Time Watch Investments Limited
時計寶投資有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 2033

INTERIM REPORT 2013

CORPORATE PROFILE

Time Watch Investments Limited (the "Company") 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, under the Group's core proprietary Tian Wang (天王) brand which 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.

TWI GROUP

Time Watch
Investments Limited
Interim Report 2013

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FINANCIAL HIGHLIGHTS

	Six months ended 31 December 2012 *HK$'000*	Six months ended 31 December 2011 *HK$'000* (Unaudited)
Revenue	**931,895**	688,373
Gross profit	**550,444**	424,506
Operating profit	**149,917**	122,491
Operating profit (excluding listing expenses)	**170,919**	126,691
Profit for the period	**105,992**	95,126
Profit for the period (excluding listing expenses)	**126,994**	99,326
Profit attributable to:		
Owners of the Company	**104,216**	93,381
Non-controlling interests	**1,776**	1,745
Earnings per share (HK cent)	**6.9**	6.2

	%	*%*
Gross margin	**59.1**	61.7
Operating margin	**16.1**	17.8
Operating margin (excluding listing expenses)	**18.3**	18.4
Net margin	**11.4**	13.8
Net margin (excluding listing expenses)	**13.6**	14.4

	As at 31 December 2012 *HK$'000*	As at 30 June 2012 *HK$'000*
Current assets	**933,073**	913,126
Current liabilities	**521,551**	536,328
Net current assets	**411,522**	376,798
Net assets	**454,700**	414,948
Total assets	**999,407**	972,423

	%	*%*
Net gearing*	**27.0**	31.1

* Net gearing ratio is calculated using bank borrowings net of bank balances and cash, divided by total equity.

CHAIRMAN'S STATEMENT

Dear Shareholders,

During 2012, China's economy was volatile and full of challenges. That said, Time Watch Investments Limited and its subsidiaries have still attained satisfactory results. For the six months ended 31 December 2012, the Group achieved record sales of approximately HK$931.9 million, with a growth in revenue of approximately 35.4% as compared to corresponding period in 2011. The same-store sales of the Group grew by approximately 18.3%, as compared to approximately 26.0% for the six months ended 31 December 2011. We opened a net total of 258 new points-of sale ("POS") for our proprietary brands watches and joint ventures companies during the reporting period, mainly in tiers II, III and/or lower tier cities in Mainland China.

During the reporting period, Tian Wang watches continued to be the Group's main source of revenue. For six months ended 31 December 2012, Tian Wang watches recorded a revenue of approximately HK$575.8 million, representing an increase of approximately HK$139.9 million or approximately 32.1% as compared to approximately HK$435.9 million for the six months ended 31 December 2011; the same store sales growth of Tian Wang watches is approximately 21.8%, as compared to approximately 23.2% for six months ended 31 December 2011. The Group plans to expand its sales network up to an estimated net total of 260 POS for the year ending 30 June 2013, and a net total of not less than 200 POS for each year ending 30 June 2014 and 2015, respectively, in the form of sales counters inside department stores in Mainland China. During the reporting period, the Group had opened a net of 206 new POS for Tian Wang watches despite a slowdown of the retail market in China. Details of the sales of Balco watches, other brand watches and trading of watch movement are discussed in the section headed "Management Discussion and Analysis – Financial Review".

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 national watch market. As the Chinese economy continues to transform, and the purchasing power per capita strengthens, consumers' demand for mid to low level watches continues to increase as well. The sales network of the Group enables the Group to get the information of market trends and changes of customers' tastes in each city very quickly, and the Group can respond by launching more new models of watches into markets faster than its competitors. The Group's vertically integrated business model from design to marketing continues to allow the Group to get more flexibility, better products quality and lower cost of sales. The powerful management information system also enables the Group to closely monitor consumer preferences and individual POS performance. The Group will strive to realize steady and continuous profit growth, and generate more satisfying returns for its shareholders, investors, staff and the society.

I would like to take this chance to thank the board of directors for its 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, 28 February 2013

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the six months ended 31 December 2012 ("1HFY2013"), the Group recorded a revenue of approximately HK$931.9 million, representing an increase of approximately HK$243.5 million or approximately 35.4% as compared to approximately HK$688.4 million for the six months ended 31 December 2011 ("1HFY2012").

Sales of Tian Wang watches continued to be the Group's main source of revenue and accounted for approximately 61.8% (1HFY2012: 63.3%) of the total revenue. Sales of Tian Wang watches recorded a revenue of approximately HK$575.8 million in 1HFY2013, representing an increase of approximately HK$139.9 million or approximately 32.1% as compared to approximately HK$435.9 million in 1HFY2012. The growth in the current period was mainly fuelled by the expansion of the retail network which had an increase of approximately 17.5% from 1,178 POS as at 30 June 2012 to 1,384 POS as at 31 December 2012, as well as increasing demand for Tian Wang watches. The average monthly revenue per POS of Tian Wang watches increased from approximately HK$65,000 in 1HFY2012 to approximately HK$71,000 in 1HFY2013, representing an increase of approximately 9.2%. The same-store sales growth rate of Tian Wang watches was approximately 21.8% in 1HFY2013 (1HFY2012: 23.2%). In addition, we also conducted a nationwide sales campaign in September 2012 to coincide with Mid-Autumn Festival in September 2012, which resulted in an increased number of promotional events held at department stores to promote sales of regular-priced watches as well as watch models aged more than two years and at the same time identified as slow moving.

Sales of Balco watches increased by approximately HK$12.4 million or approximately 23.1% from approximately HK$53.9 million in 1HFY2012 to approximately HK$66.3 million in 1HFY2013, and accounted for approximately 7.1% of the total revenue (1HFY2012: 7.8%). The increase was primarily due to the increase in the sales to multi-brand watch distributors in Hong Kong, Macau and Taiwan and sales to the Group's corporate customers. Revenue from these sales increased from approximately HK$7.7 million in 1HFY2012 to approximately HK$16.7 million in 1HFY2013.

Sales of branded of watches other than Tian Wang and Balco brands ("Other Brands") watches increased by approximately HK$56.0 million or approximately 81.4% from approximately HK$68.8 million in 1HFY2012 to approximately HK$124.8 million in 1HFY2013, and accounted for approximately 13.4% (1HFY2012: 10.0%) of the total revenue. The increase in sales of Other Brands watches can be attributed to two newly established joint venture companies of the Group, namely Time Watch (Hefei) Timepieces Company Limited ("Time Watch Hefei") and Time Watch (Shanghai) Timepieces

Company Limited ("Time Watch Shanghai") which contributed approximately HK$24.0 million and approximately HK$25.8 million respectively to the revenue of the Group in 1HFY2013. As Time Watch Hefei and Time Watch Shanghai were established in November 2011 and January 2012 respectively, no revenue had been recorded from them in 1HFY2012. In addition, Suzhou Paragon Watch Company Limited ("Suzhou Paragon") recorded an increase in revenue from approximately HK$68.8 million in 1HFY2012 to approximately HK$75.0 million, representing an increase of approximately HK$6.2 million or approximately 9.0%.

Trading of watch movements accounted for approximately 17.7% (1HFY2012: 18.9%) of the Group's total revenue. For 1HFY2013, revenue from trading of watch movements was approximately HK$165.0 million, representing an increase of approximately HK$35.2 million or approximately 27.1% as compared to approximately HK$129.8 million for 1HFY2012. The increase was primarily due to more watch movements spared for trading as the Group had produced sufficient Tian Wang watches for the year ended 30 June 2012, and had been monitoring and controlling the production of Tian Wang watches since then.

The Group's gross profit increased by approximately HK$125.9 million or approximately 29.7% from approximately HK$424.5 million in 1HFY2012 to approximately HK$550.4 million in 1HFY2013, while the gross profit margin declined to approximately 59.1% in 1HFY2013 from approximately 61.7% in 1HFY2012. The increase in gross profit was primarily due to increase in sales of Tian Wang, Balco and Other Brands watches, while the decline in gross profit margin was mainly due to decrease in gross profit margin of Tian Wang watches from approximately 81.0% in 1HFY2012 to approximately 77.5% in 1HFY2013 as a result of the nationwide sales campaign of the Group in September 2012 (whereby the Group did not carry out the same sales campaign in September 2011) to promote sales of regular-priced watches and watch models which are aged more than 2 years and identified as slow moving. For the latter category of watches, higher discounts (generally between 30% and 40%) were given for the sales which resulted in lower gross profit margin.

