



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

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



2015  
INTERIM  
REPORT



Strategic Timing Breeds  
Extraordinary Success



## CORPORATE PROFILE

Time Watch Investments Limited (the “Company” or “Time Watch”) and its subsidiaries (collectively, the “Group”) are the leading manufacturer, brand-owner and retailer of watches in the People’s Republic of China (“PRC”) national brand watch market. Established in 1988, the Group’s core proprietary brand, Tian Wang (天王), has been developed into a well-known brand in the PRC. 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.



## CONTENTS

2	Financial Highlights
3	Management Discussion and Analysis
15	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
16	Condensed Consolidated Statement of Financial Position
18	Condensed Consolidated Statement of Changes in Equity
20	Condensed Consolidated Statement of Cash Flows
21	Notes to the Condensed Consolidated Financial Statements
39	Additional Information
45	Corporate Information



## FINANCIAL HIGHLIGHTS

	<b>Six months ended 31 December 2014 HK\$'000 (Unaudited)</b>	Six months ended 31 December 2013 HK\$'000 (Unaudited)
Revenue	<b>1,306,990</b>	1,154,836
Gross profit	<b>872,831</b>	743,451
Gross margin (%)	<b>66.8%</b>	64.4%
Profit attributable to owners of the Company	<b>157,137</b>	150,443

	<b>As at 31 December 2014 HK\$'000 (Unaudited)</b>	As at 30 June 2014 HK\$'000 (Audited)
Total assets	<b>1,939,187</b>	1,850,687
Total liabilities	<b>363,297</b>	347,796
Equity attributable to owners of the Company	<b>1,501,867</b>	1,434,770
Average Inventory Turnover Days (days)	<b>257</b>	217
Average Trade Receivables Turnover Days (days)	<b>53</b>	56
Average Trade Payables Turnover Days (days)	<b>52</b>	49



## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

#### Revenue

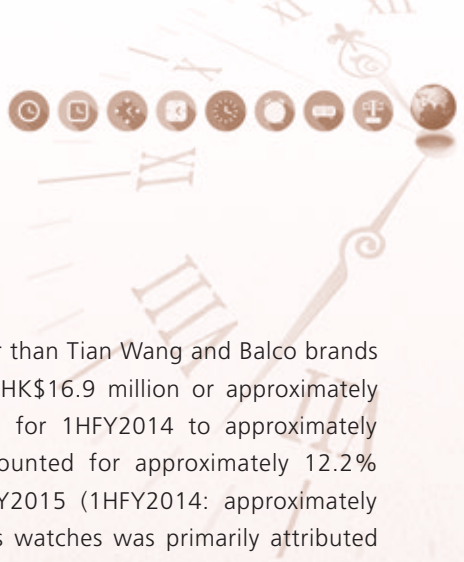
Revenue of the Group increased by approximately HK\$152.2 million or approximately 13.2% from approximately HK\$1,154.8 million for the six months ended 31 December 2013 ("1HFY2014") to approximately 1,307.0 million for the six months ended 31 December 2014 ("1HFY2015").

#### *Tian Wang Watches*

Sales of Tian Wang watches continued to be the Group's main source of revenue which accounted for approximately 70.4% of the total revenue of the Group for 1HFY2015 (1HFY2014: approximately 67.8%). Sales of Tian Wang watches recorded a revenue of approximately HK\$919.7 million for 1HFY2015, representing an increase of approximately HK\$136.6 million or approximately 17.4% as compared with approximately HK\$783.1 million for 1HFY2014. The growth during 1HFY2015 was mainly driven by (i) the expansion of the retail network by approximately 13.1% from 1,900 POS as at 30 June 2014 to 2,149 POS as at 31 December 2014; and (ii) the rapid growth in sales of watches through e-commerce channels by approximately HK\$38.8 million or approximately 47.6% from approximately HK\$81.5 million for 1HFY2014 to approximately HK\$120.3 million for 1HFY2015.

#### *Balco Watches*

Sales of Balco watches increased by approximately HK\$20.8 million or approximately 24.7% from approximately HK\$84.2 million for 1HFY2014 to approximately HK\$105.0 million for 1HFY2015, which accounted for approximately 8.0% of the total revenue of the Group for 1HFY2015 (1HFY2014: approximately 7.3%). The increase was primarily due to (i) the increase in the number of POS by approximately 2.6% from 492 POS as at 30 June 2014 to 505 POS as at 31 December 2014; and (ii) the increase in sales to multi-brand watch distributors in Hong Kong, Macau and Taiwan by approximately HK\$13.6 million or approximately 59.9% from approximately HK\$22.7 million for 1HFY2014 to approximately HK\$36.3 million for 1HFY2015.



### ***Other Brands Watches***

Sales of other well-known brand watches other than Tian Wang and Balco brands (“Other Brands”) increased by approximately HK\$16.9 million or approximately 11.9% from approximately HK\$142.5 million for 1HFY2014 to approximately HK\$159.4 million for 1HFY2015, which accounted for approximately 12.2% of the total revenue of the Group for 1HFY2015 (1HFY2014: approximately 12.3%). The increase in sales of Other Brands watches was primarily attributed to (i) the contribution of revenue of approximately HK\$32.7 million for 1HFY2015 (1HFY2014: approximately HK\$29.7 million) from a joint venture company, Time Watch (Hefei) Company Limited (“Time Watch Hefei”); and (ii) the contribution of revenue of approximately HK\$15.6 million for 1HFY2015 from another joint venture company established recently in December 2013, Time Watch (Chengdu) Company Limited (“Time Watch Chengdu”).

### ***Watch Movements Trading Business***

Revenue from Watch Movements Trading Business accounted for approximately 9.4% of the Group’s total revenue for 1HFY2015 (1HFY2014: approximately 12.6%). For 1HFY2015, revenue from trading of watch movements was approximately HK\$122.9 million, representing a decrease of approximately HK\$22.1 million or approximately 15.2% from approximately HK\$145.0 million for 1HFY2014. The decrease was primarily due to less watch movements were available for selling to external customers after allocation of watch movements to the production of the Group’s Tian Wang watches.



