✓	✓	✓
Mr. Lo Wing Sang	✓	✓	✓
Mr. Hou Qinghai	✓	✓	✓
Mr. Tung Wai Kit	✓	✓	✓
Independent non-Executive Directors			
Mr. Ma Ching Nam	✓	✓	✓
Dr. Tam Hok Lam Tommy (resigned on 10 May 2013)	✓	✓	✓
Mr. Wong Wing Keung Meyrick	✓	✓	✓
Mr. Choi Ho Yan (appointed on 10 May 2013)	✓	✓	✓

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") of the Board with written terms of reference in compliance with Rule 3.25 of the Listing Rules pursuant to a resolution of the Directors passed on 11 January 2013. The primary functions of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review performance based remuneration and ensure none of the Directors determine their own remuneration. During FY2013, the Remuneration Committee made recommendation to the Board on the remuneration for the newly appointed independent non-executive Director, namely Mr. Choi Ho Yan, and reviewed the remuneration policy and packages of the Directors and the senior management.

The Remuneration Committee currently comprises three independent non-executive Directors. One Remuneration Committee meeting was held since the Listing Date and up to 30 June 2013. Members of the Remuneration Committee and the attendance record of each member are set out below:

Members	**Attendance/ Number of meetings held**
Mr. Wong Wing Keung Meyrick *(Chairman)*	1/1
Mr. Ma Ching Nam	1/1
Dr. Tam Hok Lam Tommy (resigned on 10 May 2013)	1/1
Mr. Choi Ho Yan (appointed on 10 May 2013)	Nil

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") of the Board with written terms of reference in compliance with Rule 3.21 of the Listing Rules pursuant to a resolution of the Directors passed on 11 January 2013. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and material advice in respect of financial reporting and oversee the internal control procedures of the Company. During FY2013, the Audit Committee has reviewed the management of the Company and the accounting principles and practices adopted by the Group and discussed the audit, internal control and financial reporting matters in relation to the annual report of the Group for FY2013.

The Audit Committee currently comprises three independent non-executive Directors. Two Audit Committee meetings were held since the Listing Date and up to 30 June 2013. Members of the Audit Committee and the attendance record of each member are set out below:

Members	**Attendance/ Number of meetings held**
Mr. Choi Ho Yan *(Chairman)* (appointed on 10 May 2013)	1/1
Dr. Tam Hok Lam Tommy *(Chairman)* (resigned on 10 May 2013)	1/1
Mr. Wong Wing Keung Meyrick	2/2
Mr. Ma Ching Nam	2/2

NOMINATION COMMITTEE

The Company has established a nomination committee (the "Nomination Committee") of the Board with written terms of reference in compliance with code provision A.5.1 of the CG Code pursuant to a resolution of Directors passed on 11 January 2013. The primary functions of the Nomination Committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board.

The Nomination Committee follows a set of procedures when recommending candidates for directorship. The following criteria are considered in selecting a candidate:

- Integrity, objectivity, and intelligence of the person, with reputations for sound judgment and open mind, and a demonstrated capacity for thoughtful group decision-making;

- Qualification and career experience; and

- Understanding of the Company and its corporate mission.

When a candidate is proposed for directorship of the Company, he or she shall be evaluated on the basis of the criteria set out in the procedures mentioned above. Selection of the suitable candidate is based on a majority vote. Each committee member will be asked to express his or her view before voting. After voting, the chairman of the Nomination Committee will report its recommendations to the Board.

During FY2013, the Nomination Committee made recommendation to the Board for the appointment of independent non-executive Director, namely Mr. Choi Ho Yan, and reviewed the policy for nomination of directors.

The Nomination Committee currently comprises one executive Director and two independent non-executive Directors. One Nomination Committee meeting was held since the Listing Date and up to 30 June 2013. Members of the Nomination Committee and attendance record of the members are set out below:

Members	**Attendance/ Number of meetings held**
Mr. Tung Koon Ming *(Chairman)*	1/1
Mr. Ma Ching Nam	1/1
Mr. Wong Wing Keung Meyrick	1/1

CORPORATE GOVERNANCE COMMITTEE

The Company has established the CG Committee with written terms of reference in compliance with paragraph D.3.1 of the CG Code pursuant to a resolution of the Directors passed on 11 January 2013. The primary functions of the CG Committee are to keep the effectiveness of the corporate governance and system of internal non-financial controls of the Group.

The CG Committee currently comprises three independent non-executive Directors. One CG Committee meeting was held since the Listing Date and up to the date of this report to review the policies and practices on corporate governance of the Group. Members of the CG Committee and the attendance record of each member are set out below:

Members	**Attendance/ Number of meetings held**
Mr. Ma Ching Nam	1/1
Dr. Tam Hok Lam Tommy *(Chairman)* (resigned on 10 May 2013)	Nil
Mr. Choi Ho Yan *(Chairman)* (appointed on 10 May 2013)	1/1
Mr. Wong Wing Keung Meyrick	1/1

AUDITOR'S REMUNERATION

The fees in relation to the audit service provided by Deloitte Touche Tohmatsu, the external auditor of the Company, for FY2013 amounted to approximately HK$2,981,000 (2012: HK$1,500,000). No non-audit services were provided by Deloitte Touche Tohmatsu during the year under review.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the financial statements for FY2013, suitable accounting policies have been adopted and applied consistently. The financial statements for the reporting year have been prepared on a going concern basis.

INTERNAL CONTROLS

The Board has overall responsibility for the effectiveness of the internal control system and monitors the internal control systems through the Group's outsourced internal auditors, Baker Tilly Hong Kong ("Baker Tilly"). Baker Tilly reviews the material controls of the Group on a continuous basis and aims to cover all major operations of the Group on a cyclical basis. Overall, internal audits are designed to provide the Board with reasonable assurance that the internal control systems of the Group are sound and effective. The Board also reviews regularly the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget. No material irregularities were found.

COMPLIANCE AND ENFORCEMENT OF THE NON-COMPETE UNDERTAKING FROM CONTROLLING SHAREHOLDERS

As disclosed in the Prospectus, Mr. Tung, Red Rewarding Limited, Time Watch Investments Private Limited, Winning Metal Products Manufacturing Company Limited and Red Glory Investments Limited, being the controlling shareholders of the Company (the "Controlling Shareholders"), through various companies controlled by them or any of them, are interested in some other different businesses, including but not limited to the (1) retail sales of multi-brand watches outside the PRC; (2) minority investments in various companies that distribute multi-brand watches; (3) minority investments in various companies that manufacture and supply third-party brands of watches and accessories on OEM basis and manufacture and supply of packaging materials for third-party brands of watches; and (4) property investment in the PRC and Hong Kong. Please refer to the section headed "Relationship with our controlling shareholders" of the Prospectus for details of the excluded business, including but not limited to its management, nature, scope, size, how such business may compete with the Group's business and how the Group is capable of carrying on its business independently of such excluded business. Having made reasonable enquiry, the Directors confirm that details of the excluded business as disclosed in the Prospectus have not changed since the publication of the Prospectus.

To protect the Group from any potential competition, the Controlling Shareholders have given an irrevocable non-compete undertaking (the "Non-compete Undertaking") in favour of the Company on 11 January 2013 pursuant to which each of the Controlling Shareholders has, among other matters, undertaken with the Company that each of the Controlling Shareholders and their respective associates (other than the Group) shall not, save as to the extent permitted pursuant to the Non-compete Undertaking, engaged in any business which will or may compete with the business currently and from time to time engaged by the Group. Details of the Non-compete Undertaking have been set out in paragraph headed "Relationship with our controlling shareholders – Non-compete undertaking" of the Prospectus.

In order to properly manage any potential or actual conflict of interests between the Group and the Controlling Shareholders in relation to the compliance and enforcement of the Non-compete Undertaking, the Group has adopted the following corporate governance measures:

(i) the independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the Non-compete Undertaking by the Controlling Shareholders;

(ii) any decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Non-compete Undertaking shall be disclosed either through the Company's annual report or by way of announcement;

(iii) how the terms of the Non-compete Undertaking have been complied with and enforced shall be disclosed in the corporate governance report of the Company's annual report;

(iv) in the event that any of the Directors and/or their respective associates has material interest in any matter to be deliberated by the Board in relation to the compliance and enforcement of the Non-compete Undertaking, he/she may not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the articles of association of the Company; and

(v) the Group is committed that the Board should include a balanced composition of executives and non-executive Directors (including independent non-executive Directors).

The Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Controlling Shareholders and their respective associates and the Group and to protect the interests of the shareholders, in particular, the minority shareholders of the Company.

The Company has received the annual declaration from each of the Controlling Shareholders in respect of their respective compliance with the terms of the Non-compete Undertaking during FY2013. The independent non-executive Directors, having reviewed the annual declarations and made reasonable enquiry, are satisfied that the Controlling Shareholders have complied with the terms of the Non-compete Undertaking during FY2013.

SHAREHOLDERS' RIGHTS

1. Procedures for shareholders to convene an extraordinary general meeting

1.1 The following procedures for shareholders ("Shareholders", each a "Shareholder") of the Company to convene an extraordinary general meeting ("EGM") of the Company are prepared in accordance with Article 64 of the articles of association of the Company:

(1) One or more Shareholders ("Requisitionist(s)") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice ("Requisition"), to require an EGM to be called by the Directors for the transaction of any business specified therein.

(2) Such Requisition shall be made in writing to the Board or the Company Secretary of the Company at 27th Floor, CEO Tower, 77 Wing Hong Street, Kowloon, Hong Kong or via email at investor_relations@timewatch.com.hk.

(3) The EGM shall be held within two months after the deposit of such Requisition.

(4) If the Directors fail to proceed to convene such meeting within twenty-one (21) days of the deposit of such Requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

2. Procedures for raising enquiries

2.1 Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are as follows:

Tricor Investor Services Limited

Address:	26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
Email:	is-enquiries@hk.tricorglobal.com
Tel:	(852) 2980 1333
Fax:	(852) 2861 1465

2.2 Shareholders may at any time raise any enquiry in respect of the Company at the following designated contacts, correspondence addresses, email addresses and enquiry hotlines of the Company:

Address:	27th Floor, CEO Tower, 77 Wing Hong Street, Kowloon, Hong Kong
Email:	investor_relations@timewatch.com.hk
Tel:	(852) 2411 3567
Fax:	(852) 3585 2083
Attention:	Company Secretary/Board of Directors

2.3 Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

3. Procedures and contact details for putting forward proposals at shareholders' meetings

3.1 To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal ("Proposal") with his/her/its detailed contact information at the Company's principal place of business at 27th Floor, CEO Tower, 77 Wing Hong Street, Kowloon, Hong Kong.

3.2 The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order and made by a Shareholder, the Board of Directors will be asked to include the Proposal in the agenda for the general meeting.

3.3 The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(a) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires an ordinary resolution or a special resolution of the Company in an annual general meeting of the Company;

(b) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution of the Company in an extraordinary general meeting of the Company; and

(c) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of an ordinary resolution of the Company in an extraordinary general meeting of the Company.

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's principal place of business in Hong Kong at 27th Floor, CEO Tower, 77 Wing Hong Street, Kowloon, Hong Kong.