The Group's other income increased from approximately HK$5.2 million in 1HFY2012 to approximately HK$10.6 million in 1HFY2013 representing an increase of approximately HK$5.4 million or approximately 102.6%. This was primarily due to the Group recognizing a financial guarantee income of HK$4.0 million upon release of financial guarantees provided by the Group to our ultimate holding company by the bank in 12 November 2012. The Group's other expenses represented professional fees incurred for the initial public offering of the ordinary shares ("Shares") of HK$0.10 each in the share capital of the Company.

The Group's selling and distribution costs increased by approximately HK$83.4 million or approximately 31.0% from approximately HK$268.7 million in 1HFY2012 to approximately HK$352.1 million in 1HFY2013, representing approximately 37.8% (1HFY2012: 39.1%) of the Group's total revenue. The increase was mainly due to (i) an increase in concessionaire and rental fees of approximately HK$55.1 million as a result of increase in revenue, (ii) an increase in salaries of sales personnel of approximately HK$13.0 million as a result of increase in number of sales staff which was in line with increased number of POS and increased sales commissions which was in line with increased revenue, (iii) an increase in advertising and promotion fee of approximately HK$5.6 million as the Group rolled out a nation-wide sales campaign in September 2012, and (iv) an increase of approximately HK$9.7 million in other selling related costs such as packing, entertainment expenses, service charges and management fee, which were in connection with the Group's market expansion.

The Group's administrative expenses increased to approximately HK$38.0 million in 1HFY2013 from approximately HK$34.4 million in 1HFY2012, representing an increase of approximately HK$3.7 million or approximately 10.7%, primarily due to increase in PRC local regulatory surcharges (such as city construction tax and education levy) of approximately HK$3.1 million.

The Group's finance costs increased by approximately HK$3.3 million or approximately 151.7% from approximately HK$2.2 million in 1HFY2012 to approximately HK$5.5 million in 1HFY2013 as a result of increased bank borrowings. The Group's income tax increased from approximately HK$25.2 million in 1HFY2012 to approximately HK$38.4 million in 1HFY2013, representing an increase of approximately HK$13.2 million or approximately 52.6%. The Group's effective tax rate (after adding back listing expenses) increased from approximately 20.2% in 1HFY2012 to approximately 23.2% in 1HFY2013 mainly due to tax loss of approximately HK$17.9 million not recognized in 1HFY2013.

For the factors above, the Group's net profit for the period increased by approximately HK$10.9 million or approximately 11.4% from approximately HK$95.1 million in 1HFY2012 to approximately HK$106.0 million in 1HFY2013. The net profit margin declined slightly from approximately 13.8% in 1HFY2012 to approximately 11.4% in 1HFY2013.

Business Review

Overview

During the period under review, the Group's business primarily focused 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. During 1HFY2013, sales of Tian Wang watches continued to be the major contributor to the revenue of the Group.

Retail Network

The Group's retail network principally comprises sales counters located inside 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 frontline staff and customers. 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.

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 1HFY2013, the Group has formed one new joint venture, namely, Time Watch (Sichuan) Company Limited, which is in addition to the existing joint ventures of the Group, namely Suzhou Paragon, Time Watch Hefei, Time Watch Shanghai.

As at 31 December 2012, the Group's retail network of Tian Wang watches had 1,384 POS, a net increase of 206 and 318 POS as compared to 30 June 2012 and 31 December 2011, respectively. The Group plans to open an estimate of net 54 more Tian Wang POS for the six months ending 30 June 2013 ("2HFY2013"). The retail network of Balco watches and Other Brands watches had 381 and 66 POS, respectively as at 31 December 2012, a net increase of 48 and 4 POS, respectively as compared to the number of POS as at 30 June 2012, and a net increase of 73 and 44 POS, respectively as compared to the number of POS as at 31 December 2011.

Proprietary Watches of the Group

Tian Wang Watches

Tian Wang watches were still the major source of revenue of the Group, which contributed approximately 61.8% of the total revenue in 1HFY2013. During 1HFY2013, we launched not less than 20 new models of Tian Wang watches with price ranging from approximately RMB1,000 and RMB8,000. The wide price range can fit the different requirements from 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. In 1HFY2013, revenue from Balco watches was approximately HK$66.3 million as compared to approximately HK$53.9 million in 1HFY2012, an increase by approximately HK$12.4 million or approximately 23.1%. Sale of Balco watches had accounted for approximately 7.1% of the total revenue (1HFY2012: 7.8%). The Group continued to seek other ways to develop the Balco watch business, including broadening our sales and distribution channels in and outside of the PRC. There is an increase 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$7.7 million in 1HFY2012 to approximately HK$16.7 million in 1HFY2013.

Other Brands Watches

Revenue from Other Brands watches was approximately HK$124.8 million in 1HFY2013 as compared to approximately HK$68.8 million in 1HFY2012, an increase by approximately HK$56.0 million or approximately 81.4% and accounted for approximately 13.4% (1HFY2012: 10.0%) of the total revenue. The increase in sales of Other Brands of watches was mainly due to our formation of new joint ventures companies, Time Watch Hefei and Time Watch Shanghai in 1HFY2013.

Watch Movements Trading Business

The Group operates an in-house watch movement procurement and trading arm which enables the Group to source and maintain stable supply of watch movements for assembling of Tian Wang watches. Furthermore, the Group can also sell the surplus watch movements to other watch manufacturers and distributors. 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 to Tian Wang watches and bringing revenue to the Group through the watch movement trading business.

E-commerce

In 2HFY2013, the Group will invest in a new e-commerce business by forming an e-commerce non-wholly owned subsidiary with an independent third party. The Group plans to concentrate on the sale 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.

Inventory Control

The Group's inventory balance was approximately HK$469.9 million as at 31 December 2012, stable as compared to approximately HK$466.4 million as at 30 June 2012. The Group's inventory balance of Tian Wang finished watches had dropped slightly from approximately HK$249 million as at 30 June 2012 to approximately HK$239 million as at 31 December 2012. The Group's inventory turnover days decreased from approximately 231 days for the year ended 30 June 2012 to approximately 225 days for the 31 December 2012. The Group had and will continue to monitor and control its inventory level vigilantly while the Group implements its sales network expansion plan in order to ensure that the expansion plan and inventory level will not adversely affect cash flow and liquidity of the Group. As mentioned in the prospectus of the Company dated 24 January 2013 (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 467 as at 31 December 2012. Therefore, by closely monitoring the level of future sales and controlling the production level of Tian Wang watches, the Group is confident to continue to achieve the benchmark level of around 500 Tian Wang watches per Tian Wang POS by 30 June 2013 and that the Group's net operating cash flow for the year ending 30 June 2013 will significantly improve to not less than HK$80 million.

The inventory aged over two years were approximately HK$47.6 million and approximately HK$50.1 million as at 30 June 2012 and 31 December 2012 respectively, with corresponding of provision for these inventory balances of approximately HK$35.6 million and approximately HK$35.7 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 and Financial Resources

The Group financed its operations primarily through cash flows from operations and short-term bank loans. The cash and cash equivalents were approximately HK$151.1 million and approximately HK$156.5 million as at 31 December 2012 and 30 June 2012 respectively.

The Group's net cash generated from operating activities in 1HFY2013 was approximately HK$91.3 million, representing an increase of approximately HK$90.0 million from approximately HK$1.3 million in 1HFY2012. The amount was primarily attributable to profit before income tax of approximately HK$144.4 million from the Group's operations adjusted for non-cash items of approximately HK$13.0 million, increase of working capital balances of approximately HK$39.5 million, income taxes paid of approximately HK$27.7 million and interest received of approximately HK$1.1 million.