## Gross Profit

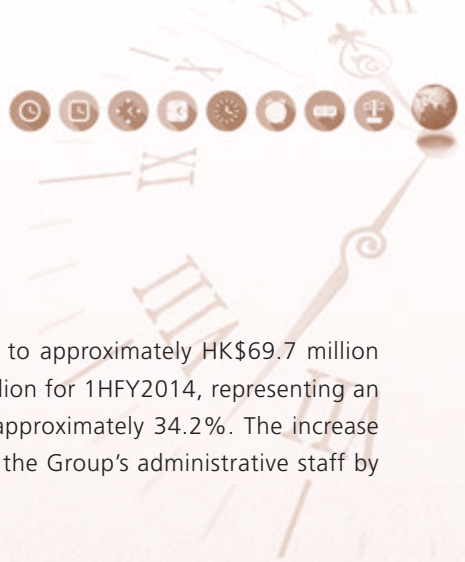
The Group's gross profit increased by approximately HK\$129.4 million or approximately 17.4% from approximately HK\$743.5 million for 1HFY2014 to approximately HK\$872.8 million for 1HFY2015, while the gross profit margin increased to approximately 66.8% for 1HFY2015 from approximately 64.4% for 1HFY2014. The increase in gross profit and the improvement in gross profit margin were primarily due to the increase in sales contribution of Tian Wang watches from approximately 67.8% of the Group's total revenue for 1HFY2014 to approximately 70.4% for 1HFY2015, as well as the improvement in gross profit margin of Tian Wang watches from approximately 79.6% for 1HFY2014 to approximately 80.7% for 1HFY2015, which was a result of the increase in sales of regular-priced watch models.

## Other Income, Gains and Losses

The Group's other income, gains and losses increased from approximately HK\$10.4 million for 1HFY2014 to approximately HK\$13.4 million for 1HFY2015, representing an increase of approximately HK\$3.0 million or approximately 28.8%. This was primarily due to the increase in bank interest income, watch repair and maintenance services income and net exchange gain for 1HFY2015.

## Selling and Distribution Costs

The Group's selling and distribution costs increased by approximately HK\$93.6 million or approximately 18.7% from approximately HK\$501.2 million for 1HFY2014 to approximately HK\$594.8 million for 1HFY2015, which accounted for approximately 45.5% of the Group's total revenue for 1HFY2015 (1HFY2014: approximately 43.4%). The increase was mainly due to (i) the increase in concessionaire and rental fees by approximately HK\$36.3 million as a result of an increase in revenue and number of POS; (ii) the increase in salaries of sales personnel by approximately HK\$26.1 million as a result of increase in number of sales staff, which was in line with the increase of number of POS and the increase in sales commission together with the increase in revenue; (iii) the increase in advertising and promotion fees by approximately HK\$18.8 million; and (iv) the increase in other sales related costs such as depreciation, packing, entertainment expenses, service charges and management fee by approximately HK\$12.4 million, which were in connection with the Group's market expansion.



### **Administrative Expenses**

The Group's administrative expenses increased to approximately HK\$69.7 million for 1HFY2015 from approximately HK\$52.0 million for 1HFY2014, representing an increase of approximately HK\$17.8 million or approximately 34.2%. The increase was primarily due to the increase in salaries of the Group's administrative staff by approximately HK\$16.7 million.

### **Finance Costs and Income Tax Expenses**

The Group's finance costs decreased by approximately HK\$0.1 million or approximately 20.1% from approximately HK\$0.4 million for 1HFY2014 to approximately HK\$0.3 million for 1HFY2015 as a result of a decrease in bank borrowings during 1HFY2015. The Group's income tax expenses increased from approximately HK\$46.3 million for 1HFY2014 to approximately HK\$65.5 million for 1HFY2015, representing an increase of approximately HK\$19.2 million or approximately 41.6%. The Group's effective tax rate increased from approximately 23.1% for 1HFY2014 to approximately 29.6% for 1HFY2015.

### **Profit for the Period**

As a result of the factors discussed above, the Group's net profit for 1HFY2015 increased by approximately HK\$1.8 million or approximately 1.2% from approximately HK\$154.0 million for 1HFY2014 to approximately HK\$155.8 million for 1HFY2015. The net profit margin decreased from approximately 13.3% for 1HFY2014 to approximately 11.9% for 1HFY2015.





## Business Review

### Overview

During 1HFY2015, the Group's principal business remained manufacture and retail sales of its two proprietary brands watches (namely, Tian Wang and Balco), retail sales of Other Brands watches in the PRC and Watch Movements Trading Business.

The Group achieved a sales growth of approximately 13.2% over the same period in previous financial year. Tian Wang watches continued to be the Group's core business, which contributed approximately 70.4% of the total revenue of the Group during 1HFY2015.

### Retail Network

The Group's retail network principally comprises sales counters located in department stores which are directly managed and controlled by the Group. Over 83% of the Group's sales of Tian Wang and Balco watches were made through the Group's directly managed POS. Since the Group sells most of its watches to its retail customers directly, the Group has been able to obtain first hand market information and direct feedback from customers through its frontline staff. The Group considers that this a comparative advantage over its competitors, which generally do not have fully direct managed sales network and sell their products through distributors.

As at 31 December 2014, number of the Group's POS for Tian Wang watches was 2,149 POS, representing a net increase of 249 POS and 407 POS as compared to the number of POS for Tian Wang watches as at 30 June 2014 and 31 December 2013, respectively. As at 31 December 2014, number of the Group's POS for Balco watches was 505 POS, representing a net increase of 13 POS and 50 POS as compared to the number of POS for Balco watches as at 30 June 2014 and 31 December 2013, respectively. As at 31 December 2014, number of the Group's POS for Other Brands watches was 99 POS, representing a net increase of 1 POS and 9 POS as compared to the number of POS for Other Brands watches as at 30 June 2014 and 31 December 2013, respectively.



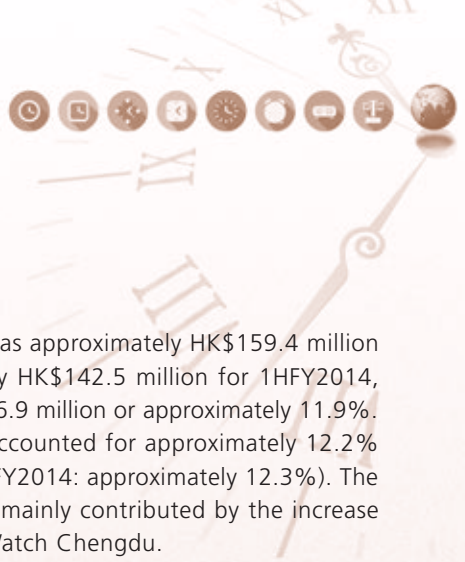
## **Proprietary Watches of the Group**

### ***Tian Wang Watches***

Sales of Tian Wang watches remained the Group's major source of revenue, which contributed approximately 70.4% of the Group's total revenue for 1HFY2015 (1HFY2014: approximately 67.8%). For 1HFY2015, revenue from Tian Wang watches was approximately HK\$919.7 million as compared with approximately HK\$783.1 million for 1HFY2014, representing an increase of approximately HK\$136.6 million or approximately 17.4%. During 1HFY2015, the Group launched approximately 90 new models of Tian Wang watches with price ranging from approximately RMB100 to RMB4,000 per watch which were sold through direct retail sales, corporate sales and e-commerce channels. The wide price range of Tian Wang watches allowed the Group to cater for the different needs of customers, and allowed the Group to capture more demand from customers of different income level.