COMMUNICATION WITH SHAREHOLDERS

The management of the Group endeavours to maintain effective communications with the shareholders and potential investor. The Company meets the shareholders at the annual general meeting, publish interim and annual reports on the Company's website (www.timewatch.com.hk) and the Stock Exchange, and release press releases on the Company's website to keep the shareholders and potential investors abreast of the Group's business and development.

CONSTITUTIONAL DOCUMENTS

During FY2013 and up to the date of this report, save as the adoption of the amended and restated memorandum of association and articles of association by the then sole shareholder of the Company on 11 January 2013 (details of which are set out in the Prospectus), there is no change in the Company's constitutional documents.

UPDATES ON COMPLIANCE AND REGULATORY MATTERS AS DISCLOSED IN THE PROSPECTUS

As disclosed in the section headed "Our business – Litigation and compliance" of the Prospectus, during the three years ended 30 June 2012 and the three months ended 30 September 2012, the Group has failed to comply with certain applicable laws and regulations in the PRC and has entered into some lease agreements which may be defective. Set out below is the status of the remedial actions taken in relation to those non-compliance matters as at the date of this annual report:

CORPORATE GOVERNANCE REPORT

Failure to contribute to social insurance and housing provident fund

As disclosed in the Prospectus, Tian Wang Shenzhen failed to make full contributions into the social insurance and housing provident fund before the Listing Date. The Group has made up contributions for all entitled employees of Tian Wang Shenzhen in accordance with the PRC national laws and regulations since July 2012 and has incorporated an enforceable written policy for social insurance and housing provident fund contribution into its human resources management policy as stated in the Prospectus. As there is no established mechanism for enterprises to make up historical deficient contributions, particularly for those contributions which have been outstanding for a certain period of time, the Group has made provision, which cover for both of the employer's and the employee's portions of the unpaid social insurance and housing provident fund contributions, in the consolidated financial statements. As at the date of this report, the Group has not received any notification or orders from the relevant authorities in relation to the previously unpaid social insurance and housing provident fund.

Defects in relation to lease agreements of the Group

As set out in the Prospectus, the Group will strive to rectify the non-compliances or defects in lease agreements by procuring the registration of non-registered lease agreements by relevant lessors, the change of usage of relevant leased premises or the acquisition of relevant leased premises or obtaining title ownership certificates or written consents from relevant owners of the leased premises either (i) before the expiry of the relevant lease agreements; or (ii) (for leased properties which form part of the Group's POS network) within the 12 months from the Listing Date or (for leased properties which do not form part of the Group's POS network) within the six months from the Listing Date, whichever comes earlier, failing which the Group will, where necessary, negotiate with the relevant lessors for the early termination of the relevant lease agreements, and will relocate the Group's operations there from the relevant leased properties to the other suitable locations upon the expiry of the relevant lease agreements or (as the case may be) within the said 12-month period or 6-month period. As at the date of this annual report, save that the lease agreements for four representative offices remained unregistered and the usage of four leased premises used by the Group's joint venture companies remained inconsistent with the designated usage as stated under the relevant building ownership certificates, all the defects in respect of lease agreements for leased properties which do not form part of the Group's POS network have been rectified. As advised by the Company's PRC legal advisers, the aggregate maximum fine which the Group may be subject to for the four unregistered lease agreements is approximately RMB40,000. Having said that, the Group will continue to strive to rectify the above defects of the lease agreements as soon as possible in the manner as set out in the Prospectus. The Company shall continue to monitor the progress for rectifying the defects of lease agreements for leased properties which form part of the Group's POS network and update the results of rectification further as and when required under the Listing Rules.

The Board of Directors of the Company is pleased to present this annual report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for FY2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 32 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for less than 8% of the Group's total turnover of the year and purchase from the Group's five largest suppliers accounted for approximately 54.2% of the Group's total purchase of the year and purchase from the largest supplier of the Group accounted for approximately 15.3% of the total purchase of the year.

None of the Directors nor any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) of the Company had any interest in the Group's five largest customers or suppliers.

RESULTS AND DIVIDENDS

The results of the Group for FY2013 are set out in the consolidated statement of profit or loss on page 56 and the state of affairs of the Group as at 30 June 2013 are set out in the consolidated statement of financial position on page 57.

The Directors have recommended the payment of a final dividend of HK3.0 cents per Share for FY2013 amounting to approximately HK$62.4 million and the payment of a special dividend of HK2.0 cents per Share for FY2013, amounting to approximately HK$41.6 million. Subject to the approval of the shareholders at the forthcoming annual general meeting (the "Annual General Meeting") of the Company to be held on 18 November 2013, each as a separate resolution, the proposed final dividend and the proposed special dividend will be paid to Shareholders whose name appears on the register of members of the Company at the close of business on 22 November 2013. It is expected that the proposed final dividend and the proposed special dividend will be paid on or about 29 November 2013.

Before listing of the shares of the Company on the Main Board of the Stock Exchange on 5 February 2013, the Company declared and paid to its then holding company total dividends of approximately HK$70,541,000.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining members who are qualified for attending the Annual General Meeting, the register of members of the Company will be closed from 14 November 2013 to 18 November 2013 (both days inclusive), during which period no transfer of Share of the Company will be effected. In order to qualify for attending the Annual General Meeting, all transfers of Shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on 13 November 2013.

For the purpose of determing members who are qualified for each of the proposed final dividend for FY2013 and the proposed special dividend for FY2013, which is subject to approval by the shareholders, each as a special resolution, at the Annual General Meeting, the register of members of the Company will be closed on 22 November 2013, during which no transfer of Share of the Company will be effected. In order to qualify for the entitlement to the proposed final dividend and the proposed special dividend, all transfers of Shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at the above address for registration no later than 4:30 p.m. on 21 November 2013.

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

The Directors considered that the Company's reserves available for distribution to shareholders comprise the share premium and the retained earnings which amounted to approximately HK$600.3 million for FY2013 (FY2012: HK$48.7 million). Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

RETIREMENT BENEFIT SCHEMES

Details of retirement schemes of the Group are set out in note 28 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group did not acquire any land and buildings, paid for leasehold improvements at a cost of approximately HK$5.4 million, acquired furniture, fixtures and office equipment at a cost of approximately HK$1.8 million, tools, machinery, factory equipment and fittings at a cost of approximately HK$42.7 million and motor vehicles at a cost of approximately HK$2.3 million.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the issued share capital of the Company during the year are set out in note 24 to the consolidated financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Tung Koon Ming *(Chairman)*
Mr. Lo Wing Sang (appointed on 10 January 2013)
Mr. Hou Qinghai (appointed on 10 January 2013)
Mr. Tung Wai Kit

Independent Non-Executive Directors

Mr. Ma Ching Nam (appointed on 10 January 2013)
Dr. Tam Hok Lam Tommy (appointed on 10 January 2013 and resigned on 10 May 2013)
Mr. Wong Wing Keung Meyrick (appointed on 10 January 2013)
Mr. Choi Ho Yan (appointed on 10 May 2013)

In accordance with article 105(A) of the Company's articles of association, Mr. Tung Koon Ming, Mr. Lo Wing Sang and Mr. Tung Wai Kit will retire at the Annual General Meeting. In accordance with article 109 of the Company's articles of association, Mr. Choi Ho Yan, who was appointed as an independent non-executive Director on 10 May 2013, will also retire at the Annual General Meeting. Mr. Tung Koon Ming, Mr. Lo Wing Sang, Mr. Tung Wai Kit and Mr. Choi Ho Yan, being eligible, will offer themselves for re-election.

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Based on these confirmations, the Company considers that each of the independent non-executive Directors to be independent.

No Directors proposed for re-election at the Annual General Meeting of the Company has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors' fees are subject to Shareholders' approval at general meeting of the Company. Other emoluments are determined by the Board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group.

The remuneration of the senior management by band for FY2013 is set out below:

Remuneration bands	**Number of employees**
Below HK$1,000,000	3
HK$1,000,001 – HK$2,000,000	1

Further details of the Directors' remuneration and the five highest paid employees are set out in notes 8 and 9 to the consolidated financial statements respectively.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2013, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Name of Director	Name of Group member/associated corporation	Capacity/nature of interest	Number and class of securities *(note 1)*	Approximate percentage of shareholding
Mr. Tung Koon Ming ("Mr. Tung")	Company	Interest of controlled corporation *(note 2)*	1,411,245,000 Shares (L)	67.85%
	Red Rewarding Limited ("Red Rewarding")	Beneficial owner *(note 2)*	1 share of US$1.00 (L)	100%
	Time Watch Investments Private Limited ("Time Watch Singapore")	Interest of controlled corporation *(note 2)*	374,061,627 shares without a par value	100%
	Winning Metal Products Manufacturing Company Limited ("Winning Metal")	Interest of controlled corporation *(note 2)*	500,010 ordinary shares of HK$100 each and 10,000 non-voting deferred shares of HK$100 each	100%
	Red Glory Investments Limited ("Red Glory")	Interest of controlled corporation *(note 2)*	1 share of US$1.00 (L)	100%

notes:

1. The letter "L" denotes a long position in the shares of the Company or the relevant associated corporation.

2. These Company's Shares are held by Red Glory, which is a wholly-owned subsidiary of Winning Metal. Winning Metal is a wholly-owned subsidiary of Time Watch Singapore, which is a wholly-owned subsidiary of Red Rewarding. Red Rewarding is wholly owned by Mr. Tung. Mr. Tung is deemed to be interested in all the Shares in which Red Glory, Winning Metal, Time Watch Singapore and Red Rewarding are interested by virtue of the SFO.

Save as disclosed above, as at 30 June 2013, none of the Directors or the chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware of, as at 30 June 2013, the interests and short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of SFO were as follows:

Name of shareholders	Capacity/nature of interest	Number and class of securities *(note 1)*	Approximate percentage of shareholding
Red Glory	Beneficial owner *(note 2)*	1,411,245,000 Shares (L)	67.85%
Winning Metal	Interest of a controlled corporation *(note 2)*	1,411,245,000 Shares (L)	67.85%
Time Watch Singapore	Interest of a controlled corporation *(note 2)*	1,411,245,000 Shares (L)	67.85%
Red Rewarding	Interest of a controlled corporation *(note 2)*	1,411,245,000 Shares (L)	67.85%
Ms. Tam Fun Hung ("Ms. Tam")	Interest of spouse *(note 3)*	1,411,245,000 Shares (L)	67.85%
Orchid Asia V, LP	Beneficial owner *(note 4)*	174,256,000 Shares (L)	8.38%
OAV Holdings, L.P.	Interest of a controlled corporation *(note 4)*	174,256,000 Shares (L)	8.38%
Orchid Asia V GP, Limited	Interest of a controlled corporation *(note 4)*	174,256,000 Shares (L)	8.38%
Orchid Asia V Group Management, Limited	Interest of a controlled corporation *(note 4)*	174,256,000 Shares (L)	8.38%
Orchid Asia V Group, Limited	Interest of a controlled corporation *(note 4)*	174,256,000 Shares (L)	8.38%
Areo Holdings Limited	Interest of a controlled corporation *(note 4)*	217,149,000 Shares (L)	10.44%
Lam Lai Ming	Interest of a controlled corporation *(note 4)*	217,149,000 Shares (L)	10.44%
Li Gabriel	Interest of a controlled corporation *(note 4)*	217,149,000 Shares (L)	10.44%

1. The letter "L" denotes a person's long position in the Shares or underlying Shares of the Company.

2. These Shares are held by Red Glory, which is a wholly-owned subsidiary of Winning Metal. Winning Metal is a wholly-owned subsidiary of Time Watch Singapore, which was a wholly-owned subsidiary of Red Rewarding. Winning Metal, Time Watch Singapore and Red Rewarding are deemed to be interested in all the Shares in which Red Glory is interested by virtue of the SFO.

