



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

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

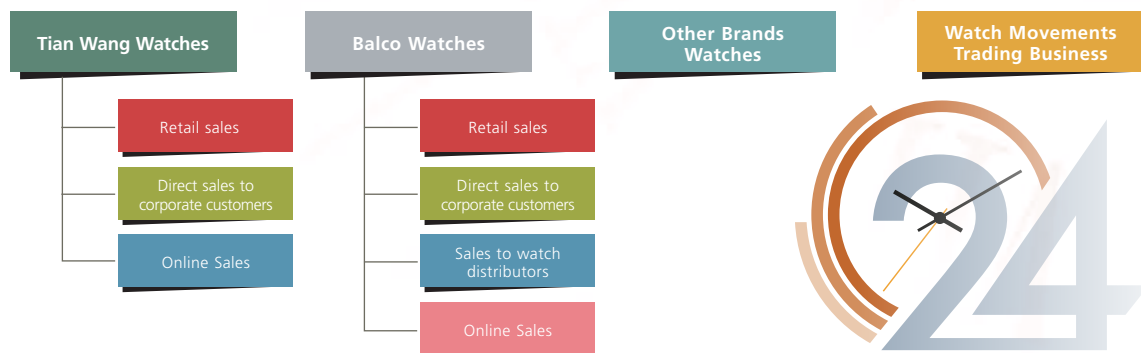


Seize The Opportunity
To Shape The Future



CORPORATE PROFILE

CORE BUSINESSES OF THE GROUP



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

2014 RESULTS AT A GLANCE

Profit attributable to owners of the Company:

336.8 million (2014: HK\$309.9m) +8.7%

EBITDA:

545.3 million (2014: HK\$467.0m) +16.8%

Equity attributable to owners of the Company:

1,630.1 million (2014: HK\$1,434.8m) +13.6%

Earnings per share – basic:

16.2 cents (2014: HK14.9 cents) +8.7%

Return on average equity attributable to owners of the Company:

22.0% (2014: 22.8%) -3.5%

Current ratio:

5.9 (2014: 5.5) +7.3%

Average inventory turnover days:

253 days (2014: 217 days) +16.6%



CONTENTS

3	Financial Highlights
6	Chairman's Statement
8	Management Discussion and Analysis
20	Prospects and Strategies
22	Major Events
27	Profile of Directors and Senior Management
31	Corporate Governance Report
42	Directors' Report
53	Independent Auditor's Report
55	Consolidated Statement of Profit or Loss and Other Comprehensive Income
56	Consolidated Statement of Financial Position
58	Consolidated Statement of Changes in Equity
59	Consolidated Statement of Cash Flows
61	Notes to the Consolidated Financial Statements
111	Financial Summary
112	Corporate Information



*Each moment in history
is a fleeting time,
precious and unique.*

FINANCIAL HIGHLIGHTS

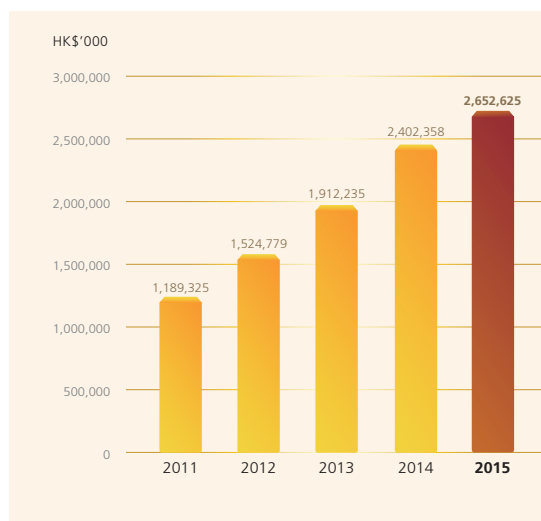
FINANCIAL SUMMARY

The following is a summary of the published results of the Group for the last five financial years. The financial information for the years ended 30 June 2013, 2014 and 2015 is extracted from the consolidated financial statements in the annual report for the year ended 30 June 2014 and this annual report while such information for the years ended 30 June 2011 and 2012 is extracted from the prospectus of the Company dated 24 January 2013.

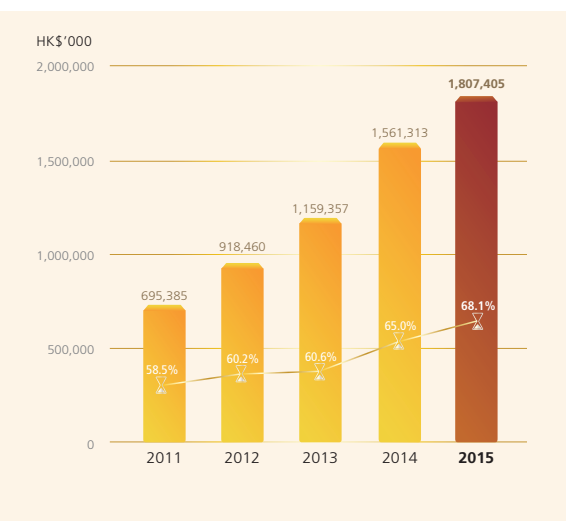
	2011	2012	2013	2014	2015
For the year ended 30 June	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	1,189,325	1,524,779	1,912,235	2,402,358	2,652,625
Gross profit	695,385	918,460	1,159,357	1,561,313	1,807,405
Gross margin	58.5%	60.2%	60.6%	65.0%	68.1%
Profit attributable to owners of the Company	134,603	184,093	213,551	309,890	336,755
Profit attributable to owners of the Company (excluding listing expenses)	134,603	202,023	239,291	309,890	336,755