The Group's net cash used in investing activities in 1HFY2013 was approximately HK$21.0 million, which was mainly attributable to purchase of property, plant and equipment of approximately HK$21.8 million, partially offset by repayment from fellow subsidiaries of approximately HK$0.8 million.

The Group's net cash used in financing activities in 1HFY2013 was approximately HK$77.2 million, which was mainly attributable to dividends paid of approximately HK$70.5 million and interest paid of approximately HK$5.5 million and repayment of bank borrowings of approximately HK$169.9 million and partially offset by borrowings raised of approximately HK$158.2 million, advance from a director of approximately HK$7.4 million and advance from a non-controlling shareholder of a subsidiary of approximately HK$3.8 million. The Group's bank borrowings were approximately HK$273.9 million and approximately HK$285.5 million as at 31 December 2012 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 27.0% as at 31 December 2012, a decrease of approximately 4.1% as compared to 31.1% as at 30 June 2012, which can be attributed to increase in total equity. As at 31 December 2012, the Group's total equity was approximately HK$454.7 million, representing an increase of approximately HK$39.8 million from approximately HK$414.9 million as at 30 June 2012. The Group's working capital was approximately HK$411.5 million as at 31 December 2012, an improvement of approximately HK$34.7 million as compared to approximately HK$376.8 million as at 30 June 2012.

Charge on Group Assets

On 25 May 2012, a subsidiary provided a floating charge on its bank accounts of a bank to secure a banking facility. On 11 July 2012, the Group pledged the shares of two subsidiaries to secure a banking facility from a bank. The pledged shares of the two subsidiaries were released on 5 February 2013. As at 31 December 2012, the secured trust receipts loans and bank loans related to the facilities stated above amounted to approximately HK$120,790,000 (30 June 2012: HK$134,159,000).

Continent Liabilities

Details of the Group's contingent liabilities as at 31 December 2012 and 30 June 2012 are set out in note 29 to the consolidated financial statements.

Capital Commitments

The Group did not have any material capital commitments as at 31 December 2012 and 30 June 2012.

Foreign Exchange Risks

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. Please refer to note 6 to the consolidated financial statements in this interim report for further details of the foreign exchange risks of the Group.

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.

Social Responsibility

The Group's charitable and other donations during the period amounted to approximately HK$1.6 million (1HFY2012: 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.

Outlook

The Group expects that China's economy is generally steady in 2HFY2013 and is confident about the China's economic outlook. Therefore, the Group will adhere to its business strategy of maintaining its focus in the development of the Mainland China market. The Group's core development strategy remains to be cautious but the Group will also progressively develop its retail business in line with market demand. In 2HFY2013, the Group will strengthen the management of current POS and review the pace of establishing new POS on a regular basis so as to reflect the market's need and enhance the quality of the Group's retail network. Regionally, while the Group will keep its presence in the first-tier cities of the PRC, the Group will also strive to enhance its development in the second and third-tier cities as well as certain fourth-tier cities of the PRC, with a view to perfecting its retail network and keeping in tune with market demand. Apart from establishing new POS by the Group itself, the Group will continue its strategic expansion by forming joint ventures with local operators in order to expand its retail network. In 2HFY2013, the Group will also step up its effort in e-commerce and e-marketing to seize the growing opportunities in the youth market. The management believes innovative marketing promotions are appealing to younger customers, which in turn will expand the Group's customer base. Taking "pragmatic healthy development" as the Group's principle, the Group will keep in line with the market trend and fully capitalize on business opportunities to achieve steady and sustainable profit growth in order to generate more satisfactory returns for our shareholders, investors, staff and society.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
TIME WATCH INVESTMENTS LIMITED
時計寶投資有限公司
(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 17 to 78, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended 31 December 2012, 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 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 as 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 the 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.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012, and of the Group's profit and cash flows for the six months ended 31 December 2012, in accordance with the Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matter

The corresponding figures set out in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended 31 December 2011 and the related notes have not been audited in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 February 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

		Six months ended 31 December	
		2012	2011
	NOTES	***HK$'000***	*HK$'000*
			(Unaudited)
Revenue	*7*	**931,895**	688,373
Cost of sales		**(381,451)**	(263,867)
Gross profit		**550,444**	424,506
Other gains and income	*10*	**10,626**	5,244
Other expenses	*10*	**(21,002)**	(4,200)
Selling and distribution costs		**(352,102)**	(268,686)
Administrative expenses		**(38,049)**	(34,373)
Finance costs	*11*	**(5,515)**	(2,191)
Profit before taxation		**144,402**	120,300
Income tax	*12*	**(38,410)**	(25,174)
Profit for the period	*13*	**105,992**	95,126
Other comprehensive income which will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**7,293**	4,978
Total comprehensive income for the period		**113,285**	100,104
Profit for the period attributable to:			
Owners of the Company		**104,216**	93,381
Non-controlling interests		**1,776**	1,745
		105,992	95,126
Total comprehensive income attributable to:			
Owners of the Company		**111,130**	98,138
Non-controlling interests		**2,155**	1,966
		113,285	100,104
Earnings per share, basic (HK cents)	*15*	**6.9**	6.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	NOTES	As at 31 December 2012 HK$'000	As at 30 June 2012 HK$'000
Non-current assets			
Property, plant and equipment	16	**56,722**	47,297
Deferred tax assets	25	**9,612**	12,000
		66,334	59,297
Current assets			
Inventories	18	**469,873**	466,370
Trade receivables	19	**248,162**	233,221
Other receivables, deposits and prepayments	19	**63,939**	56,129
Amounts due from fellow subsidiaries	17	**–**	834
Amount due from a related company	17	**–**	60
Bank balances and cash	20	**151,099**	156,512
		933,073	913,126
Current liabilities			
Trade payables and bills payable	21	**86,807**	120,354
Other payables and accrued charges	21	**91,237**	73,501
Amount due to a director	22	**40,610**	33,483
Amounts due to fellow subsidiaries	22	**–**	316
Dividend payable to a non-controlling shareholder of a subsidiary		**2,992**	–
Tax liabilities		**25,972**	19,154
Bank borrowings	23	**273,933**	285,520
Financial guarantee liability	29(i)	**–**	4,000
		521,551	536,328
Net current assets		**411,522**	376,798
Total assets less current liabilities		**477,856**	436,095

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AT 31 DECEMBER 2012

	NOTES	As at 31 December 2012 HK$'000	As at 30 June 2012 HK$'000
Capital and reserves			
Share capital	24	100	100
Reserves		417,608	377,019
Equity attributable to owners of the Company		417,708	377,119
Non-controlling interests		36,992	37,829
Total equity		454,700	414,948
Non-current liabilities			
Deferred tax liabilities	25	23,156	21,147
		477,856	436,095

The consolidated financial statements on pages 17 to 78 were approved and authorised for issue by the Board of Directors on 28 February 2013 and are signed on its behalf by:

Mr. Tung Koon Ming
DIRECTOR

Mr. Lo Wing Sang
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	Attributable to owners of the Company										
	Share capital	Share premium	Other reserve	Special reserve	Properties revaluation reserve	Translation reserve	Statutory surplus reserves	Accumulated profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000* (*Note c*)	*HK$'000* (*Note a*)	*HK$'000*	*HK$'000*	*HK$'000* (*Note b*)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2012	100	66,727	–	(234,378)	–	32,860	15,227	496,583	377,119	37,829	414,948
Profit for the period	–	–	–	–	–	–	–	104,216	104,216	1,776	105,992
Other comprehensive income for the period	–	–	–	–	–	6,914	–	–	6,914	379	7,293
Total comprehensive income for the period	–	–	–	–	–	6,914	–	104,216	111,130	2,155	113,285
Appropriation to reserve	–	–	–	–	–	–	1,110	(1,110)	–	–	–
Dividend recognised as distribution during the period (*note 14*)	–	(66,727)	–	–	–	–	–	(3,814)	(70,541)	(2,992)	(73,533)
At 31 December 2012	100	–	–	(234,378)	–	39,774	16,337	595,875	417,708	36,992	454,700
At 1 July 2011	–	–	47,787	13,880	9,822	28,469	12,038	340,019	452,015	16,413	468,428
Profit for the period	–	–	–	–	–	–	–	93,381	93,381	1,745	95,126
Other comprehensive income for the period	–	–	–	–	–	4,757	–	–	4,757	221	4,978
Total comprehensive income for the period	–	–	–	–	–	4,757	–	93,381	98,138	1,966	100,104
Issue of financial guarantee to ultimate holding company	–	–	–	(6,000)	–	–	–	–	(6,000)	–	(6,000)
Net contributions from a group company	–	–	9,209	–	–	–	–	(8,229)	980	–	980
At 31 December 2011 (unaudited)	–	–	56,996	7,880	9,822	33,226	12,038	425,171	545,133	18,379	563,512

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

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 six months ended 31 December 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 29(i). As at 1 July 2012 and 31 December 2012, 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) 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").