3. Ms. Tam is the spouse of Mr. Tung. Ms. Tam is taken to be interested in the Shares in which Mr. Tung is interested by virtue of the SFO. Details of Mr. Tung's interests in the Shares are disclosed in note 2 to the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" in this annual report.

4. So far as the Directors are aware of, these Shares were beneficial owned as to 174,256,000 Shares by Orchid Asia V, L.P., 5,280,000 Shares by Orchid Asia V Co-Investment, Limited, and 37,613,000 Shares by Orchid China Master Fund Limited. So far as the Directors are aware of, Orchid Asia V, L.P. was wholly-controlled by OAV Holdings, L.P., which was in turn wholly-owned by Orchid Asia V GP, Limited. Orchid Asia V GP, Limited was wholly-owned by Orchid Asia V Group Management, Limited, which was in turn wholly-owned by Orchid Asia V Group, Limited. Orchid Asia V Group, Limited was wholly-owned by Areo Holdings Limited.

   So far as the Directors are aware of, Orchid Asia V Co-Investment, Limited was also wholly-controlled by Areo Holdings Limited. Areo Holdings Limited was wholly-owned by Ms. Lam Lai Ming. Areo Holdings Limited is also controlled by Mr. Li Gabriel by virtue of his directorship therein. Accordingly, Ms. Lam Lai Ming and Mr. Li Gabriel were taken to be interested in the Shares in which Areo Holdings Limited was interested by virtue of the SFO.

   So far as the Directors are aware of, the entire voting shares of Orchid China Master Fund Limited was wholly-owned by Orchid China Management (Cayman) Limited, which was owned as to 65% by YM Investment Limited. Ms. Lam Lai Ming and Mr. Li Gabriel were also interested in YM Investment Limited as founders of a discretionary trust through ManageCorp Limited as trustee and accordingly, they are taken to be interested in the Shares in which Orchid China Master Fund Limited was interested by virtue of the SFO.

   Immediately after (i) YM Investment Limited disposed its entire interests in Orchid China Management (Cayman) Limited to an entity, which was wholly owned by YM Investment Limited on 16 July 2013; and (ii) YM Investment Limited disposed its entire interests in the entity referred in (i) above to a third party on the same date, the percentage of interests of each of Ms. Lam Lai Ming and Mr. Li Gabriel in the Shares was diluted to 8.63%. Please refer to the announcement of the Company dated 18 July 2013 for details of such disposals.

Save as disclosed above, as at 30 June 2013, no person (other than a Director or chief executive of the Company) had registered an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During FY2013, there was no material acquisition or disposal of subsidiaries or associated companies by the Company.

SHARE OPTION SCHEME

A share option scheme (the "Scheme") was conditionally approved by the then sole shareholder of the Company on 11 January 2013 for the purpose of providing incentives or rewards to eligible participants for their contribution to the Group.

Eligible participants of the Scheme include, (i) any employee (whether full time or part time, including any executive director) of the Company, its subsidiaries or invested entity; (ii) any non-executive directors (including independent non-executive directors) of the Company, its subsidiaries or invested entity; (iii) any supplier or customer of the Group or any invested entity; (iv) any person or entity that provides research, development or other technological support to the Group or any invested entity; (v) any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity; (vi) any advisor (professional or otherwise) or consultant to any area of business or business development of the Group or any invested entity; (vii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and (viii) any company wholly owned by one or more eligible participants as referred to in (i) to (vii) above.

The maximum number of Shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The maximum number of Shares issuable upon the exercise of options granted under the Scheme and any other share option scheme adopted by the Group (including both exercised or outstanding options) to each grantee within any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Share options granted to a Director, chief executive or substantial shareholder of the Company, or any of their associates must be approved by the independent non-executive Directors (excluding independent non-executive Director who or whose associates is the proposed grantee of the options).

In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company or to any of their associates, in excess of 0.1% of the Shares in issue at any time and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The total number of shares which may be issued upon exercise of all options (excluding for this purpose options which have lapsed) to be granted under the Scheme and any other share option schemes must not in aggregate exceed 200,000,000 shares, representing approximately 10% of shares in issue as at 5 February 2013, the date of which the shares of the Company were listed on the Stock Exchange.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, which period may commence from the date of the offer of the share options, and shall end on a date which is not later than 10 years from the date of grant of the share options subject to the provisions for early termination thereof.

The subscription price for the shares under the Scheme shall be determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

Subject to the earlier termination of the Scheme in accordance with the rules thereof, the Scheme will remain in force for a period of 10 years commencing on 11 January 2013, which was the date of adoption of the Scheme and will expire on 10 January 2023.

During FY2013, no share option was granted, exercised, cancelled or lapsed under the Scheme.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 30 to the consolidated financial statements and in the section headed "Continuing connected transactions" in this annual report, no Director had a material interest, whether directly or indirectly, in any contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, subsisting during or at the end of the year.

Save as disclosed in note 30 to the consolidated financial statements and in the section headed "Continuing connected transactions" in this annual report, no contract of significance had been entered into between the Company or any of its subsidiaries, and any controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 30 June 2013 and up to the date of this report, except for Mr. Tung Koon Ming who is one of the controlling shareholders (within the meaning of Listing Rules) of the Company currently engaging in Excluded Businesses (as defined in the Prospectus on page 240) and Exempted Business (as defined in the Prospectus at page 261), none of the Directors of the Company are considered to have direct or indirect interests in businesses which compete or are likely to compete with businesses of the Group pursuant to the Listing Rules.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

During FY2013, the Group has conducted the following continuing connected transactions which were required to be disclosed pursuant to Rule 14A.46 of the Listing Rules:

(a) Pursuant to a tenancy agreement entered into between Winning Asia Holdings Group Limited ("Winning Asia") and the Group dated 3 July 2012, the Group agreed to lease from Winning Asia a premises located at Hong Kong as the Group's head office for a term of three years commencing from 1 July 2012 (subject to the right for the Group to terminate the agreement by serving not less than one month prior written notice) at an annual rent of HK$4,080,000, inclusive of repairing and maintenance fee, government rent and rates, management fees, electricity and water bills and other fees in relation to the use of the premises but exclude other utility charges. During FY2013, the rent paid by the Group to Winning Asia for rental of the said premises for FY2013 was HK$4,080,000 (FY2012: nil).

As Winning Asia is a direct wholly-owned subsidiary of Winning Metal (a controlling shareholder and substantial shareholder of the Company), Winning Asia is a connected person of the Company.

(b) Pursuant to a tenancy agreement entered into between Mr. Tung Koon Ming ("Mr. Tung") (an executive Director and substantial shareholder of the Company) and the Group dated 1 July 2012, the Group agreed to lease from Mr. Tung a premises located at Guangzhou, PRC as the Group's representative office for a term of three years commencing from 1 July 2012 (subject to the right for the Group to terminate the agreement by serving not less than one month prior written notice) at an annual rent of RMB50,400, exclusive of water, electricity, management fee and other utility charges, rates, management fees and other fees in relation to the use of the premises. During FY2013, the rent paid by the Group to Mr. Tung for the said premises was RMB37,800 (FY2012: RMB32,068), which was less than the annual rent as the Group's representative office in Guangzhou was reallocated and therefore the tenancy agreement was terminated pursuant to the terms thereof in March 2013.

As Mr. Tung is an executive Director and substantial shareholder of the Company, Mr. Tung is a connected person of the Company.

(c) Pursuant to a tenancy agreement entered into between Zhengzhou Hengdi Investment Company Limited ("Zhengzhou Hengdi") and the Group dated 1 June 2012, the Group agreed to lease from Zhengzhou Hengdi a premises located at Zhengzhou, PRC for the Group's representative office for a term of three years commencing from 1 June 2012 (subject to the right for the Group to terminate the agreement by serving not less than one month prior written notice) at an annual rent of RMB90,000 exclusive of water, electricity, management fee and other utility charges, rates, management fees and other fees in relation to the use of the premises. During FY2013, the rent paid by the Group to Zhengzhou Hengdi for rental of the said premises for FY2013 was RMB90,000 (FY2012: RMB83,235).

As Zhengzhou Hengdi is wholly-owned by Mr. Tung, an executive Director and substantial shareholder of the Company, Zhengzhou Hengdi is a connected person of the Company.

(d) Pursuant to a distribution agreement entered into between Fortune Silver Holdings Limited ("Fortune Silver") and the Group dated 19 December 2012 and which shall be expired on 30 June 2015 unless terminated earlier by three months' written notice by either party, the Group agreed to sell its Tian Wang and Balco watches to Fortune Silver on consignment basis with the purchase price of each watch sold during the relevant calendar month to be determined by reference to a variable percentage discount to the recommended retail price of such watch in Hong Kong, in a sliding scale based on the quantity of watches sold during the relevant calendar month. During FY2013, the aggregate purchase price receivable from Fortune Silver amounted to approximately HK$19.1 million (FY2012: HK$11.5 million), representing approximately 1.0% of the total revenue of the Group (FY2012: 0.8%).

As Fortune Silver is owned as to 51% by Fine Jade International Limited, a direct wholly-owned subsidiary of Winning Metal (one of the Company's controlling shareholders), which, in turn, is wholly-owned by Mr. Tung, Fortune Silver is a connected person of the Company.

(e) Pursuant to a distribution agreement entered into between Time Watch Enterprise Company Limited ("Time Watch Taiwan") and the Group dated 19 December 2012 and which was expired on 30 June 2013 unless terminated earlier by three months' written notice by either party, the Group agreed to sell its Tian Wang and Balco watches to Time Watch Taiwan on wholesale basis with the purchase price of each watch under each purchase order to be determined by reference to a fixed percentage discount to the recommended retail price of each watch in Hong Kong at the time of the purchase order. During FY2013, the aggregate purchase price receivable from Time Watch Taiwan amounted to approximately HK$6.3 million (FY2012: HK$5.6 million), representing approximately 0.3% of the total revenue of the Group (FY2012: 0.4%).

As Time Watch Taiwan is owned as to 51% by Fortune Best International Enterprise Limited, which is owned as to 42% by Prince Success Limited, which, in turn, is wholly-owned by Mr. Tung, Time Watch Taiwan is a connected person of the Company.

The independent non-executive Directors have, for the purpose of Rule 14A.37 of the Listing Rules, reviewed and confirmed that the aforementioned continuing connected transactions undertaken by the Group were entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. Deloitte Touche Tohmatsu, auditors of the Company, has issued a letter to the Company to confirm the matters stated in Rule 14A.38 of the Listing Rules.