	2011	2012	2013	2014	2015
As at 30 June	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	940,721	972,423	1,620,275	1,850,687	2,055,747
Total liabilities	472,293	557,475	287,827	347,796	359,896
Equity attributable to owners of the Company	452,015	377,119	1,286,488	1,434,770	1,630,147
Average inventory turnover days (days)	197	231	220	217	253
Average trade receivables turnover days (days)	44	49	55	56	55
Average trade payables turnover days (days)	63	63	55	49	51

Revenue



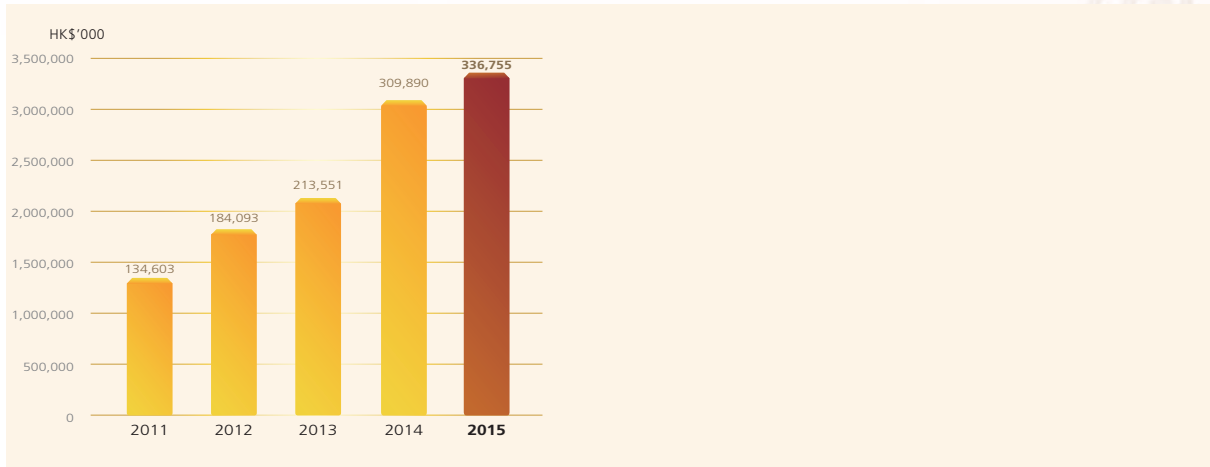
Gross profit and gross margin



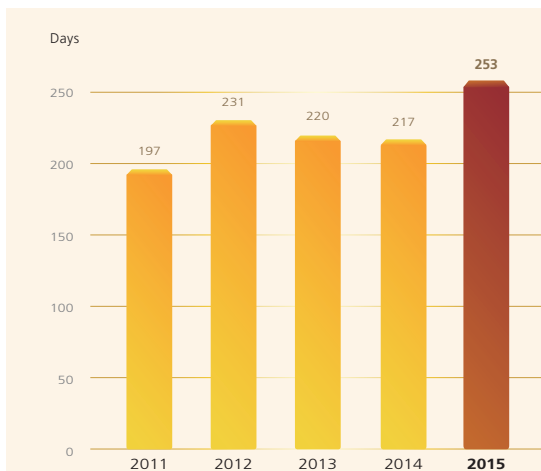


FINANCIAL HIGHLIGHTS

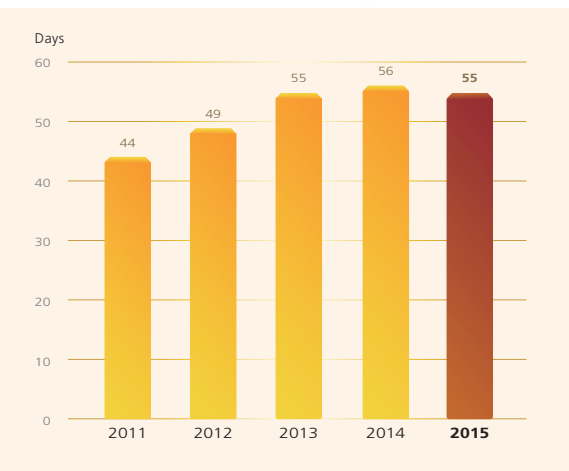
Profit attributable to owners of the Company