(c) "Net contributions 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") 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
		(Unaudited)
OPERATING ACTIVITIES		
Profit before taxation	**144,402**	120,300
Adjustments for:		
(Reversal of allowance) allowance for obsolete inventories	**(329)**	7,369
Depreciation of property, plant and equipment	**11,905**	11,484
Interest expenses	**5,515**	2,191
Financial guarantee income	**(4,000)**	(1,000)
Interest income	**(1,135)**	(1,253)
Loss on disposal and write off of property, plant and equipment	**1,087**	1,533
Operating cash flows before movements in working capital	**157,445**	140,624
Increase in inventories	**(3,174)**	(167,713)
Increase in trade receivables	**(12,857)**	(9,125)
Increase in other receivables, deposits and prepayments	**(7,810)**	(26,500)
Decrease in amount due from a related company	**60**	–
(Decrease) increase in trade payables and bills payable	**(29,594)**	85,286
Increase (decrease) in other payables and accrued charges	**13,856**	(926)
Cash generated from operations	**117,926**	21,646
Interest received	**1,135**	495
Income tax paid	**(27,764)**	(20,867)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**91,297**	1,274
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(21,860)**	(13,449)
Advance to ultimate holding company	**–**	(34,445)
Advance to fellow subsidiaries	**–**	(9,890)
Repayment from fellow subsidiaries	**834**	4,149
NET CASH USED IN INVESTING ACTIVITIES	**(21,026)**	(53,635)

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
		(Unaudited)
FINANCING ACTIVITIES		
Dividend paid	**(70,541)**	–
Interest paid	**(5,515)**	(2,191)
Bank borrowings raised	**158,186**	288,691
Repayment of bank borrowings	**(169,899)**	(245,978)
Repayment of obligations under finance leases	**–**	(212)
Advance from a director	**7,406**	–
Repayment to a director	**(279)**	–
Repayment to intermediate holding company	**–**	(5,849)
Advance from fellow subsidiaries	**–**	1,920
Repayment to fellow subsidiaries	**(316)**	(217)
Advance from a non-controlling shareholder of a subsidiary	**3,787**	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(77,171)**	36,164
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(6,900)**	(16,197)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**156,512**	110,063
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**1,487**	4,565
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**151,099**	98,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

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"). The address of the Company's registered office is Cricket Square, Hutchins Drive, P. O. 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 30 to the consolidated financial statements.

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 comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended 31 December 2011 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 six months ended 31 December 2011, or since their respective dates of incorporation or establishment, where there is a shorter period.

1. GROUP REORGANISATION AND BASIS OF PREPARATION *(Continued)*

During the six months ended 31 December 2011, the Watch Movements Trading Business of the Group were carried out by Winning Metal. Win Source Trading Limited ("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 comprehensive income for the six months ended 31 December 2011 include 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 comprehensive income for the six months ended 31 December 2011.

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.

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2015.
3 Effective for annual periods beginning on or after 1 January 2014.

The directors of the Company anticipates that the application of these new and revised standards, amendments or interpretation will have no material impact on the consolidated financial statements of the Group.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Merger accounting for business combination involving entities/business under common control *(Continued)*

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 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 subsequent 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 amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

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

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

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

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

3. **SIGNIFICANT ACCOUNTING POLICIES** ***(Continued)***

Leasing

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

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

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

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

Leasehold land and building

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

For the purposes of presenting the 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are 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 added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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 a director and fellow subsidiaries, dividend payable and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

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

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

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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, 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

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

Allowances for inventories

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

Allowance for obsolete inventories of approximately HK$329,000 (six months ended 31 December 2011: provision of HK$7,369,000 (unaudited)) was reversed during the six months ended 31 December 2012.

Allowances for bad and doubtful debts

The allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of individual trade debts performed by the management. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. No allowance for bad and doubtful debts was made for the six months ended 31 December 2012 (six months ended 31 December 2011: nil (unaudited)).

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.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP	
	As at 31 December 2012	As at 30 June 2012
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**433,631**	403,306
Financial liabilities		
Amortised cost	**454,703**	486,702
Financial guarantee liability	**–**	4,000

Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables, amounts due from fellow subsidiaries and a related company, bank balances and cash, trade and bills payable, other payables and accrued charges, amounts due to a director and fellow subsidiaries, dividend payable to a non-controlling shareholder of a subsidiary, 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 and other receivables, bank balances, other payables and accrued expenses, and bank borrowings of the Group and intra-group balances are denominated in foreign currencies of respective group entities.

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

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk (Continued)

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	
	As at 31 December 2012 *HK$'000*	As at 30 June 2012 *HK$'000*	As at 31 December 2012 *HK$'000*	As at 30 June 2012 *HK$'000*
HK$	**9,975**	36,454	**27,715**	13,379
RMB	**–**	734	**–**	–
CHF	**9,182**	5,122	**5,048**	3,618

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

	Amounts due from group entities		Amounts due to group entities	
	As at 31 December 2012 *HK$'000*	As at 30 June 2012 *HK$'000*	As at 31 December 2012 *HK$'000*	As at 30 June 2012 *HK$'000*
HK$	**119,876**	63,456	**179,738**	88,149
RMB	**–**	12	**12,363**	15,318
CHF	**10,913**	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.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk (Continued)

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

	Six months ended 31 December 2012 *HK$'000*	Year ended 30 June 2012 *HK$'000*
Decrease in post-tax profit for the period/year	(3,011)	(140)

Interest rate risk

The Group's cash flow interest rate risk primarily relates to the bank balances as well as bank borrowings (note 23 for details of bank borrowings). The bank borrowings were mainly exposed to fluctuation of Hong Kong Interbank Offering Rate, Prime Rate and bank borrowing rate published by the People's Bank of China.

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

Sensitivity analysis

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

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of 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 period. A 50 basis points increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

6. **FINANCIAL INSTRUMENTS** ***(Continued)***

Financial risk management objectives and policies ***(Continued)***

Interest rate risk (Continued)

Sensitivity analysis (Continued)

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 six months ended 31 December 2012 and the year ended 30 June 2012 would be:

	Six months ended 31 December 2012 *HK$'000*	Year ended 30 June 2012 *HK$'000*
Decrease/increase	514	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 29.

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 each 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 six months ended 31 December 2012.

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 *(Continued)*

Financial risk management objectives and policies *(Continued)*

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 31 December 2012				
Non-derivative financial liabilities				
Trade payables and bills payable	**N/A**	**86,807**	**86,807**	**86,807**
Other payables and accrued charges	**N/A**	**50,361**	**50,361**	**50,361**
Amount due to a director	**N/A**	**40,610**	**40,610**	**40,610**
Dividend payable to a non-controlling shareholder of a subsidiary	**N/A**	**2,992**	**2,992**	**2,992**
Bank borrowings	**3.28**	**273,933**	**273,933**	**273,933**
		454,703	**454,703**	**454,703**
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 *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

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 was claimed by the counterparty to the guarantee. Based on expectations at 30 June 2012, the Group considered that it was more likely than not that no amount would be payable under the arrangement. However, this estimate was subject to change depending on the probability of the counterparty claiming under the guarantee which was a function of the likelihood that the financial receivables held by the counterparty which were guaranteed suffer credit losses. Details of the financial guarantees are set out in note 29.