The Company also confirmed that it has complied with the disclosure requirements as applicable to the aforementioned continuing connected transactions under Chapter 14A of the Listing Rules.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the IPO of the Company in February 2013, after the deduction of expenses, amounted to approximately HK$742.0 million which comprise approximately HK$640.0 million from the global offering and approximately HK$102.0 million from the partial exercise of over-allotment option, of which approximately HK$223.1 million had been utilised in FY2013.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that save as disclose below, the Company has maintained a sufficient public float as required under the Listing Rules during FY2013 and up to the latest practicable date prior to the issue of this annual report.

Based on the notices filed by Mr. Li Gabriel ("Mr. Li") and his spouse, Ms. Lam Lai Ming ("Ms. Lam") to the Stock Exchange pursuant to section 324 of the SFO on 3 June 2013, Mr. Li and Ms. Lam acquired, through companies controlled by them, interests in 800,000 Shares on 31 May 2013 (the "Acquisition"), and as a result of which their then interests in Shares increased from 207,475,000 Shares (representing about 9.98% of the issued share capital of the Company) to 208,275,000 Shares (representing about 10.01% of the issued share capital of the Company as of 31 May 2013). As a result of the Acquisition, each of Mr. Li and Ms. Lam has become a substantial shareholder (within the meaning of the Listing Rules), thus a connected person, of the Company. Pursuant to Rule 8.24 of the Listing Rules, the then 208,275,000 Shares held by Mr. Li, Ms. Lam and/or their respective associates shall no longer be regarded as being held "in public hands". As Mr. Tung Koon Ming ("Mr. Tung"), the Company's executive Director and controlling shareholder, through various companies owned and controlled by him, is interested in 1,405,274,000 Shares as at 31 May 2013, representing about 67.56% of the total issued Shares as of that date, the public float of the Shares as at 31 May 2013 dropped from about 32.44% to about 22.43%, which was below the prescribed percentage of 25% under Rule 8.08 of the Listing Rules as a result of the Acquisition. Based on the notices filed by Mr. Li and Ms. Lam to the Stock Exchange pursuant to section 324 of the SFO on 16 July 2013, their interest in Shares decreased from 217,649,000 Shares (representing about 10.46% of the total issued Shares as at that date) to 179,536,000 Shares (representing about 8.63% of the total issued Shares as at that date) on 16 July 2013. To the best of the knowledge, information and belief of the Directors after making reasonable enquiry, the 38,113,000 Shares to which Mr. Li and Ms. Lam ceased to have interests are currently owned by Orchid China Master Fund Limited ("OCMFL"), the entire voting shares of which are wholly owned by Orchid China Management (Cayman) Limited ("OCMCL"), a company which was, immediately prior to the Disposal (as defined below), owned as to 65% by YM Investment Limited, which is held by a discretionary trust founded by Ms. Lam and Mr. Li with ManageCorp Limited as trustee. On 16 July 2013, (i) YM Investment Limited disposed its entire interests in OCMCL to an entity (the "Entity"), which was wholly owned by YM Investment Limited; and (ii) on the same date, YM Investment Limited disposed its entire interests in the Entity to a third party (together with its ultimate beneficial owner, the "TP Purchaser") (the "Disposal"). The TP Purchaser is independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associate nor an associate (within the meaning of the Listing Rules) of the Orchid Investors, Mr. Li and Ms. Lam. As a result, Mr. Li and Ms. Lam ceased to exercise, or control the exercise of, the voting power attached to the 38,113,000 Shares held by OCMFL. Following the Disposal, Mr. Li, and Ms. Lam, through companies owned and/or controlled by them, are interested in 179,536,000 Shares, representing about 8.63% of the entire issued share capital of the Company, and have therefore ceased to be substantial shareholders (within the meaning of the Listing Rules) and connected persons of the Company. Accordingly, the 179,536,000 Shares held by Mr. Li, Ms. Lam and/or their respective associates shall be regarded as being held "in public hands" and more than 25% of the Shares is in the public hands, which is in compliance with the prescribed percentage of 25% under Rule 8.08 of the Listing Rules. Please refer to the announcements of the Company dated 8 July 2013 and 18 July 2013 for details of the insufficiency of public float and the restoration thereof.

DIRECTORS' REPORT

DONATIONS

The Group's charitable and other donations for FY2013 amounted to approximately HK$1.6 million (FY2012: nil), which comprised approximately HK$1.0 million donated to the Community Chest of Hong Kong, and approximately HK$0.6 million donated to the Ministry of Education in Dabu village, Guangdong Province in the PRC to build a school for the children there. No donations were made to political parties.

FOUR YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past four financial years is set out on page 111 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 30 June 2013 and up to the date of this annual report.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 31 to page 41 of this Annual Report.

AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the management and the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including review of the audited financial statements for FY2013.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws in the Cayman Islands, the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDITORS

The Company has appointed Deloitte Touche Tohmatsu as auditors of the Company for FY2013 which will retire as the Company's auditors at the end of the forthcoming Annual General Meeting of the Company, and being eligible, will offer themselves for re-appointment. A resolution to re-appoint. Deloitte Touche Tohmatsu as auditors of the Company for the year ending 30 June 2014 will be proposed at the forthcoming Annual General Meeting of the Company.

On behalf of the Board

Tung Koon Ming
Chairman
Hong Kong, 27 September 2013

Deloitte.
德勤

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

TO THE MEMBERS OF TIME WATCH INVESTMENTS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Time Watch Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 56 to 110, which comprise the consolidated statement of financial position as at 30 June 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 September 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2013

	notes	2013 HK$'000	2012 HK$'000
Revenue	7	**1,912,235**	1,524,779
Cost of sales		**(752,878)**	(606,319)
Gross profit		**1,159,357**	918,460
Other gains and income	10	**16,843**	9,559
Other expenses	10	**(25,740)**	(17,930)
Selling and distribution costs		**(758,943)**	(575,791)
Administrative expenses		**(91,371)**	(83,798)
Finance costs	11	**(8,104)**	(6,010)
Profit before taxation		**292,042**	244,490
Income tax	12	**(76,733)**	(55,955)
Profit for the year	13	**215,309**	188,535
Other comprehensive income which will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**25,749**	4,462
Total comprehensive income for the year		**241,058**	192,997
Profit for the year attributable to:			
Owners of the Company		**213,551**	184,093
Non-controlling interests		**1,758**	4,442
		215,309	188,535
Total comprehensive income attributable to:			
Owners of the Company		**237,914**	188,484
Non-controlling interests		**3,144**	4,513
		241,058	192,997
Earnings per share	15		
– Basic (HK cents)		**12.4**	12.3
– Diluted (HK cents)		**12.4**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	notes	**2013 HK$'000**	2012 HK$'000
Non-current assets			
Property, plant and equipment	16	**69,868**	47,297
Deferred tax assets	25	**12,023**	12,000
		81,891	59,297
Current assets			
Inventories	18	**442,097**	466,370
Trade receivables	19	**340,529**	233,221
Other receivables, deposits and prepayments	19	**68,518**	56,129
Amounts due from fellow subsidiaries	17	**–**	834
Amount due from a related company	17	**–**	60
Short-term deposit	20	**150,000**	–
Bank balances and cash	20	**537,240**	156,512
		1,538,384	913,126
Current liabilities			
Trade payables and bills payable	21	**105,372**	120,354
Other payables and accrued charges	21	**82,048**	73,501
Amount due to a director	22	**–**	33,483
Amounts due to fellow subsidiaries	22	**–**	316
Tax liabilities		**29,343**	19,154
Bank borrowings	23	**40,511**	285,520
Financial guarantee liability	31(i)	**–**	4,000
		257,274	536,328
Net current assets		**1,281,110**	376,798
Total assets less current liabilities		**1,363,001**	436,095
Capital and reserves			
Share capital	24	**207,995**	100
Reserves		**1,078,493**	377,019
Equity attributable to owners of the Company		**1,286,488**	377,119
Non-controlling interests		**45,960**	37,829
Total equity		**1,332,448**	414,948
Non-current liabilities			
Deferred tax liabilities	25	**30,553**	21,147
		1,363,001	436,095

The consolidated financial statements on pages 56 to 110 were approved and authorised for issue by the Board of Directors on 27 September 2013 and are signed on its behalf by:

Mr. Tung Koon Ming
DIRECTOR

Mr. Lo Win Sang
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

	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$'000* *(note c)*	Accumulated profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
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 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 financing guarantee to ultimate holding company	–	–	–	(6,000)	–	–	–	–	(6,000)	–	(6,000)
Issue of shares on the Reorganisation credited as fully paid	100	66,727	(66,827)	–	–	–	–	–	–	–	–
Net contribution from an intermediate holding company *(note b)*	–	–	32,855	–	–	–	–	(31,731)	1,124	–	1,124
Deemed distribution upon completion of the Reorganisation *(note d)*	–	–	(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
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**213,551**	**213,551**	**1,758**	**215,309**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**24,363**	**–**	**–**	**24,363**	**1,386**	**25,749**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**24,363**	**–**	**213,551**	**237,914**	**3,144**	**241,058**
Appropriation to reserve	**–**	**–**	**–**	**–**	**–**	**–**	**1,136**	**(1,136)**	**–**	**–**	**–**
Dividends recognised as distribution during the year *(note 14)*	**–**	**(66,727)**	**–**	**–**	**–**	**–**	**–**	**(3,814)**	**(70,541)**	**–**	**(70,541)**
Dividends declared by a subsidiary to non-controlling shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,992)**	**(2,992)**
Issue of shares	**57,995**	**724,932**	**–**	**–**	**–**	**–**	**–**	**–**	**782,927**	**–**	**782,927**
Capitalisation issue	**149,900**	**(149,900)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transaction costs attributable to issue of new shares	**–**	**(40,931)**	**–**	**–**	**–**	**–**	**–**	**–**	**(40,931)**	**–**	**(40,931)**
Contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,979**	**7,979**
At 30 June 2013	**207,995**	**534,101**	**–**	**(234,378)**	**–**	**57,223**	**16,363**	**705,184**	**1,286,488**	**45,960**	**1,332,448**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

notes:

(a) During the year ended 30 June 2009, Sky Sun Investments Limited ("Sky Sun") and Win Sun International Limited ("Win Sun") were incorporated and acted as the holding company of Tian Wang Electronics (Shenzhen) Company Limited ("Tian Wang Shenzhen") and Ye Guang Li Electronics (Meizhou) Company Limited ("Ye Guang Li"). As at 1 July 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. 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 of approximately HK$6,000,000 is recognised as deemed distribution to the shareholder at initial recognition. The details of the financial guarantees are set out in note 31(i). As at 1 July 2012 and 30 June 2013, special reserve also includes the effect of the completion of the organisation on 1 June 2012 (the "Reorganisation"). The details of the Reorganisation are set out in the note 1 and the prospectus dated 24 January 2013 issued by the Company.

(b) "Net contribution from a group company" represents net amount received by the Group in respect of operations carried out by Winning Metal Products Manufacturing Company Limited ("Winning Metal"), an intermediate holding company, which is not attributable to watch movements trading business ("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) The statutory surplus reserves represent enterprise development and general reserve fund appropriated from the profit after taxation of subsidiaries established in the People's Republic of China ("PRC").