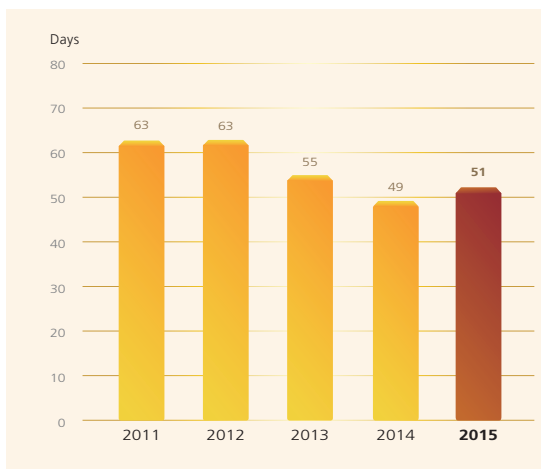
Average inventory turnover days



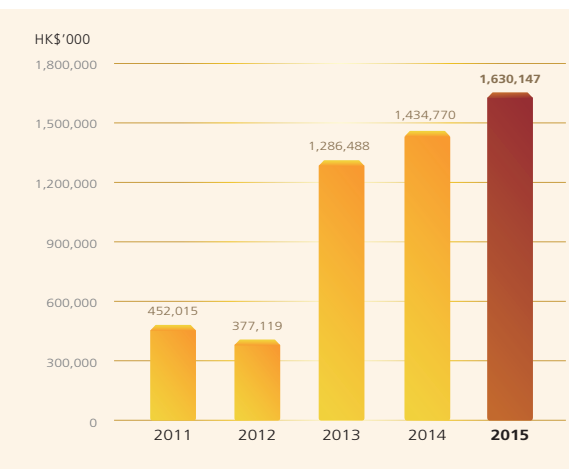
Average trade receivables turnover days



Average trade payables turnover days



Equity attributable to owners of the Company





*Success is simple.
Do what's right,
the right way,
at the right time.*



CHAIRMAN'S STATEMENT

REVIEW OF THE FINANCIAL YEAR ENDED 30 JUNE 2015

On behalf of Time Watch Investments Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the Group's annual results for the financial year ended 30 June 2015 ("FY2015"). During the year under review, the Group generated a total revenue of approximately HK\$2,652.6 million, representing a growth of approximately 10.4% as compared with that in the previous year. Profit attributable to owners of the Company increased by approximately 8.7% to approximately HK\$336.8 million with an earnings per share of HK16.2 cents. The board (the "Board") of directors (the "Directors") of the Company has resolved to recommend the payment of a final dividend of HK3 cents per share of the Company, representing a payout of approximately 18.5% of the profit attributable to owners of the Company, which is subject to shareholders' approval in the coming annual general meeting of the Company.

In FY2015, growth of China's economy continues to decelerate. With the backdrop of economic restructuring in Mainland China, the consumer sentiment was affected generally. Attributed to the successful marketing strategy for the Group own proprietary brand, Tian Wang (天王) and Balco (拜戈), successful penetration and expansion of point of sales ("POS") into second-, third- and lower tier cities, and launching of online sales platform, the Group maintained a steady growth in revenue and profit. As of end of FY2015, the Group has 2,805 POS (2014: 2,490 POS) in Hong Kong and China.

Continue enhancement of the Group's Data Centre has provided timely market information as well as the most updated sales and inventories movement in no time. Those timely data and information help the Group to formulate reaction plan and strategy to respond to rapid market changes and help understanding of customer's need.

Over the past 25 years, the Group keeps its effort in improvement and betterment of its watch pieces. With the devotion of immense effort, hard work and concentration in manufacturing of quality watch pieces with reasonable price, the Group's own proprietary brands, Tian Wang (天王) and Balco (拜戈), occupy stable share in Mainland China market. To capture the demand of quality watch piece in consumer market, the Group is committed to develop and optimize product design, and to diversify product profile. The Group will put effort in product design and development, production and quality control and after-sale service continuously. To facilitate online sales, the Group will strengthen its online sales platform as well as its logistics flow. For future development of the Group, the Group has acquired a piece of land with a gross floor area of 6,316 sq.m. located in Shenzhen as its future production base.

In long run, it is believed ongoing urbanization will be a key driver of the growth of consumer market and economic growth. So the Group will adopt a prudent and pragmatic strategy in launching of new and quality watch pieces, and expanding of POS in second-, third- and lower tier cities. We strive to increase market share in the mid to low-end watch market in China and to achieve sustainable return to our shareholders.

Last but not least, I would like to express my sincere gratitude to our shareholders, the board of directors, our staff and business partners for their continued support.