Bank borrowings with a repayment on demand clause are included in the "Repayable on demand or less than 3 months" time band in the above maturity analysis. As at 31 December 2012, the aggregate carrying amount of these bank borrowings of amounted to approximately HK$273,933,000 (30 June 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 borrowings 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 approximately HK$280,031,000 as at 31 December 2012 (30 June 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 31 December 2012	3.28	194,166	20,514	8,228	14,865	42,258	280,031	273,933
As at 30 June 2012	3.62	206,659	12,456	10,687	17,777	47,730	295,309	285,520

6. FINANCIAL INSTRUMENTS *(Continued)*

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.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results

Six months ended 31 December 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	575,829	66,321	164,981	124,764	931,895
Inter-segment sales	–	–	14,951	–	14,951
Segment revenue	575,829	66,321	179,932	124,764	946,846
Elimination					(14,951)
Group revenue					931,895
Results					
Segment results	155,993	7,323	7,634	8,650	179,600
Interest income					1,135
Financial guarantee income					4,000
Central administration costs					(34,818)
Finance costs					(5,515)
Profit before taxation					144,402

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results ***(Continued)***

Six months ended 31 December 2011 (unaudited)

	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	435,893	53,892	129,808	68,780	688,373
Inter-segment sales	–	–	31,374	–	31,374
Segment revenue	435,893	53,892	161,182	68,780	719,747
Elimination					(31,374)
Group revenue					688,373
Results					
Segment results	126,161	(979)	9,403	6,699	141,284
Interest income					1,253
Financial guarantee income					1,000
Central administration costs					(21,046)
Finance costs					(2,191)
Profit before taxation					120,300

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

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

As at 31 December 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	512,192	117,247	56,858	152,399	838,696
Bank balances and cash					151,099
Deferred tax assets					9,612
Consolidated total assets					999,407
LIABILITIES					
Segment liabilities	74,315	23,296	25,581	28,419	151,611
Amount due to a director					40,610
Tax liabilities					25,972
Bank borrowings					273,933
Deferred tax liabilities					23,156
Dividend payable to a non-controlling shareholder of a subsidiary					2,992
Other liabilities					26,433
Consolidated total liabilities					544,707

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

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, 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, dividend payable to a non-controlling shareholder of a subsidiary and certain corporate liabilities.

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

Six months ended 31 December 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	18,312	1,818	22	1,708	–	21,860
Reversal of allowance for obsolete inventories	(329)	–	–	–	–	(329)
Depreciation of property, plant and equipment	10,496	302	306	801	–	11,905
Loss on disposal and write off of property, plant and equipment	1,087	–	–	–	–	1,087

Six months ended 31 December 2011 (unaudited)

	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	13,038	183	1,130	28	–	14,379
Allowance for obsolete inventories	2,369	4,000	–	1,000	–	7,369
Depreciation of property, plant and equipment	9,413	777	284	710	300	11,484
Loss on disposal and write off of property, plant and equipment	1,533	–	–	–	–	1,533

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about major customers

There is no single customer contributing over 10% of total revenue of the Group for the six months ended 31 December 2012 and 2011.

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:

	Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
		(Unaudited)
Hong Kong and others	**179,455**	137,308
The PRC	**752,440**	551,065
	931,895	688,373

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

	As at 31 December 2012	As at 30 June 2012
	HK$'000	*HK$'000*
Hong Kong	**3,764**	4,045
The PRC	**52,958**	43,252
	56,722	47,297

8. DIRECTORS' REMUNERATION

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

	Mr. Tung *HK$'000* *(note b)*	Mr. Tung Wai Kit *HK$'000*	Mr. Hou Qing Hai *HK$'000*	Mr. Lo Wing Sang *HK$'000*	Total *HK$'000*
For the six months ended 31 December 2012					
Fee	–	–	–	–	–
Salaries and allowances	1,800	203	267	610	2,880
Bonus	–	8	–	693	701
Contributions to retirement benefits scheme	8	8	–	8	24
Total remuneration	1,808	219	267	1,311	3,605
For the six months ended 31 December 2011 (unaudited)					
Fee	–	–	–	–	–
Salaries and allowances	180	196	245	417	1,038
Bonus *(Note a)*	8,000	–	–	–	8,000
Contributions to retirement benefits scheme	6	6	–	5	17
Total remuneration	8,186	202	245	422	9,055

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 contact 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.

During the six months ended 31 December 2012 and 2011, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any remuneration during the six months ended 31 December 2012 and 2011.

9. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included three directors of the Company for the six months ended 31 December 2012 (six months ended 31 December 2011: two directors (unaudited)). The emoluments of the remaining two individuals for the six months ended 31 December 2012 (six months ended 31 December 2011: three individuals (unaudited)), which were individually less than HK$1,000,000, were as follows:

	Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
		(Unaudited)
Salaries and other benefits	**1,312**	748
Contributions to retirement benefit scheme	**30**	12
	1,342	760

During the six months ended 31 December 2012, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group.

10. OTHER GAINS AND INCOME/OTHER EXPENSES

	Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
		(Unaudited)
Other gains and income		
Bank interest income	**1,135**	495
Interest income from a director	**–**	758
Financial guarantee income	**4,000**	1,000
Others	**5,491**	2,991
	10,626	5,244
Other expenses		
Listing expenses	**21,002**	4,200

11. FINANCE COSTS

	Six months ended 31 December 2012 *HK$'000*	2011 *HK$'000* (Unaudited)
The finance costs represent interests on:		
Bank borrowings wholly repayable within five years	**5,515**	2,168
Finance leases	**–**	23
	5,515	2,191

12. INCOME TAX

	Six months ended 31 December 2012 *HK$'000*	2011 *HK$'000* (Unaudited)
Current tax:		
PRC Enterprise Income Tax	**31,198**	20,892
PRC withholding tax	**3,095**	–
	34,293	20,892
Overprovision in prior years:		
PRC Enterprise Income Tax	**(280)**	–
	34,013	20,892
Deferred taxation *(note 25)*	**4,397**	4,282
	38,410	25,174

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits. No provision for Hong Kong Profits Tax has been made for the six months ended 31 December 2012 and 2011, 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.

12. INCOME TAX *(Continued)*

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%. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa (2007) No.39), the tax concessions of Ye Guang Li and Tian Wang Shenzhen (set out below) are still applicable under the EIT Law.

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

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

Under the EIT Law, PRC withholding income tax is applicable to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries to non-PRC tax resident group entities in Hong Kong in respect of profits generated after 1 January 2008 shall be subject to the withholding tax at 5%. Deferred tax in relation to withholding income tax for the undistributed profits of the PRC subsidiaries have been provided. Details of the movement of the deferred tax recognised in respect to withholding income tax for the undistributed profits are set out in note 25.

12. INCOME TAX *(Continued)*

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

	Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
		(Unaudited)
Profit before taxation	**144,402**	120,300
Tax at the PRC Enterprise Income Tax rate of 25%	**36,101**	30,075
Tax effect of expenses not deductible for tax purpose	**6,589**	2,735
Tax effect of income not taxable for tax purpose	**(1,652)**	(1,390)
Income tax on concession and preferential tax rates	**(11,453)**	(12,804)
Tax effect of tax loss not recognised	**4,474**	2,276
Tax effect of utilisation of tax losses previously not recognised	**(473)**	–
Overprovision in prior years	**(280)**	–
Withholding tax for distributable earnings of PRC subsidiaries	**5,104**	4,282
Tax charge for the period	**38,410**	25,174

13. PROFIT FOR THE PERIOD

	Six months ended 31 December 2012 HK$'000	2011 HK$'000 (Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Auditor's remuneration	**1,218**	871
Directors' remuneration *(note 8)*		
Fees	**–**	–
Other emoluments	**3,581**	9,038
Retirement benefits scheme contributions	**24**	17
	3,605	9,055
Other staff costs	**90,404**	76,570
Retirement benefits scheme contributions	**9,765**	4,781
Total staff costs	**103,774**	90,406
Depreciation of property, plant and equipment		
Owned assets	**11,905**	11,404
Leased assets	**–**	80
Cost of inventories recognised as cost of sales	**370,415**	236,983
Research and development costs recognised as cost of sales	**11,365**	19,515
(Reversal of allowance) allowance for obsolete inventories recognised as cost of sales	**(329)**	7,369
Loss on disposal and write off of property, plant and equipment	**1,087**	1,533
Concessionaire fee *(Note)*	**177,595**	128,798
Operating lease payment in respect of shop counters and shops	**12,770**	6,517
Operating lease payment for office premises and factories	**3,198**	716
Net foreign exchange gain	**(1,492)**	(540)

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

14. DIVIDEND

During the six months ended 31 December 2012, the Company declared a total dividend of HK$70,541,000 (six months ended 31 December 2011: nil) to its immediate holding company.