(d) The deemed distribution upon completion of the transfer of Watch Movements Trading Business to Win Source Trading Limited ("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 STATEMENT OF CASH FLOWS

For the year ended 30 June 2013

	2013 *HK$'000*	2012 *HK$'000*
OPERATING ACTIVITIES		
Profit before taxation	**292,042**	244,490
Adjustments for:		
Allowance for obsolete inventories	**5,128**	12,935
Depreciation of property, plant and equipment	**27,490**	22,019
Interest expenses	**8,104**	6,010
Financial guarantee income	**(4,000)**	(2,000)
Interest income	**(3,000)**	(2,209)
Loss (gain) on disposal and write off of property, plant and equipment	**3,937**	(647)
Operating cash flows before movements in working capital	**329,701**	280,598
Decrease (increase) in inventories	**35,605**	(178,790)
Increase in trade receivables	**(100,412)**	(60,083)
Increase in other receivables, deposits and prepayments	**(10,859)**	(12,790)
Decrease in amount due from related companies	**60**	1,533
(Decrease) increase in trade payables and bills payable	**(18,550)**	30,853
Decrease in other payables and accrued charges	**(995)**	(7,917)
Cash generated from operations	**234,550**	53,404
Interest received	**2,470**	2,209
Income tax paid	**(59,001)**	(50,940)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**178,019**	4,673
INVESTING ACTIVITIES		
New short-term deposit placed	**(150,000)**	–
Purchases of property, plant and equipment	**(52,220)**	(32,811)
Proceeds from disposal of property, plant and equipment	**200**	13,617
Advance to ultimate holding company	**–**	(48,060)
Advance to a director	**–**	(3,825)
Advance to fellow subsidiaries	**–**	(11,491)
Repayment from fellow subsidiaries	**834**	15,625
NET CASH USED IN INVESTING ACTIVITIES	**(201,186)**	(66,945)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2013

	2013 HK$'000	2012 HK$'000
FINANCING ACTIVITIES		
Dividends paid	**(70,541)**	–
Proceeds from issue of shares	**782,927**	–
Share issue expenses	**(40,931)**	–
Contribution from non-controlling shareholders of subsidiaries	**7,979**	16,903
Interest paid	**(8,104)**	(5,923)
Borrowings raised	**335,064**	684,152
Repayment of bank borrowings	**(580,490)**	(592,081)
Repayment of obligations under finance leases	**–**	(361)
Advance from a director	**7,406**	–
Repayment to a director	**(40,889)**	–
Repayment to intermediate holding company	**–**	(9,426)
Advance from fellow subsidiaries	**–**	11,361
Repayment to fellow subsidiaries	**(316)**	(226)
Advance from a non-controlling shareholder of a subsidiary	**5,056**	–
NET CASH FROM FINANCING ACTIVITIES	**397,161**	104,399
NET INCREASE IN CASH AND CASH EQUIVALENTS	**373,994**	42,127
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**156,512**	110,063
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**6,734**	4,322
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**537,240**	156,512

1. GROUP REORGANISATION AND BASIS OF PREPARATION

The Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on 21 September 2011. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 5 February 2013. Its immediate holding company is Red Glory Investments Limited ("Red Glory"), a company incorporated in the British Virgin Islands ("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"), a director of the Company. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1 – 1111, Cayman Islands and the principal place of business is 27th Floor, CEO Tower, 77 Wing Hong Street, Kowloon, Hong Kong.

The Company is an investment holding company. Details of the principal activities of its subsidiaries are set out in note 32.

In the preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 1 June 2012. The details of the Reorganisation are set out in the prospectus dated 24 January 2013 issued by the Company. The Company and its subsidiaries (including the Watch Movements Trading Business) have been under the common control of Mr. Tung throughout the year ended 30 June 2012 or since their respective date of incorporation or establishment, where there is a shorter period and that control is not transitory.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements have 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 Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 30 June 2012 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 year ended 30 June 2012, or since their respective dates of incorporation or establishment, where there is a shorter period.

During the year ended 30 June 2012, the Watch Movements Trading Business of the Group was 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 consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2012 includes all of the Group's activities in doing Watch Movements Trading Business. 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 income and expenses of Winning Metal are included in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2012.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

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

The Group has applied all the standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's financial period beginning on 1 July 2012.

The Group has not early adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") that have been issued but are not yet effective.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 cycle[1]
Amendments to HKFRS 1	Government loans[1]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	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 (Revised 2011)	Employee benefits[1]
HKAS 27 (Revised 2011)	Separate financial statements[1]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[3]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[3]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[3]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[1]
HK(IFRIC) – INT 21	Levies[3]

[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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (cont'd)

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (Revised 2011) and HKAS 28 (Revised 2011).

Key requirements of HKFRS 10, HKFRS 11 and HKFRS 12 are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for the Group's annual period beginning on 1 July 2013 and that the application of the new standards is not expected to have material impact on the amounts reported in the consolidated financial statements but will result in more disclosures in the consolidated financial statements.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for properties, which are measured at revalued amounts, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate 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 consolidated financial statements incorporate 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 comparative amounts in the consolidated statement of profit or loss and other 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 statement 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 statement of financial position at their revalued amount, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant and equipment (cont'd)

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.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currencies (cont'd)

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 consolidated financial statements, 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. 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. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other 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 consolidated financial statements 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Taxation (cont'd)

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 asset is realised or liability is settled, 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 statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Financial assets (cont'd)

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. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, amounts due from fellow subsidiaries and a related company, short-term deposit, bank balances and cash) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Impairment of financial assets (cont'd)

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

Debt 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 Group after deducting all of its liabilities. Equity instruments issued by 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 a director and fellow subsidiaries and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Financial liabilities and equity instruments (cont'd)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment losses on tangible assets (cont'd)

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 the 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 financial year.

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 the reporting period and provides necessary allowance if the net realisable value is estimated to be below the cost.

Allowances for obsolete inventories of approximately HK$5,128,000 (2012: HK$12,935,000) was provided during the year ended 30 June 2013.

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. No allowance for bad and doubtful debts was made for the year ended 30 June 2013 (2012: nil).

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 23, 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.

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6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2013 **HK$'000**	2012 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,045,755**	403,306
Financial liabilities		
Amortised cost	**186,253**	486,702
Financial guarantee liability	**–**	4,000

Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables and deposits, amounts due from fellow subsidiaries and a related company, short-term deposit, bank balances and cash, trade payables and bills payable, other payables and accrued charges, amounts due to a director and fellow subsidiaries, bank borrowings and financial guarantee liability. 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 receivables, other receivables and deposits, 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 the reporting period are as follows:

	Assets		**Liabilities**	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
HK$	**311,633**	36,454	**3,059**	13,379
RMB	**225**	734	**–**	–
CHF	**4,681**	5,122	**10,730**	3,618

6. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Currency risk (cont'd)

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	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**556,109**	63,456	**227,386**	88,149
RMB	**–**	12	**16,792**	15,318
CHF	**11,672**	24,757	**–**	–

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 sensitivity to a 5% increase and decrease in RMB against HK$, HK$ against RMB and CHF against HK$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items as well as amounts due from and to group entities where the denomination of the balance is in a foreign currency of the group entity. A positive (2012: negative) number below indicates an increase (2012: a decrease) in post-tax profit for the year where the HK$ 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.

	2013	2012
	HK$'000	*HK$'000*
Increase (decrease) in post-tax profit for the year	**24,731**	(140)

Interest rate risk

The Group's fair value interest rate relates primarily to the fixed rate short-term deposit. The Group is also exposed to cash flow interest rate risk relates to the bank balances as well as variable rate bank borrowings (note 23 for details of bank borrowings). The bank borrowings were mainly exposed to fluctuation of Hong Kong Interbank Offering Rate.

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.

6. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Interest rate risk (cont'd)

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 the reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. 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 2013 and 2012 would be:

	2013	2012
	HK$'000	*HK$'000*
Decrease/increase	**152**	1,192

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 statement 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 31.

The Group had no concentration of credit risk in respect of trade receivables, with exposure spread over a number of counterparties.

In order to minimise the credit risk, 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 the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management of the Group considers that the Group's credit risk is significantly reduced. For the financial guarantees, those guarantees were provided to related companies and management of the Group continuously monitored 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 would not suffer significant credit losses as a result of the failure of the guaranteed parties on the repayment of the relevant loans. The financial guarantees were released by the bank during the year ended 30 June 2013.

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.

6. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Liquidity risk

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

The following table details the Group'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 can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Repayable on demand or less than 3 months	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2013				
Non-derivative financial liabilities				
Trade payables and bills payable	**N/A**	**105,372**	**105,372**	**105,372**
Other payables and accrued charges	**N/A**	**40,370**	**40,370**	**40,370**
Bank borrowings	**2.21**	**40,511**	**40,511**	**40,511**
		186,253	**186,253**	**186,253**
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

6. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

The amounts included above for financial guarantee liability were 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 30 June 2012, 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 guarantee 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 31.

Bank borrowings 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 2013, the aggregate carrying amount of these bank loans of amounted to HK$40,511,000 (2012: HK$285,520,000). 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$40,644,000 (2012: HK$295,309,000).

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:

	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 2013	**2.21**	**37,473**	**3,171**	**–**	**–**	**–**	**40,644**	**40,511**
As at 30 June 2012	3.62	206,659	12,456	10,687	17,777	47,730	295,309	285,520

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 consolidated financial statements 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, the chief executive officer 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 2013

	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	1,231,497	150,108	282,061	248,569	1,912,235
Inter-segment sales	–	–	40,789	–	40,789
Segment revenue	1,231,497	150,108	322,850	248,569	1,953,024
Elimination					(40,789)
Group revenue					1,912,235
Results					
Segment results	330,797	8,774	8,708	10,315	358,594
Interest income					3,000
Financial guarantee income					4,000
Central administration costs					(65,448)
Finance costs					(8,104)
Profit before taxation					292,042

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For the year ended 30 June 2013

7. REVENUE AND SEGMENT INFORMATION (cont'd)

Segment revenue and results (cont'd)

Year ended 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
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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent 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.

7. REVENUE AND SEGMENT INFORMATION (cont'd)

Segment assets and liabilities

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

As at 30 June 2013

	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	585,198	119,611	58,930	157,273	921,012
Short-term deposit					150,000
Bank balances and cash					537,240
Deferred tax assets					12,023
Consolidated total assets					1,620,275
LIABILITIES					
Segment liabilities	112,993	19,164	24,012	27,593	183,762
Tax liabilities					29,343
Bank borrowings					40,511
Deferred tax liabilities					30,553
Other liabilities					3,658
Consolidated total liabilities					287,827

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For the year ended 30 June 2013

7. REVENUE AND SEGMENT INFORMATION (cont'd)

Segment assets and liabilities (cont'd)

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

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

- all assets are allocated to operating segments, other than amounts due from fellow subsidiaries and a related company, deferred tax assets, short-term deposit and bank balances and cash.

- all liabilities are allocated to operating segments, other than tax liabilities, amounts due to a director and fellow subsidiaries, bank borrowings, financial guarantee liability, deferred tax liabilities and certain corporate liabilities.