### ***Balco Watches***

Balco watches are assembled and imported from Switzerland. The Group faces keen competition from other imported watches of similar price range, including Citizen, Casio, Titoni and Enicar. Sales of Balco watches accounted for approximately 8.0% of the Group's total revenue for 1HFY2015 (1HFY2014: approximately 7.3%). For 1HFY2015, revenue from Balco watches was approximately HK\$105.0 million as compared with approximately HK\$84.2 million for 1HFY2014, representing an increase of approximately HK\$20.8 million or approximately 24.7%. There was an increase in sales of Balco watches in the PRC by approximately HK\$7.2 million or approximately 11.7% from approximately HK\$61.5 million for 1HFY2014 to approximately HK\$68.7 million for 1HFY2015. The Group continued to seek other ways to develop its Balco watch business, including broadening its sales and distribution channels in and outside of the PRC. There was an increase of approximately HK\$13.6 million or approximately 59.9% 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\$22.7 million for 1HFY2014 to approximately HK\$36.3 million for 1HFY2015.



### ***Other Brands Watches***

Revenue from sales of Other Brands watches was approximately HK\$159.4 million for 1HFY2015 as compared with approximately HK\$142.5 million for 1HFY2014, representing an increase of approximately HK\$16.9 million or approximately 11.9%. Revenue from sales of Other Brands watches accounted for approximately 12.2% of the Group's total revenue for 1HFY2015 (1HFY2014: approximately 12.3%). The increase in sales of Other Brands watches was mainly contributed by the increase in revenue from Time Watch Hefei and Time Watch Chengdu.

### ***Watch Movements Trading Business***

The Directors consider that the in-house watch movements procurement and trading arm of the Group is an integral segment of the Group's overall business operation by providing a reliable and stable supply of watch movements for the assembly of its Tian Wang watches and bringing revenue to the Group through its Watch Movements Trading Business with other watch manufacturers and distributors when there is a surplus of watch movements. For 1HFY2015, sales of watch movements accounted for approximately 9.4% of the Group's total revenue (1HFY2014: approximately 12.6%). There was a decrease in sales of approximately HK\$22.1 million or approximately 15.2% from approximately HK\$145.0 million for 1HFY2014 to approximately HK\$122.9 million for 1HFY2015.

### ***E-commerce Business***

In March 2013, the Company established a 70%-owned subsidiary, Shenzhen Time Watch Trading Company Limited, which entered into operation agreements with several online sales platform (including but not limited to Paipai (Tencent QQ), Jingdong mall and Tmall) and offered sales of lower-priced watches and new youth watch series products to younger generation in order to capture their rising consumption power. The Directors believe that a wide variety of watches will enable the Group to reach out to an extensive range of customers across different age groups. For 1HFY2015, there was a significant increase in sales of watches through e-commerce channels by approximately HK\$38.8 million or approximately 47.6% from approximately HK\$81.5 million for 1HFY2014 to approximately HK\$120.3 million for 1HFY2015.



## Inventory Control

The Group's inventory balance was approximately HK\$655.5 million as at 31 December 2014, representing an increase of approximately HK\$99.6 million or approximately 17.9% as compared with approximately HK\$556.0 million as at 30 June 2014. The increase was in line with the increase in the Group's inventory balance of Tian Wang finished watches from approximately HK\$291.6 million as at 30 June 2014 to approximately HK\$319.3 million as at 31 December 2014. The Group's inventory turnover days increased to approximately 257 days for 1HFY2015, as compared with approximately 217 days for the year ended 30 June 2014. The Group will continue to monitor and control its inventory level vigilantly while implementing its sales network expansion plan in order to ensure that the expansion plan and inventory level will not adversely affect the cash flow and liquidity of the Group. The inventory quantities per Tian Wang, Balco and Other Brands POS were approximately 547, 319 and 606 respectively as at 31 December 2014 (30 June 2014: approximately 562 (Tian Wang), 206 (Balco) and 566 (Other Brands) ).

The inventory aged over two years were approximately HK\$95.1 million and approximately HK\$78.6 million as at 31 December 2014 and 30 June 2014, respectively, with corresponding provision for these inventory balances of approximately HK\$52.1 million and approximately HK\$44.0 million, respectively. The management assesses and reviews the inventory ageing analysis at the end of each reporting period and identifies the slow-moving inventory items that are no longer suitable for use in production or sales. At the end of each reporting period, the management will provide necessary provision if the net realisable value of the inventory is estimated to be below the cost.



## Liquidity, Financial Resources and Capital Structure

The Group adopts a conservative treasury policy. 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 Group financed its operations primarily through cash flows from operations and short-term bank loans. The cash and cash equivalents were approximately HK\$605.4 million and approximately HK\$660.1 million as at 31 December 2014 and 30 June 2014, respectively.

The Group's net cash generated from operating activities for 1HFY2015 was approximately HK\$106.1 million. The amount was primarily attributable to profit before taxation of approximately HK\$221.4 million from the Group's operations adjusted for non-cash items of approximately HK\$37.8 million, increase in working capital balances of approximately HK\$109.3 million, income taxes paid of approximately HK\$48.7 million and interest received of approximately HK\$4.9 million.

The Group's net cash used in investing activities for 1HFY2015 was approximately HK\$71.4 million, which was mainly attributable to purchase of property, plant and equipment of approximately HK\$71.4 million.

The Group's net cash used in financing activities for 1HFY2015 was approximately HK\$96.4 million, which was mainly attributable to dividends paid of approximately HK\$104.0 million and repayment of bank borrowings of approximately HK\$126.9 million, which was partially offset by borrowings raised of approximately HK\$125.2 million and contribution from non-controlling shareholders of subsidiaries of approximately HK\$9.6 million. The Group's bank borrowings were approximately HK\$34.3 million and approximately HK\$36.0 million as at 31 December 2014 and 30 June 2014, respectively.



The Group had a net cash position as at 31 December 2014 and 30 June 2014. As at 31 December 2014, the Group's total equity was approximately HK\$1,575.9 million, representing an increase of approximately HK\$73.0 million from approximately HK\$1,502.9 million as at 30 June 2014. The Group's working capital was approximately HK\$1,433.9 million as at 31 December 2014, representing an increase of approximately HK\$37.9 million as compared with approximately HK\$1,396.0 million as at 30 June 2014.