15. EARNINGS PER SHARE

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

	Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
		(Unaudited)
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	**104,216**	93,381
	'000	*'000*
Numbers of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,500,000**	1,500,000

The weighted average number of ordinary shares for the purpose of calculating basic 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 31.

There was no diluted earnings per share for the six months ended 31 December 2012 and 2011 as there were no potential ordinary shares in issue during the six months ended 31 December 2012 and 2011.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Light boxes HK$'000	Total HK$'000
COST OR VALUATION							
At 1 July 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	–	178	27	72	87	807	1,171
Additions	–	1,760	158	674	627	18,641	21,860
Disposals and written off	–	–	–	–	–	(4,074)	(4,074)
At 31 December 2012	–	16,878	2,555	7,513	13,529	76,611	117,086
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	–	143	11	36	40	384	614
Provided for the period	–	1,650	177	398	887	8,793	11,905
Eliminated on disposals and written off	–	–	–	–	–	(2,987)	(2,987)
At 31 December 2012	–	12,969	1,040	3,445	5,860	37,050	60,364
CARRYING VALUES							
At 30 June 2012	–	3,764	1,518	3,756	7,882	30,377	47,297
At 31 December 2012	–	3,909	1,515	4,068	7,669	39,561	56,722

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

	As at 31 December 2012 HK$'000	As at 30 June 2012 HK$'000	Maximum amount outstanding during the six months ended 31 December 2012 HK$'000
Name of the related party			
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	–	36	36
Goldford International Limited	–	141	141
Grand Ocean Industrial Limited	–	44	44
Winning Asia Holdings Group Limited	–	230	230
	–	834	834
Amount due from a related company – current:			
Eastern Glory Enterprise Limited ("Eastern Glory")	–	60	60

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

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

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

18. INVENTORIES

	As at 31 December 2012 *HK$'000*	As at 30 June 2012 *HK$'000*
Raw materials and consumables	**39,720**	60,914
Work in progress	**13,231**	22,936
Finished goods	**416,922**	382,520
	469,873	466,370

During the six months ended 31 December 2012, certain inventories previously provided for impairment were sold and hence, allowance for obsolete inventories of HK$329,000 was reversed.

19. TRADE AND OTHER RECEIVABLES

	As at 31 December 2012 *HK$'000*	As at 30 June 2012 *HK$'000*
Trade receivables from third parties	**244,091**	227,956
Trade receivables from fellow subsidiaries	**3,200**	3,469
Trade receivable from a related company	**1,301**	2,226
Less: allowance for doubtful debts	**(430)**	(430)
	248,162	233,221
Other receivables, deposits and prepayments	**63,939**	56,129
Total trade and other receivables	**312,101**	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 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.

19. TRADE AND OTHER RECEIVABLES *(Continued)*

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 approximated the respective dates on which revenue was recognised:

	As at 31 December 2012 *HK$'000*	As at 30 June 2012 *HK$'000*
0 to 60 days	**210,070**	194,330
61 to 120 days	**21,667**	19,681
121 to 180 days	**7,465**	5,461
Over 180 days	**4,459**	8,054
	243,661	227,526

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

	As at 31 December 2012 *HK$'000*	As at 30 June 2012 *HK$'000*
0 to 60 days	**3,200**	3,469

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

	As at 31 December 2012 *HK$'000*	As at 30 June 2012 *HK$'000*
0 to 60 days	**621**	1,293
61 to 120 days	**680**	933
	1,301	2,226

19. TRADE AND OTHER RECEIVABLES *(Continued)*

As at 31 December 2012, included in the Group's trade receivables are debtors with a carrying amount of HK$33,591,000 (30 June 2012: HK$33,196,000), which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there were subsequent settlement or no historical default of payments by the respective customers and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables as at 31 December 2012 is 109 days (30 June 2012: 118 days).

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

	As at 31 December 2012 *HK$'000*	As at 30 June 2012 *HK$'000*
61 to 120 days	**21,667**	19,681
121 to 180 days	**7,465**	5,461
Over 180 days	**4,459**	8,054
	33,591	33,196

Movement in the allowance for doubtful debts

	As at 31 December 2012 *HK$'000*	As at 30 June 2012 *HK$'000*
Balance at beginning and at the end of the period/year	**430**	430

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

19. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	As at 31 December 2012 HK$'000	As at 30 June 2012 HK$'000
CHF	9,074	4,943
HK$	1,545	347

20. BANK BALANCES AND CASH

The amounts comprise cash and bank balances with original maturity of three months or less and carrying interest at average market rates of 0.30% per annum as at 31 December 2012 (30 June 2012: 0.25% per annum).

At 31 December 2012, the bank balances and cash of HK$124,366,000 (30 June 2012: HK$79,009,000) was denominated in RMB, which is not freely convertible into other currencies.

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

	As at 31 December 2012 HK$'000	As at 30 June 2012 HK$'000
HK$	8,430	36,107
CHF	108	179
RMB	–	734

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

	As at 31 December 2012 HK$'000	As at 30 June 2012 HK$'000
Trade payables and bills payable:		
Trade payables	**77,876**	107,010
Bills payable	**7,506**	6,532
Trade payable to entity owned by a non-controlling shareholder of a subsidiary	**1,425**	6,812
	86,807	120,354
Other payables and accrued charges:		
Other tax payables	**19,567**	20,071
Accrued bonus to a director	**–**	8,350
Accrued advertising expenses	**1,913**	1,269
Accrued staff related costs	**15,471**	15,833
Accrued listing expenses	**26,433**	13,590
Other payables and accrued charges	**24,066**	14,388
Amount due to a non-controlling shareholder of a subsidiary	**3,787**	–
	91,237	73,501
	178,044	193,855

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

21. TRADE PAYABLES AND BILLS PAYABLE, OTHER PAYABLES AND ACCRUED CHARGES *(Continued)*

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

	As at 31 December 2012 HK$'000	As at 30 June 2012 HK$'000
0 – 30 days	53,944	48,761
31 – 60 days	11,290	20,301
61 – 90 days	4,798	15,688
Over 90 days	7,844	22,260
	77,876	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 payables to entity owned by a non-controlling shareholder of a subsidiary based on invoice date at the end of the reporting period:

	As at 31 December 2012 HK$'000	As at 30 June 2012 HK$'000
0 – 60 days	1,425	6,812

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

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

	As at 31 December 2012 HK$'000	As at 30 June 2012 HK$'000
HK$	27,715	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 amount due to a director was fully settled in January 2013.

23. BANK BORROWINGS

	As at 31 December 2012 HK$'000	As at 30 June 2012 HK$'000
Trust receipts loans	**77,766**	36,372
Bank loans	**196,167**	249,148
	273,933	285,520
Analysed as:		
Secured	**126,261**	146,004
Unsecured	**147,672**	139,516
	273,933	285,520
The borrowings are repayable as follows:		
On demand and within one year	**221,767**	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	**14,000**	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	**38,166**	45,167
Total amount shown as current liabilities	**273,933**	285,520

23. BANK BORROWINGS *(Continued)*

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

	As at 31 December 2012 *HK$'000*	As at 30 June 2012 *HK$'000*
CHF	**5,048**	3,618

Trust receipt loans and bank loans were arranged at floating rates at interest rates ranged from 2.03% to 7.62%, and the average interest rate is approximately 3.28% per annum as at 31 December 2012 (30 June 2012: 3.62% per annum). Thus the Group exposes to cash flow interest rate risk.