Mr. Tung Koon Ming
Chairman

Hong Kong, 22 September 2015



*It's really clear that
the most precious resource
we all have is time.*



MANAGEMENT DISCUSSION AND ANALYSIS

Effective retail management through the Group's directly managed sales network

Number of POS of the Group as at 30 June, 2015

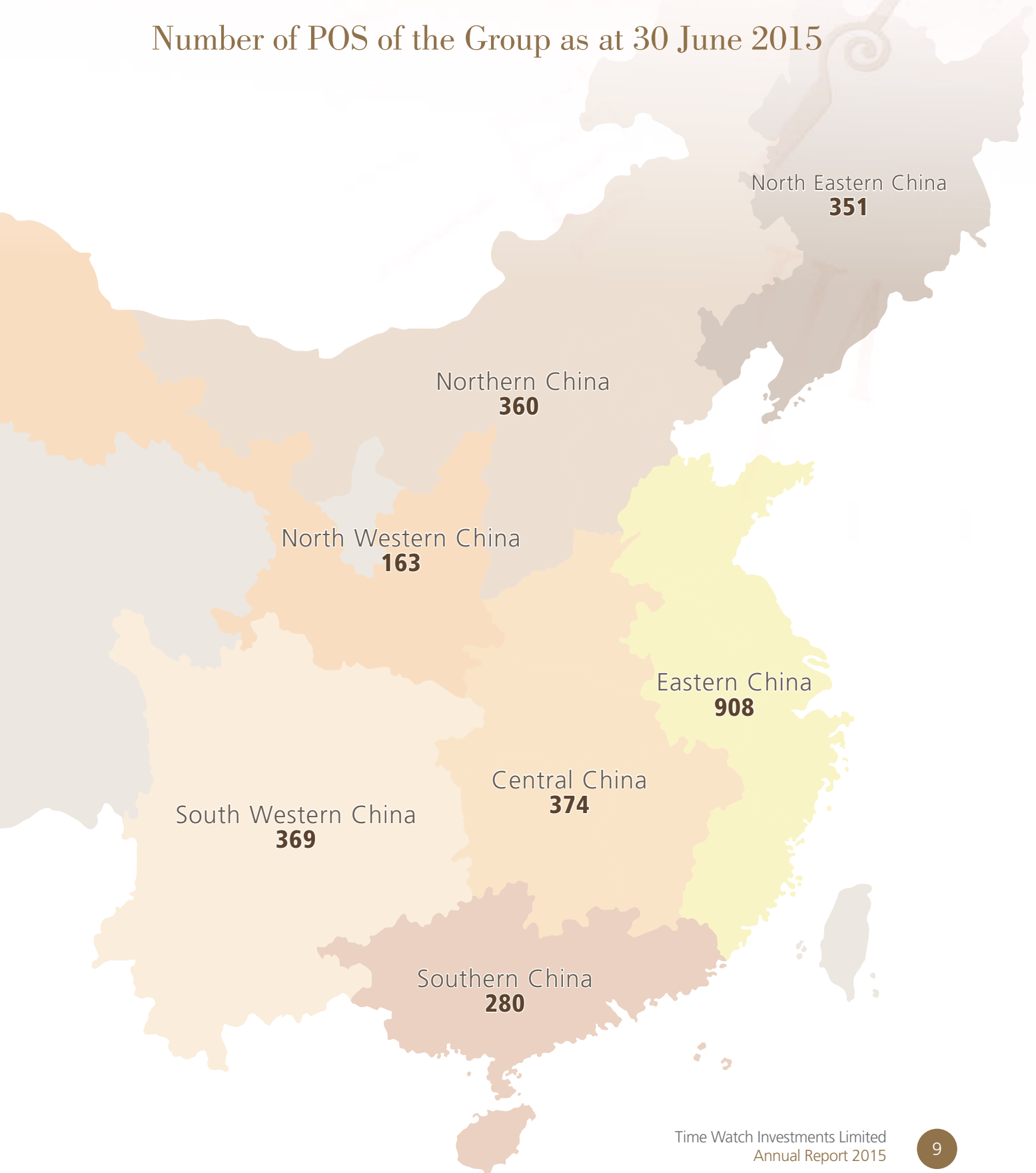
	Tian Wang		Balco		Other Brands		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Sales regions in Tier I cities								
Beijing	106	102	30	37			136	139
Shanghai	86	83	38	41	23	26	147	150
Shenzhen	99	87	6	7			105	94
Guangzhou	86	74	19	27			105	101
	377	346	93	112	23	26	493	484
Sales regions in Tier II & other cities								
Top five sales regions								
Chengdu	101	95	58	69	12	13	171	177
Zhengzhou	120	95	32	28			152	123
Jinan	105	98	18	27			123	125
Shenyang	79	79	16	17			95	96
Changchun	83	62	12	9			95	71
Other sales regions	1370	1125	244	230	62	59	1676	1414
	1858	1554	380	380	74	72	2312	2006
Total No. of POS	2235	1900	473	492	97	98	2805	2490

- Extensive sales network covering 30 of 31 Provinces in the PRC



MANAGEMENT DISCUSSION AND ANALYSIS

Number of POS of the Group as at 30 June 2015





MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by approximately HK\$250.3 million or approximately 10.4% from approximately HK\$2,402.4 million for the year ended 30 June 2014 (“FY2014”) to approximately HK\$2,652.6 million for FY2015.

Tian Wang Watches

Sales of Tian Wang watches continued to be the Group’s main source of revenue which accounted for approximately 72.0% of the total revenue of the Group for FY2015 (FY2014: approximately 69.3%). Sales of Tian Wang watches recorded a revenue of approximately HK\$1,909.8 million for FY2015, representing an increase of approximately HK\$244.7 million or approximately 14.7% as compared with approximately HK\$1,665.2 million for FY2014. The growth during FY2015 was mainly driven by (i) the expansion of the retail network by approximately 17.6% from 1,900 POS as at 30 June 2014 to 2,235 POS as at 30 June 2015; and (ii) the rapid growth in sales of watches through e-commerce channels by approximately HK\$53.3 million or approximately 30.1% from approximately HK\$176.8 million for FY2014 to approximately HK\$230.1 million for FY2015.