As at 31 December 2014, the Group's bank balances and cash were mainly denominated in Renminbi. As at 31 December 2014, all the Group's bank borrowings were short term bank borrowings that were principally denominated in Hong Kong dollar and Swiss Franc, were subject to variable interest rates and were repayable within one year, details of which are set out in note 14 to this interim report.

The gearing ratio being calculated as total debt over total equity was approximately 2.2% and approximately 2.4% as at 31 December 2014 and 30 June 2014, respectively.

### **Charge on Group Assets**

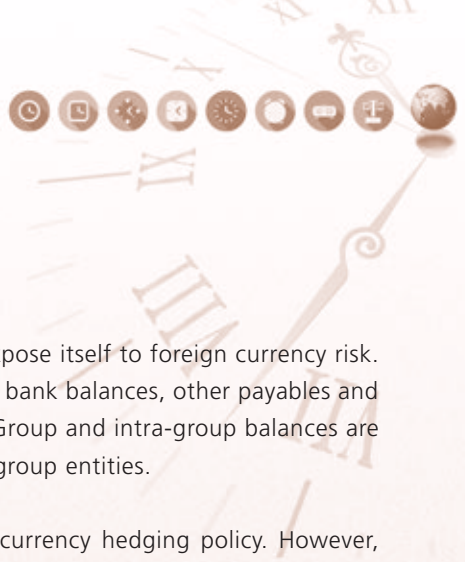
There was no material charge on the Group's assets as at 31 December 2014 and 30 June 2014.

### **Contingent Liabilities**

The Group did not have any material contingent liabilities as at 31 December 2014 and 30 June 2014.

### **Capital Commitments**

The Group did not have any material capital commitments as at 31 December 2014 and 30 June 2014.



## Foreign Currency Exposure

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

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

## Employees and emoluments policies

As at 31 December 2014, the Group employed a total of approximately 4,500 full time employees (30 June 2014: approximately 4,300) engaging in design, purchasing, production, sales and marketing and administration. The staff costs incurred during 1HFY2015 was approximately HK\$194.0 million (1HFY2014: approximately HK\$149.9 million). The Group's emolument policies are formulated on the performance of individual employees and on the basis of the trends of salaries in various regions, which will be reviewed regularly every year. Apart from provident fund scheme and medical insurance, discretionary bonuses are also awarded to employees according to the assessment of individual performance.



## Outlook

It is expected that the growth of consumer market in the PRC will continue to slow down for the six months ending 30 June 2015. For retail sales, the Group will continue to execute its plan of opening not less than 200 POS for Tian Wang per year. These new POS will be located mainly in 2nd, 3rd or 4th tier cities in the PRC, where the purchasing power is improving in recent years along with the development of the PRC. These new POS will become the revenue drivers for the Group's Tian Wang retail sales in the coming years. Besides, the Group will continue to allocate more resources on the development of its e-commerce business. Target customers of the Group's e-commerce business are mainly the younger generation, and the products sold through the e-commerce channels are exclusive and are different from those sold in the Tian Wang POS. Hence, the competition between Tian Wang retail business and Tian Wang e-commerce business is minimised. We have confidence that the e-commerce business is complementary to Tian Wang retail business and the higher growth in revenue generated from the e-commerce business will compensate for some slow down in the growth of retail sales in the future. On the above basis, the Directors are confident that the Group will maintain steady growth in its business in the near future.





## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

		<b>Six months ended</b>	
		<b>31 December</b>	
		<b>2014</b>	<b>2013</b>
	<i>NOTES</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	3	<b>1,306,990</b>	1,154,836
Cost of sales		<b>(434,159)</b>	(411,385)
Gross profit		<b>872,831</b>	743,451
Other income, gains and losses	4	<b>13,388</b>	10,394
Selling and distribution costs		<b>(594,789)</b>	(501,179)
Administrative expenses		<b>(69,719)</b>	(51,955)
Finance costs	5	<b>(326)</b>	(408)
Profit before taxation		<b>221,385</b>	200,303
Income tax	6	<b>(65,542)</b>	(46,296)
Profit for the period	7	<b>155,843</b>	154,007
Other comprehensive income which will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		<b>15,262</b>	1,639
Total comprehensive income for the period		<b>171,105</b>	155,646
Profit (loss) for the period attributable to:			
Owners of the Company		<b>157,137</b>	150,443
Non-controlling interests		<b>(1,294)</b>	3,564
		<b>155,843</b>	154,007
Total comprehensive income attributable to:			
Owners of the Company		<b>171,094</b>	152,279
Non-controlling interests		<b>11</b>	3,367
		<b>171,105</b>	155,646
Earnings per share, basic (HK cents)	9	<b>7.6</b>	7.2



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

		As at 31 December 2014 <i>HK\$'000</i> <b>(Unaudited)</b>	As at 30 June 2014 <i>HK\$'000</i> (Audited)
	NOTES		
<hr/>			
Non-current assets			
Property, plant and equipment	10	<b>155,901</b>	117,651
Deferred tax assets	16	<b>27,295</b>	27,295
		<hr/> <b>183,196</b>	<hr/> 144,946
Current assets			
Inventories	11	<b>655,549</b>	555,961
Trade receivables	12	<b>357,323</b>	391,521
Other receivables, deposits and prepayments		<b>137,728</b>	98,194
Bank balances and cash		<b>605,391</b>	660,065
		<hr/> <b>1,755,991</b>	<hr/> 1,705,741
Current liabilities			
Trade payables and bills payable	13	<b>121,008</b>	122,623
Other payables and accrued charges		<b>92,362</b>	91,748
Tax liabilities		<b>74,488</b>	59,434
Bank borrowings	14	<b>34,277</b>	35,958
		<hr/> <b>322,135</b>	<hr/> 309,763
Net current assets		<hr/> <b>1,433,856</b>	<hr/> 1,395,978
Total assets less current liabilities		<hr/> <b>1,617,052</b>	<hr/> 1,540,924



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

AT 31 DECEMBER 2014

		As at <b>31 December</b> <b>2014</b> <b>HK\$'000</b> <b>(Unaudited)</b>	As at 30 June 2014 HK\$'000 (Audited)
	<i>NOTES</i>		
Capital and reserves			
Share capital	15	<b>207,995</b>	207,995
Reserves		<b>1,293,872</b>	1,226,775
Equity attributable to owners of the Company		<b>1,501,867</b>	1,434,770
Non-controlling interests		<b>74,023</b>	68,121
Total equity		<b>1,575,890</b>	1,502,891
Non-current liabilities			
Deferred tax liabilities	16	<b>41,162</b>	38,033
		<b>1,617,052</b>	1,540,924