The Group's trust receipt loans and bank loans are under guarantees provided by certain group entities, a director and fellow subsidiaries (see notes 28 and 29 for details). On 25 May 2012, a subsidiary provided a floating charge on its bank accounts of a bank to secure a banking facility. On 11 July 2012, the Group pledged the shares of Win Sun and Sky Sun to secure a banking facility from a bank. The pledged shares of Win Sun and Sky Sun were released on 5 February 2013. As at 31 December 2012, the secured trust receipt loans and bank loans related to the facilities stated above amounted to approximately HK$120,790,000 (30 June 2012: HK$134,159,000).

As at 31 December 2012, the Group had trust receipts loans of approximately HK$5,471,000 (30 June 2012: HK$11,845,000), which were secured by properties in PRC owned by a fellow subsidiary of the Group (see note 28 for details).

24. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
On date of incorporation and at 30 June 2012 and 31 December 2012	3,500,000	350
Issued:		
1 share allotted and issued, nil-paid on the date of incorporation	1	–
Issue of shares on Reorganisation	999,999	100
At 30 June 2012 and 31 December 2012	1,000,000	100

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, upon completion of the Reorganisation, 999,999 shares was allotted, issued, credited as fully paid to Red Glory.

25. DEFERRED TAXATION

The following are the major deferred tax (assets) liabilities recognised and movement during the current period and prior 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
Charged to profit or loss	–	2,388	–	2,009	4,397
At 31 December 2012	(7,000)	(2,612)	533	22,623	13,544

25. DEFERRED TAXATION *(Continued)*

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

	As at 31 December 2012 *HK$'000*	As at 30 June 2012 *HK$'000*
Deferred tax assets	**9,612**	12,000
Deferred tax liabilities	**23,156**	21,147

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

The Group had unused tax losses of approximately HK$34,006,000 and HK$18,002,000 as at 31 December 2012 and 30 June 2012, respectively. No deferred tax assets have been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

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:

	As at 31 December 2012 *HK$'000*	As at 30 June 2012 *HK$'000*
Within one year	**19,125**	18,602
In the second to fifth year inclusive	**20,958**	9,944
Over five years	**–**	381
	40,083	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.

26. COMMITTMENTS *(Continued)*

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.

27. 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 31 December 2012, there were no outstanding contributions payable to the schemes (30 June 2012: nil).

28. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the consolidated financial statements, the Group had the following related party transactions during the period:

	Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
		(unaudited)
Sales to fellow subsidiaries	**8,428**	9,228
Sales to a related company *(Note a)*	**2,590**	1,484
Sales commission paid/payable to a fellow subsidiary	**–**	71
Purchase from entities owned by non-controlling shareholders of a subsidiary	**2,693**	–
Rental expenses paid/payable to a director and a related company *(Note b)*	**86**	200
Rental expenses paid/payable to non-controlling shareholder of a subsidiary	**44**	–
Rental expenses paid/payable to a fellow subsidiary *(Note c)*	**2,040**	–
Interest income from a director	**–**	758
Service fee paid/payable to non-controlling shareholder of a subsidiary	**3,664**	–

Notes:

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

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

(c) During the six months ended 31 December 2011, the Group used the office premises owned by Winning Metal without payment of any rental. On 3 July 2012, the Group entered into a rental agreement with a fellow subsidiary for the office premises and paid rental of HK$2,040,000 for the six months ended 31 December 2012.

28. RELATED PARTY TRANSACTIONS *(Continued)*

On 14 June 2012, Mr. Tung, several fellow subsidiaries including Fine Jade International Limited, Goldford International Limited, Master Wave Limited, Skyrex Investment Limited, Winning Asia Holdings Group Limited, 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) Property Management Company Limited, 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 30 June 2012 and six months ended 31 December 2012. This banking facility is also under the personal guarantees provided by Mr. Tung. Both the pledged properties and personal guarantee were released on 5 February 2013.

Compensation of key management personnel

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

	Six months ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
		(unaudited)
Short-term benefits	**4,976**	9,828
Post-employment benefits	**66**	40
	5,042	9,868

29. CONTINGENT LIABILITIES

(i) On 29 July 2011, Win Sun, Gold Joy Investments 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, independent qualified professional valuer 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 six months ended 31 December 2011, financial guarantee income of HK$1,000,000 (unaudited) 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 and loss during the six months ended 31 December 2012.

(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 is 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 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 Holdings Limited and Winning Metal. Management of the Group considered that the fair value of the financial guarantee provided by Win Source is insignificant. On 30 November 2012, the banking facilities were replaced by new banking facilities which solely granted to Win Source with financial guarantees provided by Mr. Tung, Fortune Silver Holdings Limited and Winning Metal. The financial guarantees from Mr. Tung, Winning Metal and Fortune Silver Holdings Limited were released on 5 February 2013.

(iv) On 4 June 2012, Win Source, Winning Asia Holdings Group Limited and Winning Metal provided cross corporate guarantees to each other for the banking facilities of HK$71,000,000 in addition with 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 is 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 Holdings Group Limited, Winning Metal and Mr. Tung. The financial guarantees from Mr. Tung, Winning Asia Holdings Group Limited and Winning Metal were released on 5 February 2013.

30. 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	Place/ country of operations	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group As at 31 December 2012	As at 30 June 2012	Principal activities
Directly held:						
Immense Ocean Investments Limited	BVI	Hong Kong	1 share of US$1	100%	100%	Investment holding
Indirectly held:						
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

30. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Country/ place of incorporation/ establishment	Place/ country of operations	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group As at 31 December 2012	As at 30 June 2012	Principal activities
Time Watch (Hefei) Company Limited[2] 時計寶(合肥)鐘表有限公司	PRC	PRC	RMB14,000,000	51%	51%	Sales of watches
Time Watch (Shanghai) 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 Company Limited[1] 深圳時計寶管理諮詢有限公司	PRC	PRC	RMB6,000,000	100%	100%	Marketing and consulting
Time Watch (Sichuan) Company Limited[2&3] 時計寶(四川)鐘表有限公司	PRC	PRC	RMB10,000,000	51%	–	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 The registered capital of Time Watch (Sichuan) Company Limited has not paid up at 31 December 2012. The Group paid RMB5.1 million subsequent to 31 December 2012.

31. SUBSEQUENT EVENTS

(i) On 11 January 2013, the Company conditionally adopted a share option scheme pursuant to a resolution passed by its sole shareholder on 11 January 2013, where eligible employees and directors of the Group, among others, may be granted options entitling them to subscribe for the Company's shares. No share option has been granted since the adoption of the scheme. The adoption of the share option scheme became unconditional upon the listing of the Company on 5 February 2013.

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

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

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

The increase in authorised share capital and credit to the share premium account became unconditional upon the listing of the Company's shares on 5 February 2013.

(iii) On 5 February 2013, the Company issued 500,000,000 new shares and the Company's share were listed on the Stock Exchange on 5 February 2013.

32. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December 2012 *HK$'000*	As at 30 June 2012 HK$'000
Non-current assets		
Unlisted investments in subsidiaries, at cost	**66,727**	66,727
Current assets		
Other receivables, deposits and prepayments	**6,077**	5,477
Bank balances and cash	**58**	48
Dividend receivable from a subsidiary	**22,000**	–
	28,135	5,525
Current liabilities		
Other payables and accruals	**26,433**	13,590
Amounts due to subsidiaries	**18,388**	9,909
	44,821	23,499
Net current liabilities	**(16,686)**	(17,974)
Total assets less current liabilities	**50,041**	48,753
Capital and reserves		
Share capital *(note 24)*	**100**	100
Reserves *(Note)*	**49,941**	48,653
Total equity	**50,041**	48,753

Note:

	Share premium *HK$'000*	**Accumulated (losses) profit** *HK$'000*	**Total** *HK$'000*
At 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 period	–	71,829	71,829
Dividend recognised as distribution during the period	(66,727)	(3,814)	(70,541)
At 31 December 2012	–	49,941	49,941

ADDITIONAL INFORMATION

Interim Dividend

The Board does not recommend payment of any interim dividend.

Audit Committee

The audit committee has reviewed the audited consolidated financial statements of the Company for the six months ended 31 December 2012 and discussed the financial related matters with the management of the Group.