Balco Watches

Sales of Balco watches increased by approximately HK\$37.8 million or approximately 22.5% from approximately HK\$168.1 million for FY2014 to approximately HK\$206.0 million for FY2015, which accounted for approximately 7.8% of the total revenue of the Group for FY2015 (FY2014: approximately 7.0%). The increase was primarily due to the increase in sales to multi-brand watch distributors in Hong Kong, Macau and Taiwan by approximately HK\$21.8 million or approximately 46.7% from approximately HK\$46.7 million for FY2014 to approximately HK\$68.5 million for FY2015.

Other Brands Watches

Sales of other well-known branded watches other than Tian Wang and Balco brands (“Other Brands”) watches increased by approximately HK\$20.0 million or approximately 6.5% from approximately HK\$306.6 million for FY2014 to approximately HK\$326.7 million for FY2015 which accounted for approximately 12.3% of the total revenue of the Group for FY2015 (FY2014: approximately 12.8%). The increase in sales of Other Brands watches was primarily attributed to (i) the contribution of revenue from a joint venture company, namely, Time Watch (Shanghai) Timepieces Company Limited (“Time Watch Shanghai”) of approximately HK\$57.2 million for FY2015 (FY2014: approximately HK\$48.0 million) and (ii) the contribution of revenue of approximately HK\$32.3 million for 2015 (FY2014: approximately HK\$15.2 million) from another joint venture company established in December 2013, namely, Time Watch (Chengdu) Company Limited (“Time Watch Chengdu”).

Watch Movements Trading Business

Revenue from trading of watch movements (the “Watch Movements Trading Business”) accounted for approximately 7.9% of the Group’s total revenue for FY2015 (FY2014: approximately 10.9%). For FY2015, revenue from trading of watch movements was approximately HK\$210.2 million, representing a decrease of approximately HK\$52.2 million or approximately 19.9% from approximately HK\$262.4 million for FY2014. The decrease was primarily due to the fact that 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.



MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

The Group's gross profit increased by approximately HK\$246.1 million or approximately 15.8% from approximately HK\$1,561.3 million for FY2014 to approximately HK\$1,807.4 million for FY2015, while the gross profit margin increased to approximately 68.1% for FY2015 from approximately 65.0% for FY2014. 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 69.3% for FY2014 to approximately 72.0% for FY2015 of the Group's total revenue, as well as the improvement in gross profit margin of Tian Wang watches from approximately 79.3% for FY2014 to approximately 80.9% for FY2015, which was a result of an increase in sales of regular-priced watch models.

Other Income, Gains and Losses

The Group's other income, gains and losses decreased from approximately HK\$15.6 million for FY2014 to approximately HK\$6.2 million for FY2015, representing a decrease of approximately HK\$9.4 million or approximately 60.2%. This was primarily due to (i) the increase in allowance for doubtful debts of approximately HK\$10.1 million and (ii) the increase in loss on disposal and written-off of property, plant and equipment of approximately HK\$3.2 million.

Selling and Distribution Costs

The Group's selling and distribution costs increased by approximately HK\$167.2 million or approximately 16.1% from approximately HK\$1,040.2 million for FY2014 to approximately HK\$1,207.4 million for FY2015, which accounted for approximately 45.5% of the Group's total revenue for FY2015 (FY2014: approximately 43.3%). The increase was mainly due to (i) the increase in concessionaire and rental fees by approximately HK\$67.7 million as a result of an increase in revenue and number of POS; (ii) the increase in salaries of sales personnel by approximately HK\$55.7 million as a result of an increase in number of sales staff, which was in line with the increase of number of POS and the increase of sales commissions together with the increase of revenue; (iii) the increase in advertising and promotion fees by approximately HK\$25.1 million; and (iv) the increase in other sales related costs such as depreciation, packing, entertainment expenses, service charges and management fee by approximately HK\$18.7 million, which were in line with the Group's market expansion strategy.

Administrative Expenses

The Group's administrative expenses increased to approximately HK\$125.4 million for FY2015 from approximately HK\$113.7 million for FY2014, representing an increase of approximately HK\$11.8 million or approximately 10.4%. The increase was primarily due to the increase in salaries for administrative staff of approximately HK\$4.1 million.

Finance Costs and Income Tax Expenses

The Group's finance costs decreased by approximately HK\$0.7 million or approximately 52.8% from approximately HK\$1.3 million for FY2014 to approximately HK\$0.6 million for FY2015 as a result of a decrease in bank borrowings during FY2015. The Group's income tax expenses increased from approximately HK\$106.7 million for FY2014 to approximately HK\$147.9 million for FY2015, representing an increase of approximately HK\$41.2 million or approximately 38.6%. The Group's effective tax rate increased from approximately 25.3% for FY2014 to approximately 30.8% for FY2015.



MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the Year

As a result of the factors discussed above, the Group's net profit for FY2015 increased by approximately HK\$17.1 million or approximately 5.4% from approximately HK\$315.1 million for FY2014 to approximately HK\$332.2 million for FY2015. The net profit margin decreased from approximately 13.1% for FY2014 to approximately 12.5% for FY2015.

BUSINESS REVIEW

Overview

During FY2015, the Group's principal business remained manufacture and retail sales of its two proprietary brands watches (namely, Tian Wang and Balco watches), retail sales of Other Brands watches in the PRC and its ancillary Watch Movements Trading Business.

Notwithstanding the continued weakness in the global economy throughout FY2015, the Group achieved a sales growth of approximately 10.4% over the last year. FY2015 was a year full of challenges and uncertainties for the PRC watch industry. Since watches are not a necessity to daily lives, its market demand is particularly sensitive to changes in economic conditions and consumer confidence. The overall performance of the Group for the year was, to a certain extent, affected by the declining confidence among domestic consumers in the PRC, resulting in a slower growth in sales and downward pressure on profitability. Nevertheless, building on its competitive advantages developed over years, the Group continued to maintain its leading position in the PRC national watch market.

Tian Wang watches continues to be the Group's core brand business, which contributed approximately 72.0% of the total revenue of the Group during FY2015. Its over-25-year long brand heritage and reputation of delivering high quality and precise watches are key factors of Tian Wang watches' continued success and widespread brand recognition. Based on the information gathered from customers through the Group's national wide POS network, the Group can strive to cater to Chinese customers' increasing demand for high quality and trendy watches.

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 84% 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 is the Group's competitive advantage over its competitors, which generally do not have fully direct managed sales network but sell their products through distributors.

As at 30 June 2015, number of the Group's POS for Tian Wang watches was 2,235 POS, representing a net increase of 335 POS as compared to the number of POS for Tian Wang watches as at 30 June 2014. As at 30 June 2015, number of the Group's POS for Balco watches was 473 POS, representing a net decrease of 19 POS as compared to the number of POS for Balco watches as at 30 June 2014. As at 30 June 2015, number of the Group's POS for Other Brands watches was 97 POS, representing a net decrease of 1 POS as compared to the number of POS for Other Brands watches as at 30 June 2014.



MANAGEMENT DISCUSSION AND ANALYSIS

Proprietary Watches of the Group

Tian Wang Watches

Sales of Tian Wang watches remained the Group's major source of revenue, which contributed approximately 72.0% of the Group's total revenue for FY2015 (FY2014: approximately 69.3%). For FY2015, revenue from Tian Wang watches was approximately HK\$1,909.8 million as compared with approximately HK\$1,665.2 million for FY2014, representing an increase of approximately HK\$244.7 million or approximately 14.7%. During FY2015, the Group has launched not less than 100 new models of Tian Wang watches with price ranging from approximately RMB100 to RMB20,000 per watch for 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 7.8% of the Group's total revenue for FY2015 (FY2014: approximately 7.0%). For FY2015, revenue from Balco watches was approximately HK\$206.0 million as compared with approximately HK\$168.1 million for FY2014, representing an increase of approximately HK\$37.8 million or approximately 22.5%. There was an increase in sales of Balco watches in the PRC by approximately HK\$16.0 million or approximately 13.2% from approximately HK\$121.5 million for FY2014 to approximately HK\$137.5 million for FY2015. There was an increase of approximately HK\$21.8 million or approximately 46.7% 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\$46.7 million for FY2014 to approximately HK\$68.5 million for FY2015.

Other Brands Watches

Revenue from sales of Other Brands watches was approximately HK\$326.7 million for FY2015 as compared with approximately HK\$306.6 million for FY2014, representing an increase of approximately HK\$20.0 million or approximately 6.5%. Revenue from sales of Other Brands watches accounted for approximately 12.3% of the Group's total revenue for FY2015 (FY2014: approximately 12.8%). The increase in sales of Other Brands watches was mainly contributed by the increase in revenue from Time Watch Shanghai 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 for providing 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 which are not used for the Group's manufacture of watches for its Tian Wang Watch Business. For FY2015, sales of watch movements accounted for approximately 7.9% of the Group's total revenue (FY2014: approximately 10.9%). There was a decrease in sales of approximately HK\$52.2 million or approximately 19.9% from approximately HK\$262.4 million for FY2014 to approximately HK\$210.2 million for FY2015.



MANAGEMENT DISCUSSION AND ANALYSIS

E-commerce Business

In March 2013, the Company established a 70%-owned subsidiary, Shenzhen Time Watch Trading Company Limited (“Shenzhen Time Watch”), 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 series watches products for 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 FY2015, there was a significant increase in sales of watches through e-commerce channels by approximately HK\$53.3 million or approximately 30.1% from approximately HK\$176.8 million for FY2014 to approximately HK\$230.1 million for FY2015.