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

	Attributable to owners of the Company						Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note a)	Translation reserve HK\$'000	Statutory surplus reserves HK\$'000 (Note b)	Accumulated profits HK\$'000			
At 1 July 2014	207,995	511,101	(234,378)	41,211	27,589	881,252	1,434,770	68,121	1,502,891
Profit (loss) for the period	-	-	-	-	-	157,137	157,137	(1,294)	155,843
Other comprehensive income for the period	-	-	-	13,957	-	-	13,957	1,305	15,262
Total comprehensive income for the period	-	-	-	13,957	-	157,137	171,094	11	171,105
Appropriation to reserve	-	-	-	-	36,683	(36,683)	-	-	-
Dividends recognised as distribution during the period (Note 8)	-	-	-	-	-	(103,997)	(103,997)	-	(103,997)
Dividends declared by a subsidiary to non-controlling shareholder	-	-	-	-	-	-	-	(3,696)	(3,696)
Contribution from non-controlling interests	-	-	-	-	-	-	-	9,587	9,587
At 31 December 2014 (unaudited)	207,995	511,101	(234,378)	55,168	64,272	897,709	1,501,867	74,023	1,575,890
At 1 July 2013	207,995	534,101	(234,378)	57,223	16,363	705,184	1,286,488	45,960	1,332,448
Profit for the period	-	-	-	-	-	150,443	150,443	3,564	154,007
Other comprehensive income (expense) for the period	-	-	-	1,836	-	-	1,836	(197)	1,639
Total comprehensive income for the period	-	-	-	1,836	-	150,443	152,279	3,367	155,646
Appropriation to reserve	-	-	-	-	872	(872)	-	-	-
Dividends recognised as distribution during the period (Note 8)	-	(23,000)	-	-	-	(80,997)	(103,997)	-	(103,997)
Dividends declared by a subsidiary to non-controlling shareholder	-	-	-	-	-	-	-	(3,102)	(3,102)
Incorporation of non-wholly owned subsidiaries	-	-	-	-	-	-	-	12,434	12,434
At 31 December 2013 (unaudited)	207,995	511,101	(234,378)	59,059	17,235	773,758	1,334,770	58,659	1,393,429



## **CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)**

*FOR THE SIX MONTHS ENDED 31 DECEMBER 2014*

*Notes:*

- (a) The special reserve represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the share capital of the acquired subsidiaries as well as financial guarantee provided to ultimate holding company as a result of group reorganization which occurred in prior years.
  
- (b) The statutory surplus reserves represent enterprise development and general reserve fund appropriated from the profit after taxation of subsidiaries established in the PRC.



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
NET CASH FROM OPERATING ACTIVITIES	<b>106,073</b>	71,604
INVESTING ACTIVITIES		
Withdrawal of short-term deposit	–	150,000
Purchase of property, plant and equipment	<b>(71,424)</b>	(44,706)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	<b>(71,424)</b>	105,294
FINANCING ACTIVITIES		
Dividends paid	<b>(103,997)</b>	(103,997)
Interest paid	<b>(326)</b>	(408)
Bank borrowings raised	<b>125,248</b>	148,064
Repayment of bank borrowings	<b>(126,929)</b>	(152,813)
Contribution from non-controlling shareholders of subsidiaries	<b>9,587</b>	12,434
NET CASH USED IN FINANCING ACTIVITIES	<b>(96,417)</b>	(96,720)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<b>(61,768)</b>	80,178
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<b>660,065</b>	537,240
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>7,094</b>	746
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	<b>605,391</b>	618,164



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the condensed consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2014.

The Group has applied for the first time in the current period the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and a new Interpretation issued by the HKICPA.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
HK(IFRIC) – Int 21	Levies



## 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

The application of the above amendments to HKFRSs in the current period has had no material impact on the amounts reported in the condensed consolidated financial statements and/or on the disclosures set out in the condensed consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>4</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>4</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>4</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>4</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>2</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.





### 3. 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.



### 3. REVENUE AND SEGMENT INFORMATION (cont'd)

#### Segment revenue and results

Six months ended 31 December 2014 (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
<b>Revenue</b>					
External sales	919,655	105,024	122,894	159,417	1,306,990
Inter-segment sales	-	-	32,276	-	32,276
Segment revenue	<u>919,655</u>	<u>105,024</u>	<u>155,170</u>	<u>159,417</u>	<u>1,339,266</u>
Elimination					<u>(32,276)</u>
Group revenue					<u>1,306,990</u>
<b>Results</b>					
Segment results	<u>226,609</u>	<u>(279)</u>	<u>5,835</u>	<u>(1,853)</u>	230,312
Interest income					4,904
Central administration costs					(13,505)
Finance costs					<u>(326)</u>
Profit before taxation					<u>221,385</u>



### 3. REVENUE AND SEGMENT INFORMATION (cont'd)

#### Segment revenue and results (cont'd)

Six months ended 31 December 2013 (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
<b>Revenue</b>					
External sales	783,102	84,207	144,998	142,529	1,154,836
Inter-segment sales	-	-	48,758	-	48,758
Segment revenue	<u>783,102</u>	<u>84,207</u>	<u>193,756</u>	<u>142,529</u>	<u>1,203,594</u>
Elimination					<u>(48,758)</u>
Group revenue					<u>1,154,836</u>
<b>Results</b>					
Segment results	<u>202,267</u>	<u>3,323</u>	<u>6,898</u>	<u>(127)</u>	<u>212,361</u>
Interest income					4,160
Central administration costs					(15,810)
Finance costs					<u>(408)</u>
Profit before taxation					<u>200,303</u>

Segment results represents the results of each segment without allocation of corporate items, including interest 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.



#### 4. OTHER INCOME, GAINS AND LOSSES

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Bank interest income	<b>4,904</b>	4,160
Allowance for doubtful debts	–	(1,000)
Written off of property, plant and equipment	<b>(5,401)</b>	(2,526)
Watch repair and maintenance services income	<b>2,837</b>	2,331
Net exchange gain	<b>6,267</b>	616
Government subsidies ( <i>Note</i> )	–	3,694
Others	<b>4,781</b>	3,119
	<b>13,388</b>	10,394

*Note:* The amount represents (i) government subsidies from local finance bureau which are calculated by reference to the amount of tax paid and certain conditions in accordance with the rules and regulations issued by the local government; and (ii) unconditional government grants for the reimbursement of expenses incurred for research and development activities in the PRC.