7. REVENUE AND SEGMENT INFORMATION (cont'd)

Other segment information

Year ended 30 June 2013

	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	**41,396**	**6,314**	**973**	**3,537**	**–**	**52,220**
Allowance (reversal of allowance) for obsolete inventories	**2,995**	**3,133**	**(1,000)**	**–**	**–**	**5,128**
Depreciation of property, plant and equipment	**23,741**	**1,320**	**644**	**1,785**	**–**	**27,490**
Loss on disposal and write off of property, plant and equipment	**3,810**	**–**	**127**	**–**	**–**	**3,937**

Year ended 30 June 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	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	921	2,385	–	22,019
Loss (gain) on disposal and write off of property, plant and equipment	3,070	136	(3,716)	(137)	–	(647)

7. REVENUE AND SEGMENT INFORMATION (cont'd)

Information about major customers

There is no single customer contributing over 10% of total revenue of the Group for the years ended 30 June 2013 and 2012.

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:

	2013	2012
	HK$'000	*HK$'000*
Hong Kong and others	**315,466**	271,860
The PRC	**1,596,769**	1,252,919
	1,912,235	1,524,779

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

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**4,046**	4,045
The PRC	**65,822**	43,252
	69,868	47,297

8. DIRECTORS' REMUNERATION

Details of the remuneration paid or payable to the Company's directors were as follows:

	Mr. Tung	Mr. Tung Wai Kit	Mr. Hou Qing Hai	Mr. Lo Wing Sang	Dr. Tam Hok Lam Tommy	Mr. Choi Ho Yan	Mr. Wong Wing Keung Meyrick	Mr. Ma Ching Nam	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note b)	*(note c)*	*(note d)*	*(note d)*	*(note e)*	*(note f)*	*(note g)*	*(note g)*	
For the year ended 30 June 2013									
Fee	**45**	**45**	**45**	**45**	**74**	**37**	**112**	**112**	**515**
Salaries and allowances	**3,600**	**428**	**542**	**1,484**	**–**	**–**	**–**	**–**	**6,054**
Bonus *(note a)*	**–**	**87**	**675**	**832**	**–**	**–**	**–**	**–**	**1,594**
Contributions to retirement benefit scheme	**15**	**15**	**–**	**15**	**–**	**–**	**–**	**–**	**45**
Total remuneration	**3,660**	**575**	**1,262**	**2,376**	**74**	**37**	**112**	**112**	**8,208**
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 benefit scheme	12	12	–	11	–	–	–	–	35
Total remuneration	20,372	413	689	1,247	–	–	–	–	22,721

notes:

(a) Incentive performance bonuses were 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) Mr. Tung is also the chief executive officer of the Group and his emoluments disclosed above included those for services rendered by him as the chief executive officer. Based on the service contract entered into between Mr. Tung and the Company on 1 July 2012 for his appointment as the chief executive officer of the Group, Mr. Tung is only entitled to discretionary performance bonus with effect from 1 July 2013.

(c) Mr. Tung Wai Kit was appointed on 21 September 2011.

(d) Mr. Hou Qing Hai and Mr. Lo Wing Sang were appointed on 10 January 2013.

(e) Dr. Tam Hok Lam Tommy was appointed on 10 January 2013 and resigned on 10 May 2013.

(f) Mr. Choi Ho Yan was appointed on 10 May 2013.

(g) Mr. Wong Wing Keung Meyrick and Mr. Ma Ching Nam were appointed on 10 January 2013.

During both years, 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 has waived any remuneration in both years.

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9. EMPLOYEES' EMOLUMENTS

The five highest paid individuals include three directors of the Company for the year ended 30 June 2013 (2012: three). The emoluments of the remaining two individuals for the year ended 30 June 2013 (2012: two) are as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	**2,413**	1,519
Contributions to retirement benefit scheme	**81**	24
	2,494	1,543

The emoluments of the individuals with the highest emoluments are within the following bands:

	2013 Number of individuals	2012 Number of individuals
HK$nil to HK$1,000,000	**1**	2
HK$1,500,001 to HK$2,000,000	**1**	–

During both years, no emoluments are paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group.

10. OTHER GAINS AND INCOME/OTHER EXPENSES

	2013 HK$'000	2012 HK$'000
Other gains and income		
Bank interest income	**3,000**	698
Interest income from a director	**–**	1,511
Financial guarantee income	**4,000**	2,000
Others	**9,843**	5,350
	16,843	9,559
Other expenses		
Listing expenses	**25,740**	17,930

11. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
The finance costs represent interests on:		
Bank borrowings wholly repayable within five years	**8,104**	5,923
Finance leases	**–**	87
	8,104	6,010

12. INCOME TAX

	2013 HK$'000	2012 HK$'000
Current tax:		
PRC Enterprise Income Tax	**62,804**	51,886
PRC withholding tax	**4,971**	4,318
	67,775	56,204
(Over) underprovision in prior years:		
PRC Enterprise Income Tax	**(425)**	40
	67,350	56,244
Deferred taxation *(note 25)*	**9,383**	(289)
	76,733	55,955

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

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 both years, 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%, except for Tian Wang Shenzhen.

Tian Wang Shenzhen obtained the qualification as a high and new technology enterprise on 23 February 2011, which is valid for three years, and 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 both years is 15%.

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12. INCOME TAX (cont'd)

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 has 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 25.

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

	2013	2012
	HK$'000	*HK$'000*
Profit before taxation	**292,042**	244,490
Tax at the PRC Enterprise Income Tax rate of 25%	**73,011**	61,123
Tax effect of expenses not deductible for tax purpose	**13,629**	5,025
Tax effect of income not taxable for tax purpose	**(28)**	(1,338)
Income tax on concession and preferential tax rates	**(29,022)**	(30,189)
Tax effect of tax loss not recognised	**9,119**	9,265
Tax effect of utilisation of tax losses previously not recognised	**(109)**	–
(Over) underprovision in prior years	**(425)**	40
Additional tax benefit to the Group *(note)*	**(3,819)**	–
Withholding tax for distributable earnings of PRC subsidiaries	**14,377**	12,029
Tax charge for the year	**76,733**	55,955

note: Pursuant to the relevant tax rules and regulation, expenses in research nature are deductible at 150% of the cost incurred. The related tax benefit amounted to HK$3,819,000 for the year ended 30 June 2013 (2012: nil).

13. PROFIT FOR THE YEAR

	2013 *HK$'000*	2012 *HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**2,981**	1,500
Directors' remuneration *(note 8)*		
Fees	**515**	–
Other emoluments	**7,648**	22,686
Retirement benefits scheme contributions	**45**	35
	8,208	22,721
Other staff costs	**193,656**	166,251
Retirement benefits scheme contributions	**23,469**	13,081
Total staff costs	**225,333**	202,053
Depreciation of property, plant and equipment		
Owned assets	**27,490**	21,876
Leased assets	**–**	143
Cost of inventories recognised as cost of sales	**709,324**	558,477
Research and development cost recognised as cost of sales	**38,426**	34,907
Allowance for obsolete inventories recognised as cost of sales	**5,128**	12,935
Loss (gain) on disposal and write off of property, plant and equipment	**3,937**	(647)
Concessionaire fee *(note)*	**374,116**	282,463
Operating lease payment in respect of shop counters and shops	**29,161**	14,686
Operating lease payment for office premises and factories	**6,727**	1,465
Net foreign exchange (gain) loss	**(3,623)**	1,060

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.

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14. DIVIDENDS

During the year ended 30 June 2013, the Company declared and paid a total dividends of HK$70,541,000 (2012: nil) to its immediate holding company.

The final and special dividends for the year ended 30 June 2013 of HK3 cents (2012: nil) and HK2 cents (2012: nil) per share and amounting to approximately HK$62,398,000 (2012: nil) and HK$41,599,000 (2012: nil) have been proposed by the board of directors and subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

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

	2013	2012
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**213,551**	184,093
	'000	*'000*
Numbers of shares:		
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**1,725,846**	1,500,000
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	**1,725,846**	N/A

The weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share has been adjusted for the effect of the Reorganisation as set out in note 1 and the capitalisation issue of 1,499,000,000 shares on 5 February 2013 as set out in note 24.

The over-allotment options of the Company did not have a dilutive effect to the Company's earnings per share during the year ended 30 June 2013 because the exercise price of such option was higher than the average market prices of the Company's share during the period when the option was exercisable. The over-allotment options were expired during the year ended 30 June 2013. No diluted earnings per share has been presented as there was no potential share ordinary outstanding during the year ended 30 June 2012.

16. PROPERTY, PLANT AND EQUIPMENT

	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*
COST OR VALUATION							
At 1 July 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	–	645	92	247	296	2,864	4,144
Additions	–	5,367	397	1,819	2,297	42,340	52,220
Disposals and written off	–	–	–	(12)	(403)	(11,028)	(11,443)
At 30 June 2013	**–**	**20,952**	**2,859**	**8,821**	**15,005**	**95,413**	**143,050**
DEPRECIATION							
At 1 July 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	–	494	38	121	138	1,375	2,166
Provided for the year	–	3,481	374	819	1,852	20,964	27,490
Eliminated on disposals and written off	–	–	–	(4)	(76)	(7,226)	(7,306)
At 30 June 2013	**–**	**15,151**	**1,264**	**3,947**	**6,847**	**45,973**	**73,182**
CARRYING VALUES							
At 30 June 2012	–	3,764	1,518	3,756	7,882	30,377	47,297
At 30 June 2013	**–**	**5,801**	**1,595**	**4,874**	**8,158**	**49,440**	**69,868**

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16. PROPERTY, PLANT AND EQUIPMENT (cont'd)

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 lease terms
Machinery	10% – 20%
Furniture, fixtures and equipment	10% – 20%
Motor vehicles	10% – 20%
Light boxes	33%

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

17. AMOUNTS DUE FROM FELLOW SUBSIDIARIES AND A RELATED COMPANY

Name of the related party	**2013**	2012	**Maximum amount outstanding during the year**
	HK$'000	*HK$'000*	***HK$'000***
Amounts due from fellow subsidiaries:			
Balco Electronic (Zhuhai) Company Limited	–	30	**30**
Fine Jade International Limited	–	175	**175**
Fortune Silver Holdings Limited	–	165	**165**
Master Wave Limited	–	3	**3**
Win Ford (BVI) Investments Limited	–	10	**10**
Time Watch (Zheng Zhou) Property Management Company Limited ("Time Watch Zheng Zhou")	–	36	**36**
Goldford International Limited	–	141	**141**
Grand Ocean Industrial Limited	–	44	**44**
Winning Asia Holdings Group Limited ("Winning Asia")	–	230	**230**
	–	834	
Amount due from a related company			
Eastern Glory Enterprise Limited ("Eastern Glory")	–	60	**60**

Amounts due from fellow subsidiaries were unsecured, interest-free and had no fixed terms of repayment.

Eastern Glory is a jointly controlled entity of the Company's intermediate holding company with 47% equity interests. Amount due from Eastern Glory was unsecured, interest-free and repayable on demand.

18. INVENTORIES

	2013	2012
	HK$'000	*HK$'000*
Raw materials and consumables	**41,309**	60,914
Work in progress	**11,280**	22,936
Finished goods	**389,508**	382,520
	442,097	466,370

During the year ended 30 June 2013, certain inventories previously provided for impairment were sold and hence, allowance for obsolete inventories of HK$1,329,000 (2012: HK$1,835,000) was reversed.

19. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables from third parties	**332,557**	227,956
Trade receivables from fellow subsidiaries	**6,563**	3,469
Trade receivable from a related company	**1,842**	2,226
Less: allowance for doubtful debts	**(433)**	(430)
	340,529	233,221
Other receivables, deposits and prepayments	**68,518**	56,129
Total trade and other receivables	**409,047**	289,350

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.

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For the year ended 30 June 2013

19. TRADE AND OTHER RECEIVABLES (cont'd)

The following is an aged analysis of trade receivables from third parties net of allowance for doubtful debts presented based on the date of delivery of goods, which approximates to the respective date of revenue recognition, at the end of the reporting period:

	2013	2012
	HK$'000	*HK$'000*
0 to 60 days	**276,770**	194,330
61 to 120 days	**38,549**	19,681
121 to 180 days	**6,781**	5,461
Over 180 days	**10,024**	8,054
	332,124	227,526

The following is an aged analysis of trade receivables from fellow subsidiaries presented based on the date of delivery goods, which approximates to the respective date of revenue recognition, at the end of the reporting period:

	2013	2012
	HK$'000	*HK$'000*
0 to 60 days	**4,407**	3,469
61 to 120 days	**2,156**	–
	6,563	3,469

The following is an aged analysis of the receivable from a related company (in which Mr. Tung has control) presented based on the date of delivery goods, which approximates to the date of revenue recognition, at the end of the reporting period:

	2013	2012
	HK$'000	*HK$'000*
0 to 60 days	**1,100**	1,293
61 to 120 days	**742**	933
	1,842	2,226

As at 30 June 2013, included in the Group's trade receivables were debtors with a carrying amount of HK$55,354,000 (2012: HK$33,196,000), which were past due at the end of the reporting period for which the Group did not provide 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 receivables as at 30 June 2013 is 114 days (2012: 118 days).

19. TRADE AND OTHER RECEIVABLES (cont'd)

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

	2013	2012
	HK$'000	*HK$'000*
61 to 120 days	**38,549**	19,681
121 to 180 days	**6,781**	5,461
Over 180 days	**10,024**	8,054
	55,354	33,196

Movement in the allowance for doubtful debts

	2013	2012
	HK$'000	*HK$'000*
Balance at beginning of the year	**430**	430
Exchange adjustments	**3**	–
Balance at end of the year	**433**	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:

	2013	2012
	HK$'000	*HK$'000*
CHF	**4,247**	4,943
HK$	**471**	347

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20. SHORT-TERM DEPOSIT AND BANK BALANCES AND CASH

Bank balances and cash comprise cash and short-term deposits with original maturity of three months or less and carrying interest at average market rates of 1.1% (2012: 0.25%) per annum. The short-term deposit of HK$150,000,000 (2012: nil) is bank deposit with original maturity over three months and carrying a fixed interest rate of 0.81% (2012: nil) per annum.

Both bank balances and short-term deposit are matured within 12 months from the end of the reporting period and therefore classified as current assets.

At 30 June 2013, the bank balances and cash of HK$236,072,000 (2012: HK$79,009,000) was denominated in RMB, which is not freely convertible into other currencies.

Short-term deposit and bank balances and cash of the Group denominated in foreign currencies of the relevant group entities are set out below:

	2013	2012
	HK$'000	*HK$'000*
HK$	**311,162**	36,107
CHF	**434**	179
RMB	**225**	734

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

	2013	2012
	HK$'000	*HK$'000*
Trade payables and bills payable:		
Trade payables	**95,801**	107,010
Bills payable	**8,455**	6,532
Trade payable to entity owned by a non-controlling shareholder of a subsidiary	**1,116**	6,812
	105,372	120,354
Other payables and accrued charges:		
Other tax payables	**31,768**	20,071
Accrued bonus to a director	**440**	8,350
Accrued advertising expenses	**1,590**	1,269
Accrued staff related costs	**12,679**	15,833
Other payables and accrued charges	**27,418**	27,978
Amount due to a non-controlling shareholder of a subsidiary	**5,056**	–
Dividend payable to a non-controlling shareholder of a subsidiary	**3,097**	–
	82,048	73,501
	187,420	193,855

21. TRADE PAYABLES AND BILLS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES (cont'd)

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:

	2013	2012
	HK$'000	*HK$'000*
0 – 30 days	**52,222**	48,761
31 – 60 days	**23,860**	20,301
61 – 90 days	**12,101**	15,688
Over 90 days	**7,618**	22,260
	95,801	107,010

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

	2013	2012
	HK$'000	*HK$'000*
0 – 60 days	**1,116**	6,812

Bills payable at the end of the reporting period is aged within 30 days based on goods receipt date.

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

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

	2013	2012
	HK$'000	*HK$'000*
HK$	**3,059**	13,379

22. AMOUNTS DUE TO FELLOW SUBSIDIARIES AND A DIRECTOR

Amounts due to fellow subsidiaries and a director, Mr. Tung were unsecured, interest-free and repayable on demand.

The amounts due to fellow subsidiaries and a director were fully settled during the year ended 30 June 2013.

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For the year ended 30 June 2013

23. BANK BORROWINGS

	2013 HK$'000	2012 HK$'000
Trust receipts loans	**27,511**	36,372
Bank loans	**13,000**	249,148
	40,511	285,520
Analysed as:		
Secured	**–**	146,004
Unsecured	**40,511**	139,516
	40,511	285,520

	2013 HK$'000	2012 HK$'000
The borrowings are repayable as follows:		
On demand and within one year	**40,511**	225,353
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	**–**	15,000
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	**–**	45,167
Total amount shown as current liabilities	**40,511**	285,520

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

	2013 HK$'000	2012 HK$'000
CHF	**10,730**	3,618

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 2.00%, and the average interest rate is approximately 2.21% per annum as at 30 June 2013 (2012: 3.62% per annum). Thus the Group exposes to cash flow interest rate risk.

23. BANK BORROWINGS (cont'd)

As at 30 June 2012, the Group's trust receipt loans and bank loans were under guarantees provided by certain group entities, a director and fellow subsidiaries (see notes 30 and 31 for details). The personal and corporate guarantees provided by a director and fellow subsidiaries were released on 5 February 2013.

On 25 May 2012, a subsidiary provided a floating charge on its bank accounts 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, the trust receipt loans and bank loans under the facilities stated above amounted to approximately HK$134,159,000. The pledged shares of Win Sun and Sky Sun and floating charge were released on 5 February 2013.

As at 30 June 2012, the Group had 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 30 for details). The pledged properties were released on 5 February 2013 upon the repayment of the trust receipts loans.

24. 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 *(note a)*	3,500,000	350
Increased during the year *(note b(i))*	99,996,500,000	9,999,650
At 30 June 2013	100,000,000,000	10,000,000
Issued:		
1 share allotted and issued, nil-paid on the date of incorporation *(note a)*	1	–
Issue of shares on Reorganisation	999,999	100
At 30 June 2012	1,000,000	100
Capitalisation issue *(note b(ii))*	1,499,000,000	149,900
Issue of new shares upon listing *(note c)*	500,000,000	50,000
Issue of shares upon exercise of over-allotment options *(note d)*	79,946,000	7,995
At 30 June 2013	2,079,946,000	207,995

24. SHARE CAPITAL (cont'd)

notes:

(a) 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$0.10 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.

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

(i) the authorised share capital of the Company was 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

(ii) 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. The increase in authorised share capital and capitalisation of HK$149,900,000 standing to the credit of the share premium account became unconditional upon the listing of the Company's shares on 5 February 2013.

(c) On 5 February 2013, the Company issued 500,000,000 new shares at HK$1.35 per share and the Company's shares were listed on the Stock Exchange on 5 February 2013.

(d) On 5 March 2013, 79,946,000 over-allotment options were exercised and the Company issued 79,946,000 new shares of HK$1.35 per share.

All the shares issued rank pari passu with the existing shares in all respects.

25. DEFERRED TAXATION

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

	Allowance for inventories *HK$'000*	Unrealised profit *HK$'000*	Accelerated tax depreciation *HK$'000*	Withholding tax arising from PRC subsidiaries *HK$'000*	Total *HK$'000*
At 1 July 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
(Credited) charged to profit or loss	(207)	184	–	9,406	9,383
At 30 June 2013	(7,207)	(4,816)	533	30,020	18,530

25. DEFERRED TAXATION (cont'd)

For the purpose of presentation in the consolidated statement of financial position, the following is the analysis of the deferred taxation.

	2013	2012
	HK$'000	*HK$'000*
Deferred tax assets	**12,023**	12,000
Deferred tax liabilities	**30,553**	21,147

The Group had unused tax losses of approximately HK$54,042,000 as at 30 June 2013 (2012: HK$18,002,000). 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.

26. COMMITMENTS

a. Operating lease commitments

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

	2013	2012
	HK$'000	*HK$'000*
Within one year	**15,294**	18,602
In the second to fifth years inclusive	**10,536**	9,944
Over five years	**332**	381
	26,162	28,927

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 directors of the Company, as the future sales of these shop counters could not be estimated reliably, the concessionaire fee commitments has not been quantified and presented.

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27. MAJOR NON-CASH TRANSACTIONS

On 1 June 2012, a deed of novation, assignment and set off was executed between the Group and various related parties, 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.

28. 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 2013, there were no outstanding contributions payable to the schemes (2012: nil).

29. SHARE OPTION SCHEME

On 11 January 2013, the Company conditionally adopted a share option scheme pursuant to a resolution passed by its then 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. The adoption of the share option scheme became unconditional upon the listing of the Company on 5 February 2013. No share option has been granted since the adoption of the scheme.

30. RELATED PARTY TRANSACTIONS

Other than the amounts due from fellow subsidiaries and a related company, amount due from non-controlling shareholder of a subsidiary (included in other receivables), trade receivables from fellow subsidiaries and a related company, trade payables to entity owned by non-controlling shareholder of a subsidiary and amounts due to a director, fellow subsidiaries and a non-controlling shareholder of a subsidiary, the guarantees provided by related parties for the Group's banking borrowings and financial guarantees provided by the Group to related parties as disclosed in notes 17, 19, 21, 22, 23 and 31, respectively, the Group had the following related party transactions during the year:

	2013	2012
	HK$'000	*HK$'000*
Sales to fellow subsidiaries (*note e)*	**19,079**	20,868
Sales to a related company *(note a & e)*	**6,255**	5,590
Sales commission paid/payable to a fellow subsidiary	**276**	161
Purchase from an entity owned by a non-controlling shareholder of a subsidiary	**9,659**	33,773
Rental expenses paid/payable to a director and a related company *(note b & e)*	**158**	273
Rental expenses paid/payable to non-controlling shareholder of a subsidiary *(note e)*	**89**	59
Rental expenses paid/payable to a fellow subsidiary *(note c & e)*	**4,080**	–
Interest income from a director	**–**	1,511
Service fee paid/payable to non-controlling shareholder of a subsidiary	**3,664**	6,748
Promotion fees paid/payable to a fellow subsidiary	**744**	–
Promotion fees paid/payable to a related party *(note d)*	**200**	–
Consultancy fees paid/payable to a fellow subsidiary	**65**	–
Consultancy fees paid/payable to a related party *(note d)*	**300**	–
Dividend paid/payable to non-controlling shareholder of a subsidiary	**2,992**	–

30. RELATED PARTY TRANSACTIONS (cont'd)

notes:

(a) The amount represented the sales of watches 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 3 July 2012, the Group entered into a rental agreement with the fellow subsidiary and paid rental of HK$4,080,000 for the year ended 30 June 2013.