INVENTORY CONTROL

The Group’s inventory balance was approximately HK\$615.5 million as at 30 June 2015, representing an increase of approximately HK\$59.5 million or approximately 10.7% as compared with approximately HK\$556.0 million as at 30 June 2014. The increase was mainly due to the increase in the Group’s inventory balance of Balco finished watches from approximately HK\$64.4 million as at 30 June 2014 to approximately HK\$90.6 million as at 30 June 2015. The Group’s inventory turnover days increased to approximately 253 days for FY2015, as compared with 217 days for FY2014. 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 474, 298 and 621, respectively, as at 30 June 2015 (30 June 2014: approximately 562 (Tian Wang), 206 (Balco) and 566 (Other Brands)).

The inventory aged over two years were approximately HK\$94.5 million and approximately HK\$78.6 million as at 30 June 2015 and 30 June 2014 respectively, with corresponding provision for these inventory balances of approximately HK\$59.6 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 the 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\$550.5 million and approximately HK\$660.1 million as at 30 June 2015 and 30 June 2014 respectively.

The Group’s net cash generated from operating activities for FY2015 was approximately HK\$331.0 million, representing an increase of approximately HK\$115.0 million from approximately HK\$215.9 million for FY2014. The amount was primarily attributable to profit before taxation of approximately HK\$480.1 million from the Group’s operations adjusted for non-cash items of approximately HK\$89.3 million, increase of working capital balances of approximately HK\$111.9 million, income taxes paid of approximately HK\$139.1 million and interest received of approximately HK\$12.6 million.



MANAGEMENT DISCUSSION AND ANALYSIS

The Group's net cash used in investing activities for FY2015 was approximately HK\$294.7 million, which was mainly attributable to purchase of property, plant and equipment of approximately HK\$122.3 million and structured deposits placed of approximately HK\$125.1 million.

The Group's net cash used in financing activities for FY2015 was approximately HK\$146.4 million, which was mainly attributable to dividends paid of approximately HK\$145.6 million and repayment of bank borrowings of approximately HK\$220.9 million, which was partially offset by borrowings raised of approximately HK\$219.0 million, contribution from non-controlling shareholders of subsidiaries of approximately HK\$6.0 million. The Group's bank borrowings were approximately HK\$34.1 million and approximately HK\$36.0 million as at 30 June 2015 and 30 June 2014 respectively.

The Group has a net cash position as at 30 June 2015 and 30 June 2014. As at 30 June 2015, the Group's total equity was approximately HK\$1,695.9 million, representing an increase of approximately HK\$193.0 million from approximately HK\$1,502.9 million as at 30 June 2014. The Group's working capital was approximately HK\$1,509.4 million as at 30 June 2015, representing an increase of approximately HK\$113.4 million as compared with approximately HK\$1,396.0 million as at 30 June 2014.

As at 30 June 2015, the Group's bank balances and cash were mainly denominated in Renminbi. As at 30 June 2015, 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.

The gearing ratio being calculated as total debt over total equity was approximately 2.0% and approximately 2.4% as at 30 June 2015 and 30 June 2014, respectively.

Details of the Group's bank borrowings as at 30 June 2015 are set out in note 23 to this annual report.

CHARGE ON GROUP ASSETS

There was no material charge on the Group's assets as at 30 June 2015 and 2014.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2015 and 2014.

CAPITAL COMMITMENTS

The Group did not have any material capital commitments as at 30 June 2015 and 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 the 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.



MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND EMOLUMENTS POLICIES

As at 30 June 2015, the Group employed a total of approximately 4,600 full time employees (30 June 2014: approximately 4,300) engaging in design, purchasing, production, sales and marketing and administration. The staff costs incurred during FY2015 was approximately HK\$386.0 million (FY2014: approximately HK\$322.6 million). The Group's emolument policies are formulated on the performance of individual employees and on the basis of the trends of salaries in various regions, which will be reviewed regularly every year. Apart from provident fund scheme and medical insurance, discretionary bonuses are also awarded to employees according to the assessment of individual performance.

SOCIAL RESPONSIBILITY

The Group's charitable and other donations for FY2015 amounted to approximately HK\$1.6 million (FY2014: approximately HK\$64,200), which is used to sponsor and promote the education of the youth. No donations were made to political parties.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the initial public offering ("IPO") of the Company in February 2013 amounted to approximately HK\$742.0 million, of which approximately HK\$362.1 million had been utilized for the year ended 30 June 2013 ("FY2013") and FY2014. For FY2015, the Company had further utilized approximately HK\$93.2 million of the proceeds in the manner set out in the following table.

	Amount of net proceeds allocated and unutilised as at 1 July 2014 (HK\$'m)	Amount of net proceeds utilised for FY2015 (HK\$'m)	Balance as at 30 June 2015 (HK\$'m)	Actual business progress up to 30 June 2015
Opening of approximately 200 POS in each of the years ending 30 June 2014, 2015, 2016, 2017 and 2018	124.7	57.2	67.5	Approximately HK\$57.2 million of IPO proceeds was used for opening 200 new POS during FY2015.
Establishing joint ventures with experienced operators of watch sales network and acquiring their inventories	126.1	–	126.1	The Group had been looking for experienced operators for co-operation.