#### 5. FINANCE COSTS

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
The finance costs represent interests on:		
Bank borrowings wholly repayable within five years	<b>326</b>	408



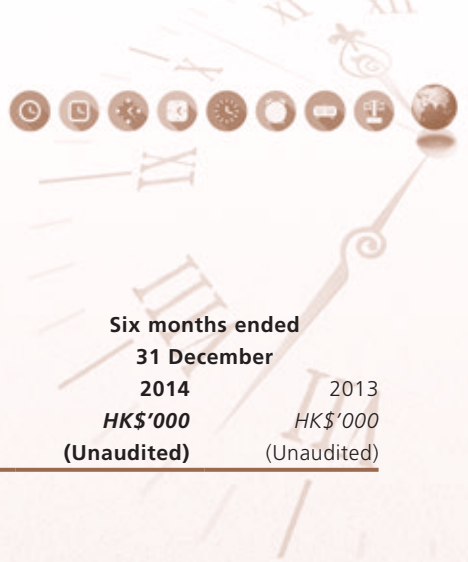
## 6. INCOME TAX

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Current tax:		
Hong Kong	<b>1,105</b>	1,638
PRC Enterprise Income Tax	<b>56,853</b>	36,882
PRC withholding tax	<b>4,455</b>	1,266
	<b>62,413</b>	39,786
Overprovision in prior years:		
PRC Enterprise Income Tax	-	(1,963)
	<b>62,413</b>	37,823
Deferred taxation ( <i>Note 16</i> )	<b>3,129</b>	8,473
	<b>65,542</b>	46,296

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of EIT Law, the Enterprise Income Tax rate is 25%. Subject to certain preferential tax treatment, the applicable tax rate of the PRC subsidiaries is ranging from 15% to 25% for prior period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Dividends distributed from the PRC subsidiaries are subject to withholding tax at 5% to 10%. 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 16.



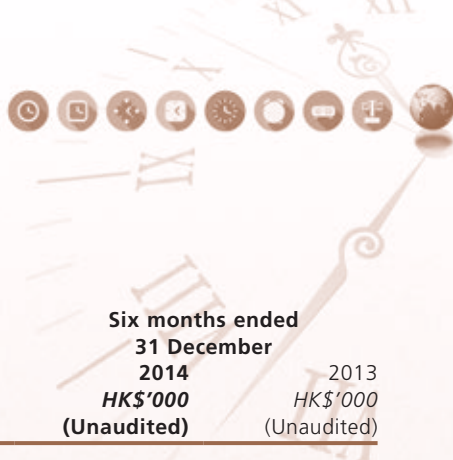
## 7. PROFIT FOR THE PERIOD

**Six months ended**  
**31 December**  
**2014**                      2013  
**HK\$'000**                      HK\$'000  
**(Unaudited)**                      (Unaudited)

Profit for the period has been arrived at after charging:

Staff costs (including Directors' remuneration)	<b>172,720</b>	133,122
Retirement benefits scheme contributions (including Directors' remuneration)	<b>21,295</b>	16,797
<b>Total staff costs</b>	<b>194,015</b>	149,919
Depreciation of property, plant and equipment	<b>29,629</b>	17,584
Allowance for obsolete inventories recognised as cost of sales	<b>7,386</b>	5,000
Concessionaire fee ( <i>Note</i> )	<b>264,069</b>	227,869

*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.



## 8. DIVIDENDS

	<b>Six months ended 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Dividends recognised as distribution during the period:		
2014 Final – HK3 cents per share	<b>62,398</b>	–
2014 Special – HK2 cents per share	<b>41,599</b>	–
2013 Final – HK3 cents per share	–	62,398
2013 Special – HK2 cents per share	–	41,599
	<b>103,997</b>	103,997

## 9. EARNINGS PER SHARE

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

	<b>Six months ended 31 December</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	<b>157,137</b>	150,443
	<b>'000</b>	'000

Numbers of shares:

Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>2,079,946</b>	2,079,946
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There was no diluted earnings per share for the six months ended 31 December 2014 and 2013 as there were no potential ordinary shares in issue during the six months ended 31 December 2014 and 2013.



## 10. PROPERTY, PLANT AND EQUIPMENT

During six months ended 31 December 2014, the Group purchased property, plant and equipment of approximately HK\$71,424,000 (six months ended 31 December 2013: approximately HK\$44,706,000) and wrote off property, plant and equipment of approximately HK\$5,401,000 (six months ended 31 December 2013: HK\$2,526,000).

## 11. INVENTORIES

	<b>As at 31 December 2014 HK\$'000 (Unaudited)</b>	As at 30 June 2014 HK\$'000 (Audited)
Raw materials and consumables	<b>80,579</b>	59,242
Work in progress	<b>10,764</b>	12,816
Finished goods	<b>564,206</b>	483,903
	<b>655,549</b>	555,961

## 12. TRADE RECEIVABLES

	<b>As at 31 December 2014 HK\$'000 (Unaudited)</b>	As at 30 June 2014 HK\$'000 (Audited)
Trade receivables from third parties	<b>352,267</b>	389,499
Trade receivable from a fellow subsidiary	<b>4,811</b>	2,660
Trade receivable from a related company	<b>1,602</b>	704
Less: allowance for doubtful debts	<b>(1,357)</b>	(1,342)
	<b>357,323</b>	391,521

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





## 12. TRADE RECEIVABLES (cont'd)

The following is an aged analysis of trade receivable from third parties net of allowance for doubtful debts presented based on the date of delivery of goods which approximates to the respective date of revenue recognition, as at 31 December 2014 and 30 June 2014:

	<b>As at 31 December 2014 HK\$'000 (Unaudited)</b>	As at 30 June 2014 HK\$'000 (Audited)
0 to 60 days	<b>300,640</b>	340,821
61 to 120 days	<b>28,821</b>	29,172
121 to 180 days	<b>11,063</b>	13,366
Over 180 days	<b>10,386</b>	4,798
	<b>350,910</b>	388,157

The following is an aged analysis of trade receivable from a fellow subsidiary presented based on the date of delivery of goods, which approximates to the respective date of revenue recognition, as at 31 December 2014 and 30 June 2014:

	<b>As at 31 December 2014 HK\$'000 (Unaudited)</b>	As at 30 June 2014 HK\$'000 (Audited)
0 to 60 days	<b>3,139</b>	1,913
61 to 120 days	<b>1,672</b>	747
	<b>4,811</b>	2,660



## 12. TRADE RECEIVABLES (cont'd)

The following is an aged analysis of trade receivable from a related company (in which a Director of the Company, Mr. Tung Koon Ming ("Mr. Tung") has control) presented based on the date of delivery of goods, which approximates to the date of revenue recognition, as at 31 December 2014 and 30 June 2014:

	<b>As at 31 December 2014 HK\$'000 (Unaudited)</b>	<b>As at 30 June 2014 HK\$'000 (Audited)</b>
0 to 60 days	<b>648</b>	698
61 to 120 days	<b>683</b>	6
121 to 180 days	<b>271</b>	–
	<b>1,602</b>	704