Undertaking given by Company pursuant to the Rule 11.18 of the Listing Rules

Pursuant to Rule 11.18 of the Listing Rules, the Company had given an undertaking to the Stock Exchange that the interim report for the six months ended 31 December 2012 would be audited. Accordingly, the Company engaged an auditor to audit the Company's consolidated financial statements for the six months ended 31 December 2012. The consolidated financial statements of the Group for the six months ended 31 December 2012 have been audited by the Company's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The auditor's report stated that the corresponding figures set out in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended 31 December 2011 and the related notes have not been audited in accordance with Hong Kong Standards on Auditing issued by Hong Kong Certified Public Accountants.

Corporate Governance Practices

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. Save as disclosed below, since the Shares of the Company were listed on the Stock Exchange on 5 February 2013 (the "Listing Date") and up to the date of this interim report, the Company had complied with the code provisions of the CG Code.

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. Taking into account of Mr. Tung Koon Ming'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 Koon Ming enables more effective and efficient overall business planning, decision making and implementation thereof by the Group. In order to maintain good corporate governance and fully comply 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 than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). 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 interim report.

Employees and remuneration policy

As at 31 December 2012, the Group had a total of 2,493 employees (30 June 2012: 2,156 employees). The Group's employees are remunerated in line with the prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. The remuneration policy of the Group is reviewed regularly with reference to the legal requirements and market condition. Discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and the individual employee. The remuneration policy and remuneration packages of the executive Directors and member of the senior management of the Group are reviewed by the remuneration committee of the Board of Directors. The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme for its employees in Hong Kong and provides its employees in the PRC and Switzerland with welfare schemes as required by the applicable laws and regulations of the PRC and Switzerland.

Purchase, Sale or Redemption of Listed Securities of the Company

The shares of the Company were listed on the Main Board of the Stock Exchange on 5 February 2013. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2012.

Share Option Scheme

A share option scheme (the "Scheme") of the Company was adopted pursuant to a written resolution of the sole shareholder of the Company passed on 11 January 2013. No options have been granted, exercised or cancelled since the adoption of the Scheme up to the date of this interim report.

Over-allotment Option

As part of the initial public offering of the Company, the Company has granted an over-allotment option (the "Over-allotment Option") to DBS Asia Capital Limited (the "Sole Global Coordinator") under an international underwriting agreement dated 29 January 2013 in connection with the international placing under the initial public offering, pursuant to which the Company may be required by the Sole Global Coordinator (on behalf of the international underwriters under the international underwriting agreement) to allot and issue up to 90,000,000 additional new Shares to cover any over-allocations under the international placing. On and up to the date of this interim report, the Over-allotment Option has been partially exercised by the Sole Global Coordinator, requiring the Company to allot and issue 79,946,000 Shares (the "Over-allotment Shares"). Subsequent to the date of this interim report, the closing of Over-allotment Option took place and the Over-allotment Shares were allotted and issued by the Company on 5 March 2013. Immediately after the issue of the Over-allotment Shares, the issued share capital of the Company was increased from HK$200,000,000 to HK$207,994,600, divided into 2,079,946,000 Shares of HK$0.10 each.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at the date of this interim report, the interests and short positions of the Directors and 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 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)*	1,400,000,000 Shares (L)	70.00%
	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 ("WMP")	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 WMP. WMP 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, WMP, Time Watch Singapore and Red Rewarding are interested by virtue of the SFO. Immediately after the allotment of the Over-allotment Shares by the Company on 5 March 2013, his percentage of interests in the Shares was diluted to 67.31%.

Save as disclosed above, as at the date of this interim report, none of the Directors or 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

As at the date of this interim report, 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 the 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)*	1,400,000,000 Shares (L)	70.00%
WMP	Interest of a controlled corporation *(Note 2)*	1,400,000,000 Shares (L)	70.00%
Time Watch Singapore	Interest of a controlled corporation *(Note 2)*	1,400,000,000 Shares (L)	70.00%
Red Rewarding	Interest of a controlled corporation *(Note 2)*	1,400,000,000 Shares (L)	70.00%
Ms. Tam Fun Hung ("Ms. Tam")	Interest of spouse *(Note 3)*	1,400,000,000 Shares (L)	70.00%
Orchid Asia V, LP	Beneficial owner *(Note 4)*	146,756,000 Shares (L)	7.34%
OAV Holdings, L.P.	Interest of a controlled corporation *(Note 4)*	146,756,000 Shares (L)	7.34%
Orchid Asia V GP, Limited	Interest of a controlled corporation *(Note 4)*	146,756,000 Shares (L)	7.34%

Name of shareholders	Capacity/nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of shareholding
Orchid Asia V Group Management, Limited	Interest of a controlled corporation *(Note 4)*	146,756,000 Shares (L)	7.34%
Orchid Asia V Group, Limited	Interest of a controlled corporation *(Note 4)*	146,756,000 Shares (L)	7.34%
Areo Holdings Limited	Interest of a controlled corporation *(Note 4)*	151,294,000 Shares (L)	7.56%
Lam Lai Ming	Interest of a controlled corporation *(Note 4)*	161,018,000 Shares (L)	8.05%
Li Gabriel	Interest in a controlled corporation *(Note 4)*	161,018,000 Shares (L)	8.05%

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 WMP. WMP is a wholly owned subsidiary of Time Watch Singapore, which was a wholly owned subsidiary of Red Rewarding. WMP, 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. Immediately after the allotment of the Over-allotment Shares by the Company on 5 March 2013, their percentage of interests in the Shares was diluted to 67.31%.

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 section. Immediately after the allotment of the Over-allotment Shares by the Company on 5 March 2013, her percentage of interests in the Shares was diluted to 67.31%.

4. So far as the Directors are aware of, these Shares were beneficial owned as to 146,756,000 Shares by Orchid Asia V, L.P., 4,538,000 Shares by Orchid Asia V Co-Investment, Limited, and 9,724,000 Shares by Orchid China Master Fund Limited.

So far as the Directors are aware of, Orchid Asia V, L.P. was wholly owned 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 owned 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, Orchid China Master Fund Limited was wholly owned by Orchid China Management (Cayman) Limited, which was controlled 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 the allotment of the Over-allotment Shares by the Company on 5 March 2013, the percentage of interests of each of Orchid Asia V, LP, OAV Holdings, L.P., Orchid Asia V GP, Limited, Orchid Asia V Group Management, Limited and Orchid Asia V Group, Limited in the Shares was diluted to 7.06%, the percentage of interests of Aero Holdings Limited in the Shares was diluted to 7.27%; and the percentage of interests of each of Ms. Lam Lai Ming and Mr. Li Gabriel in the Shares was diluted to 7.74%.

Save as disclosed above, as at the date of this interim report, 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.

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 Track Record Period (as defined in the Prospectus), the Group has failed to comply with certain applicable laws and regulations in the PRC and Hong Kong and has entered into some lease agreements which may be defective. As at the date of this interim report, the Group is still in the process of rectifying the non-compliance and the defective lease agreements in a manner as disclosed in the Prospectus. The Company shall continue to monitor the progress and update the results of rectification in future interim and/or annual reports (where applicable).

CORPORATE INFORMATION

Chairman

Mr. Tung Koon Ming

Board of Directors

Executive Directors

Mr. Tung Koon Ming
Mr. Lo Wing Sang
Mr. Hou Qinghai
Mr. Tung Wai Kit

Independent Non-Executive Directors

Mr. Ma Ching Nam
Dr. Tam Hok Lam Tommy
Mr. Wong Wing Keung Meyrick

Audit Committee

Dr. Tam Hok Lam Tommy *(Chairman)*
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)*
Dr. Tam Hok Lam Tommy
Mr. Ma Ching Nam

Corporate Governance Committee

Mr. Ma Ching Nam *(Chairman)*
Dr. Tam Hok Lam Tommy
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 Adviser

Chiu & Partners
Jingtian & Gongcheng

Cayman Islands Principal Share Registrar

Codan Trust Company (Cayman) Limited
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Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar

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Registered Office

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Stock Code on the Hong Kong Stock Exchange

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