(d) The amounts represented promotion fees and consultancy fees paid to a related company in which Mr. Tung has control.

(e) The related party transactions are also defined as continuing connected transactions under the Listing Rules.

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, the intermediate holding company, Winning Metal and the ultimate holding company, 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 were released on 5 February 2013.

Time Watch Zheng Zhou, a fellow subsidiary, pledged certain properties in the PRC to a bank for a banking facility of RMB70,000,000 granted to Tian Wang Shenzhen during the year ended 2012. This banking facility is also under the personal guarantees provided by Mr. Tung. Both the pledged properties and personal guarantees were released on 5 February 2013.

Compensation of key management personnel

The remuneration of directors and other members of key management were as follows:

	2013	2012
	HK$'000	*HK$'000*
Short-term benefits	**11,854**	24,608
Post-employment benefits	**167**	83
	12,021	24,691

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

31. FINANCIAL GUARANTEE LIABILITY

(i) On 29 July 2011, Win Sun, Gold Joy Investment Limited ("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 (Asia-Pacific) Surveyors Limited, an independent qualified professional valuer which is not connected with the Group. 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, financial guarantee income of HK$2,000,000 was recognised in profit or loss. As at 30 June 2012, the carrying amount of the financial guarantee liability was HK$4,000,000. 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 and the financial guarantee income of HK$4,000,000 was recognised in profit or loss during the year ended 30 June 2013.

(ii) During the year ended 30 June 2012, several group companies provided corporate guarantees to the joint banking facilities granted by the banks to Winning Metal and Win Source. Management of the Group considered that the fair value of the financial guarantees to Winning Metal was insignificant. In November 2012, the banking facilities were replaced by new banking facilities which solely granted to Win Source with financial guarantees provided by Mr. Tung, Winning Metal and other group entities. The financial guarantees from Mr. Tung and Winning Metal were released on 5 February 2013.

(iii) On 23 May 2012, Win Source, Fortune Silver Holdings Limited ("Fortune Silver"), a company which is directly held by Mr. Tung, and Winning Metal provided cross corporate guarantee 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 were available to Win Source, Fortune Silver and Winning Metal. Management of the Group considered that the fair value of the financial guarantees provided by Win Source was insignificant. On 30 November 2012, the banking facilities were replaced by new banking facilities which solely granted to Win Source with financial guarantees provided by Mr. Tung, Fortune Silver and Winning Metal. The financial guarantees from Mr. Tung, Winning Metal and Fortune Silver were released on 5 February 2013.

(iv) On 4 June 2012, Win Source, Winning Asia and Winning Metal provided cross corporate guarantee 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 were available to Win Source and Winning Metal. Management of the Group considered that the fair value of the financial guarantee provided by Win Source was insignificant. On 23 November 2012, the banking facilities were replaced by new banking facilities which solely granted to Win Source with financial guarantees provided by Winning Asia, Winning Metal and Mr. Tung. The financial guarantees from Mr. Tung, Winning Asia and Winning Metal were released on 5 February 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

32. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Country/ place 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 2013	2012	Principal activities
Directly:						
Immense Ocean Investments Limited	BVI	Hong Kong	1 share of US$1	**100%**	100%	Investment holding
Indirectly:						
Win Source 偉鑫貿易有限公司	Hong Kong	Hong Kong	1 share of HK$1	**100%**	100%	Trading of watch movements
Win Sun 捷新國際有限公司	Hong Kong	Hong Kong	1 share of HK$1	**100%**	100%	Trading of watches
Gold Joy 金愉投資有限公司	Hong Kong	Hong Kong	1 share of HK$1	**100%**	100%	Investment holding
Sky Sun 天新投資有限公司	Hong Kong	Hong Kong	1 share of HK$1	**100%**	100%	Investment holding
Gold Reach Investments Limited 金達投資有限公司	Hong Kong	Hong Kong	1 share of HK$1	**100%**	100%	Investment holding
Top World Trading Limited 上華貿易有限公司	Hong Kong	Hong Kong	1 share of HK$1	**100%**	100%	Trading of watch parts
Ye Guang Li[1] 業廣利電子（梅州）有限公司	PRC	PRC	HK$3,880,000	**100%**	100%	Assembling and trading of watches
Suzhou Paragon Watch Co., Ltd.[2] 蘇州寶利辰表行有限公司	PRC	PRC	RMB20,000,000	**51%**	51%	Sales of watches
Tian Wang Shenzhen[1] 天王電子（深圳）有限公司	PRC	PRC	HK$10,000,000	**100%**	100%	Assembling and trading of own branded watches
Time Watch (Hefei) Timepieces Company Limited[2] 時計寶（合肥）鐘表有限公司	PRC	PRC	RMB14,000,000	**51%**	51%	Sales of watches

32. PARTICULARS OF SUBSIDIARIES (cont'd)

Name of subsidiary	Country/ place 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 2013	2012	Principal activities
Time Watch (Shanghai) Timepieces Company Limited[2] 時計寶(上海)鐘表有限公司	PRC	PRC	RMB14,000,000	**51%**	51%	Sales of watches
Balco Switzerland SAGL	Switzerland	Switzerland	20 shares of CHF1,000 each	**100%**	100%	Sales of watches
Shenzhen Time Watch Management Consulting Limited[3] 深圳時計寶管理諮詢有限公司	PRC	PRC	RMB6,000,000	**100%**	–	Marketing and consulting
Time Watch (Sichuan) Company Limited[2] 時計寶(四川)鐘表有限公司	PRC	PRC	RMB10,000,000	**51%**	–	Sales of watches
Shenzhen Time Watch Trading Company Limited[3] 深圳時計寶商貿有限公司	PRC	PRC	RMB5,000,000	**70%**	–	Sales of watches

[1] Established in the PRC in the form of wholly foreign-owned enterprise.
[2] Established in the PRC in the form of sino-foreign equity joint venture.
[3] Established in the PRC in the form of domestic-invested enterprise.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2013

33. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013	2012
	HK$'000	*HK$'000*
Non-current assets		
Unlisted investment in a subsidiary, at cost	**123,759**	66,727
Amount due from a subsidiary	**342,396**	–
	466,155	66,727
Current assets		
Other receivables, deposits and prepayments	**2,180**	5,477
Short-term deposit	**150,000**	–
Bank balances and cash	**159,496**	48
Dividend receivable from a subsidiary	**57,000**	–
	368,676	5,525
Current liabilities		
Other payables and accrued charges	**561**	13,590
Amounts due to subsidiaries	**10,224**	9,909
	10,785	23,499
Net current assets (liabilities)	**357,891**	(17,974)
Total assets less current liabilities	**824,046**	48,753
Capital and reserves		
Share capital	**207,995**	100
Reserves	**616,051**	48,653
Total equity	**824,046**	48,753

33. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (cont'd)

Reserve of the Company

	Share premium *HK$'000*	Translation reserve *HK$'000*	Accumulated (loss) profit *HK$'000*	Total *HK$'000*
On 21 September 2011 (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 year	–	15,710	88,128	103,838
Dividend recognised as distribution during the year *(note 14)*	(66,727)	–	(3,814)	(70,541)
Issue of shares	724,932	–	–	724,932
Capitalisation issue	(149,900)	–	–	(149,900)
Transaction costs attributable to issue of new shares	(40,931)	–	–	(40,931)
At 30 June 2013	534,101	15,710	66,240	616,051

FINANCIAL SUMMARY

A summary of the results and the assets, liabilities and non-controlling interests and of the Group for last four years, as extracted from the published audited financial information and financial statement is set out below.

	For the year ended 30 June			
	2010	2011	2012	**2013**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***
Results				
Revenue	919,605	1,189,325	1,524,779	**1,912,235**
Profit for the year attributable to owners of the Company	60,717	134,603	184,093	**213,551**

	At 30 June			
	2010	2011	2012	**2013**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***
Assets and liabilities				
Total assets	719,233	940,721	972,423	**1,620,275**
Total liabilities	(429,706)	(472,293)	(557,475)	**(287,827)**
	289,527	468,428	414,948	**1,332,448**
Equity attributable to the owners of the Company	277,069	452,015	377,119	**1,286,488**
Non-controlling interests	12,458	16,413	37,829	**45,960**
	289,527	468,428	414,948	**1,332,448**

note: The Company was incorporated in the Cayman Islands on 21 September 2011 and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statements of cash flows of the Group for the year ended 30 June 2010, 2011 and 2012 have been prepared as if the current group structure had been in existence throughout the year, or since the respective dates of incorporation or establishment, where this is a shorter period.

The financial date of the Company for the year ended 30 June 2010, 2011 and 2012 and information as to its financial position as at 30 June 2010, 2011 and 2012 are extracted from the Company's prospectus dated 24 January 2013.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Tung Koon Ming
(Chairman and chief executive officer)
Mr. Lo Wing Sang
Mr. Hou Qinghai
Mr. Tung Wai Kit

Independent non-executive Directors

Mr. Ma Ching Nam
Mr. Wong Wing Keung Meyrick
Dr. Tam Hok Lam Tommy (resigned on 10 May 2013)
Mr. Choi Ho Yan (appointed on 10 May 2013)

AUDIT COMMITTEE

Mr. Choi Ho Yan *(Chairman)*
(appointed on 10 May 2013)
Dr. Tam Hok Lam Tommy *(Chairman)*
(resigned on 10 May 2013)
Mr. Ma Ching Nam
Mr. Wong Wing Keung Meyrick

NOMINATION COMMITTEE

Mr. Tung Koon Ming *(Chairman)*
Mr. Ma Ching Nam
Mr. Wong Wing Keung Meyrick

REMUNERATION COMMITTEE

Mr. Wong Wing Keung Meyrick *(Chairman)*
Mr. Choi Ho Yan
Mr. Ma Ching Nam

CORPORATE GOVERNANCE COMMITTEE

Mr. Ma Ching Nam *(Chairman)*
Mr. Choi Ho Yan (appointed on 10 May 2013)
Dr. Tam Hok Lam Tommy
(resigned on 10 May 2013)
Mr. Wong Wing Keung Meyrick

COMPANY SECRETARY

Mr. Lo Wing Sang *(CPA, ACS, CA, FCCA)*

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

COMPLIANCE ADVISER

DBS Asia Capital Limited
17th Floor, The Center
99 Queen's Road Central
Hong Kong

LEGAL ADVISERS

Chiu & Partners (as to Hong Kong laws)
Jingtian & Gongcheng (as to PRC laws)

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

27th Floor, CEO Tower, 77 Wing Hong Street, Kowloon, Hong Kong

STOCK CODE ON THE HONG KONG STOCK EXCHANGE

2033

INVESTOR INFORMATION

For more information about the Group, please contact the Investor Relations Department at:

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WEBSITE

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CORPORATE CALENDAR

Annual general meeting	18 November 2013
Payment of final and special dividends	29 November 2013
Announcement of interim results for six months ended 31 December 2013	February 2014
Announcement of final results for year ended 30 June 2014	September 2014