## 13. TRADE PAYABLES AND BILLS PAYABLE

	<b>As at 31 December 2014 HK\$'000 (Unaudited)</b>	<b>As at 30 June 2014 HK\$'000 (Audited)</b>
Trade payables	<b>108,006</b>	109,264
Bills payable	<b>4,946</b>	3,067
Trade payables to entities owned by non-controlling shareholders of subsidiaries	<b>8,056</b>	10,292
	<b>121,008</b>	122,623



### 13. TRADE PAYABLES AND BILLS PAYABLE (cont'd)

The average credit period on purchases of goods is 30 to 60 days. The following is an aged analysis of trade payables presented based on the invoice date as at 31 December 2014 and 30 June 2014:

	<b>As at 31 December 2014 HK\$'000 (Unaudited)</b>	<b>As at 30 June 2014 HK\$'000 (Audited)</b>
0 to 30 days	<b>69,228</b>	63,966
31 to 60 days	<b>13,369</b>	20,686
61 to 90 days	<b>7,059</b>	9,249
Over 90 days	<b>18,350</b>	15,363
	<b>108,006</b>	109,264

The entities owned by non-controlling shareholders of subsidiaries 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 entities owned by non-controlling shareholders of subsidiaries based on the invoice date as at 31 December 2014 and 30 June 2014:

	<b>As at 31 December 2014 HK\$'000 (Unaudited)</b>	<b>As at 30 June 2014 HK\$'000 (Audited)</b>
0 to 60 days	<b>1,344</b>	10,108
61 to 90 days	<b>2,191</b>	-
Over 90 days	<b>4,521</b>	184
	<b>8,056</b>	10,292

Bills payable as at 31 December 2014 and 30 June 2014 is aged within 30 days based on goods receipt date.



## 14. BANK BORROWINGS

	<b>As at 31 December 2014 HK\$'000 (Unaudited)</b>	<b>As at 30 June 2014 HK\$'000 (Audited)</b>
Unsecured:		
Trust receipts loans	<b>34,277</b>	27,958
Bank loans	–	8,000
	<b>34,277</b>	35,958

## 15. SHARE CAPITAL

	<b>Number of shares</b>	<b>Share capital HK\$'000</b>
<i>Ordinary shares of HK\$0.1 each</i>		
<i>Issued and fully paid:</i>		
At 1 July 2013 and 31 December 2013 (unaudited)	<u>2,079,946,000</u>	<u>207,995</u>
At 1 July 2014 and 31 December 2014 (unaudited)	<u>2,079,946,000</u>	<u>207,995</u>

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



## 16. DEFERRED TAXATION

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

	Allowance For obsolete inventories <i>HK\$'000</i>	Unrealised profit <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>	Withholding tax arising from PRC subsidiaries <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2014 (audited)	(15,842)	(11,453)	1,473	36,560	10,738
Charge to profit or loss	-	-	-	3,129	3,129
At 31 December 2014 (unaudited)	(15,842)	(11,453)	1,473	39,689	13,867

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

	<b>As at 31 December 2014 HK\$'000 (Unaudited)</b>	As at 30 June 2014 HK\$'000 (Audited)
Deferred tax assets	<b>27,295</b>	27,295
Deferred tax liabilities	<b>41,162</b>	38,033

The Group had unused tax losses of approximately HK\$101,995,000 and HK\$88,162,000 as at 31 December 2014 and 30 June 2014 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.



## 17. COMMITMENTS

### a. Operating lease commitments

At 31 December 2014 and 30 June 2014, the Group had commitments for future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>As at 31 December 2014 HK\$'000 (Unaudited)</b>	As at 30 June 2014 HK\$'000 (Audited)
Within one year	<b>24,792</b>	23,731
In the second to fifth years inclusive	<b>21,255</b>	12,802
Over five years	<b>5,374</b>	–
	<b>51,421</b>	36,533

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

### b. Concessionaire fee commitments

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



## 18. RELATED PARTY TRANSACTIONS

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

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Sales to a fellow subsidiary	<b>13,927</b>	14,486
Sales to a related company ( <i>Note a</i> )	<b>2,371</b>	2,614
Sales commission paid/payable to a fellow subsidiary	<b>549</b>	654
Purchase from entities owned by non-controlling shareholders of subsidiaries	<b>6,009</b>	964
Rental expenses paid/payable to a Director and a related company ( <i>Note b</i> )	<b>109</b>	57
Rental expenses paid/payable to non-controlling shareholder of a subsidiary	–	46
Rental expenses paid/payable to a fellow subsidiary	<b>2,040</b>	2,040
Service fee paid/payable to non-controlling shareholders of subsidiaries	–	5,070
Promotion fee paid/payable to a fellow subsidiary	<b>220</b>	261
Promotion fee paid/payable to a related company ( <i>Note c</i> )	<b>120</b>	120
Consultancy fee paid/payable to a fellow subsidiary	<b>210</b>	210
Consultancy fee paid/payable to a related company ( <i>Note c</i> )	<b>180</b>	180
Dividend paid/payable to non-controlling shareholder of a subsidiary	<b>3,696</b>	3,102



## 18. RELATED PARTY TRANSACTIONS (cont'd)

Notes:

- (a) The amount represented the sales of watches to a related company in which Mr. Tung has control.
- (b) The related company is wholly owned and controlled by Mr. Tung.
- (c) The amounts represented promotion fees and consultancy fees paid to a related company in which Mr. Tung has control.

### Compensation of key management personnel

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

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Short-term benefits	<b>6,866</b>	5,277
Post-employment benefits	<b>107</b>	82
	<b>6,973</b>	5,359





## **ADDITIONAL INFORMATION**

### **Purchase, Sale or Redemption of Listed Securities of the Company**

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 2014.

### **Material Acquisition and Disposal of Subsidiaries and Associated Companies**

During the six months ended 31 December 2014, there was no material acquisition or disposal of subsidiaries or associated companies by the Company.

### **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, during the six months ended 31 December 2014, 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 during the six months ended 31 December 2014.

## **Audit Committee**

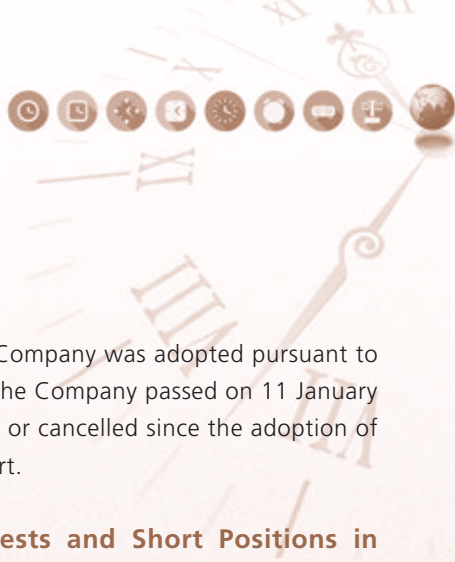
The audit committee has reviewed the unaudited condensed consolidated financial statements of the Company for the six months ended 31 December 2014 and discussed the financial related matters with the management of the Group.

## **Interim Dividend**

The Directors have recommended an interim dividend of HK2 cents per share (six months ended 31 December 2013: HK2 cents per share), amounting to approximately HK\$41.6 million for the six months ended 31 December 2014 (six months ended 31 December 2013: approximately HK\$41.6 million) to the shareholders of the Company. The proposed interim dividend will be paid to shareholders whose name appears on the register of members of the Company at the close of business on 13 March 2015. It is expected that the proposed interim dividend will be paid on or about 23 March 2015.

## **Closure of Register of Members**

The register of members of the Company will be closed on 13 March 2015 and no transfer of shares will be effected on that date. In order to qualify for the proposed interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 12 March 2015.



## 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.

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

As at 31 December 2014, 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:

<b>Name of Director</b>	<b>Name of Group member/associated corporation</b>	<b>Capacity/nature of interest</b>	<b>Number and class of securities (Note 1)</b>	<b>Approximate percentage of shareholding</b>
Mr. Tung Koon Ming (“Mr. Tung”)	Company	Interest of controlled corporation (Note 2)	1,434,075,000 Shares (L)	68.95%

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 were held by Red Glory Investments Limited ("Red Glory"), which was wholly owned by Mr. Tung. Mr. Tung was deemed to be interested in all the Shares in which Red Glory, was interested by virtue of the SFO.

Save as disclosed above, as at 31 December 2014, 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 31 December 2014, 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:

<b>Name of shareholders</b>	<b>Capacity/nature of interest</b>	<b>Number and class of securities</b> <i>(Note 1)</i>	<b>Approximate percentage of shareholding</b>
Red Glory	Beneficial owner	1,434,075,000 Shares (L)	68.95%
Ms. Tam Fun Hung ("Ms. Tam")	Interest of spouse <i>(Note 2)</i>	1,434,075,000 Shares (L)	68.95%
Orchid Asia V, LP	Beneficial owner <i>(Note 3)</i>	183,566,000 Shares (L)	8.83%



<b>Name of shareholders</b>	<b>Capacity/nature of interest</b>	<b>Number and class of securities</b> <i>(Note 1)</i>	<b>Approximate percentage of shareholding</b>
OAV Holdings, L.P.	Interest of a controlled corporation <i>(Note 3)</i>	183,566,000 Shares (L)	8.83%
Orchid Asia V GP, Limited	Interest of a controlled corporation <i>(Note 3)</i>	183,566,000 Shares (L)	8.83%
Orchid Asia V Group Management, Limited	Interest of a controlled corporation <i>(Note 3)</i>	183,566,000 Shares (L)	8.83%
Orchid Asia V Group, Limited	Interest of a controlled corporation <i>(Note 3)</i>	183,566,000 Shares (L)	8.83%
Areo Holdings Limited	Interest of a controlled corporation <i>(Note 3)</i>	189,198,000 Shares (L)	9.10%
Lam Lai Ming	Interest of a controlled corporation <i>(Note 3)</i>	189,198,000 Shares (L)	9.10%
Li Gabriel	Interest in a controlled corporation <i>(Note 3)</i>	189,198,000 Shares (L)	9.10%

1. The letter "L" denotes a person's long position in the Shares or underlying Shares of the Company.
2. Ms. Tam was the spouse of Mr. Tung. Ms. Tam was deemed to be interested in the Shares in which Mr. Tung was 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.



3. So far as the Directors are aware of, these Shares were beneficial owned as to 183,566,000 Shares by Orchid Asia V, L.P. and 5,632,000 Shares by Orchid Asia V Co-Investment, Limited. So far as the Directors are aware of, Orchid Asia V, L.P. was wholly-controlled by OAV Holdings, L.P., which was in turn wholly-owned by Orchid Asia V GP, Limited. Orchid Asia V GP, Limited was wholly-owned by Orchid Asia V Group Management, Limited, which was in turn wholly-owned by Orchid Asia V Group, Limited. Orchid Asia V Group, Limited was wholly-owned by Areo Holdings Limited.

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

Save as disclosed above, as at 31 December 2014, no person (other than a Director or chief executive of the Company) had 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 prospectus of the Company dated 24 January 2013, the Group will strive to rectify the non-compliances or defects in lease agreements. As at the date of this interim report, save for the lease agreements for four POS of the Group which remain unregistered, the Group has rectified the non-compliances and the defective lease agreements in the manner as disclosed in the Prospectus. As disclosed in the Prospectus, the maximum fine which the Group may be subject to for each unregistered lease agreement is RMB10,000. In respect of the four unregistered lease agreements, the Group has requested the relevant local authorities to implement the registration of the agreements. But the four lease agreements have not been completed up to the date of this interim report because the local authorities have not provided clear registration procedures to the Group.



## **CORPORATE INFORMATION**

### **Chairman**

Mr. Tung Koon Ming (Chief Executive Officer)

### **Board of Directors**

#### ***Executive Directors***

Mr. Tung Koon Ming

Mr. Lo Wing Sang (resigned on 15 October 2014)

Mr. Hou Qinghai

Mr. Tung Wai Kit

Mr. Deng Guanglei (appointed on 15 October 2014)

#### ***Independent Non-Executive Directors***

Mr. Ma Ching Nam

Mr. Choi Ho Yan

Mr. Wong Wing Keung Meyrick

### **Audit Committee**

Mr. Choi Ho Yan (*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*)  
Mr. Choi Ho Yan  
Mr. Ma Ching Nam

### **Corporate Governance Committee**

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

### **Company Secretary**

Ms. Hui Wai Man, Shirley

### **Auditor**

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





## **Legal Adviser**

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

## **Cayman Islands Principal Share Registrar**

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

## **Hong Kong Branch Share Registrar**

Tricor Investor Services Limited  
Level 22, Hopewell Centre,  
183 Queen's Road East,  
Hong Kong

## **Registered Office**

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## **Headquarters and Principal Place of Business in Hong Kong**

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



## **Stock Code on the Hong Kong Stock Exchange**

2033

## **Investor Information**

For more information about the Group, please contact the Investor Relations Department at: 27th Floor, CEO Tower, 77 Wing Hong Street, Kowloon, Hong Kong

Tel: (852) 2411 3567

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Email: [investor\\_relations@timewatch.com.hk](mailto:investor_relations@timewatch.com.hk)

## **Website**

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