MANAGEMENT DISCUSSION AND ANALYSIS

	Amount of net proceeds allocated and unutilised as at 1 July 2014 (HK\$'m)	Amount of net proceeds utilised for FY2015 (HK\$'m)	Balance as at 30 June 2015 (HK\$'m)	Actual business progress up to 30 June 2015
Marketing and promotional activities for Tian Wang for the years ending 30 June 2014, 2015 and 2016 including (i) engaging an active and well-known Chinese television and movie actor celebrity as the new spokesperson for Tian Wang brand; (ii) production of television commercials focusing on the new Tian Wang spokesperson; and (iii) rolling-out advertisement on television and various other media	104.0	36.0	68.0	As at 30 June 2015, approximately HK\$36.0 million of IPO proceeds was used for rolling-out advertisement on television and various other media. The Group is still looking for suitable candidate whose image is in line with the brand image and recognition of Tian Wang brand and the proposed large-scale nationwide marketing campaign for Tian Wang brand.
Enhancing product design and development capabilities	25.1	–	25.1	The Group has been looking for international designer to enhance product design and has not identified suitable candidate.
TOTAL	379.9	93.2	286.7	

Actual application of the net proceeds, except for opening of POS was lower as compared to the planned application due to the reasons as explained above and/or the weak economic condition and declining confidence among domestic consumers in the PRC.



MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF USE OF PROCEEDS

The Group has been monitoring the use of net proceeds from the IPO. As at 30 June 2015, the Group has an unutilised balance of the net proceeds of approximately HK\$67.5 million for the opening of new POS, which was just sufficient for the Group to open POS in the coming two years ending 30 June 2016 and 2017. In view of the need to expand the Group's sales network in order to capture the market growth in the future, the Board has decided to reallocate approximately HK\$99.2 million of the net proceeds to the opening of new POS. Among the approximately HK\$99.2 million to be reallocated, (i) approximately HK\$46.1 million is reallocated from the establishment of joint venture as the Board believes that the remaining sum of approximately HK\$80.0 million is sufficient for the Group to establish joint ventures worldwide in future; (ii) approximately HK\$28.0 million is reallocated from the marketing and promotional activities for Tian Wang because the remaining sum of approximately HK\$40.0 million is sufficient for the Group to carry out such marketing and promotional activities; and (iii) approximately HK\$25.1 million is reallocated from the enhancement of product design and development capacities of joint venture as the Group currently has a design and development team which the Group believes that the team is fully capable of handling the most complex design and development challenges.

In order to increase the flexibility of implementing its plan of opening POS, establishing joint-ventures and carrying on marketing and promotional activities, the Board has decided, respectively, to (i) delete the timing requirements for the opening of POS in the years ending 30 June 2016, 2017 and 2018; (ii) allow the use of net proceeds on establishing joint ventures worldwide; and (iii) delete the specific requirements for the use of certain amounts in engaging spokesperson, production of television commercial for the spokesperson and rolling-out of advertisement on television and various other media.

MANAGEMENT DISCUSSION AND ANALYSIS

Following the reallocation, the unutilised net proceeds from the IPO will be used in the following manner:

Intended use of the net proceeds as set out in the 2014 annual report	Balance as at 30 June 2015 (HK\$'m)	Revised intended use of the net proceeds	Revised amount of the net proceeds allocated (HK\$'m)
Opening of approximately 200 POS in each of the years ending 30 June 2016, 2017 and 2018	67.5	Opening of POS in the coming years	166.7
Establishing joint ventures with experienced operators of watch sales network and acquiring their inventories	126.1	Establishing joint ventures worldwide with experienced operators of watch sales network and acquiring their inventories	80.0
Marketing and promotional activities for Tian Wang for the year ending 30 June 2014, 2015 and 2016 including (i) engaging an active and well-known Chinese television and movie actor celebrity as the new brand spokesperson for Tian Wang watches, (ii) production of the television commercials focusing on the new Tian Wang spokesperson; and (iii) rolling-out advertisement on television and various other media	68.0	Engaging an active and well-known television and movie actor celebrity as the new brand spokesperson for Tian Wang watches and for producing television commercials focusing on the spokesperson	40.0
Enhancing product design and development capabilities	25.1	Nil	Nil
TOTAL	286.7		286.7

The Board is of the view that the partial change in the use of the net proceeds from the IPO is fair and reasonable and is in the interest of the Company and its shareholders as a whole, allowing the Group to increase its flexibility in its financial management and reduce other finance costs to support the Group's operation and on-going expansion.



PROSPECTS AND STRATEGIES

Despite the weak economic conditions in the PRC and the PRC government's measures against consumption of luxury goods during FY2015, the revenue and profit of the Group continues to achieve steady growth in FY2015 as the Group concentrates on the development of the market of low-end and medium-end watches as well as youth series watches. During FY2015, the Group has adopted the strategy of steady expansion of its retail network by opening new POS in second, third and lower tier cities across the country and has increased its efforts in selling new youth series watches products through e-commerce channels. The economic environment is likely to be uncertain in the year ending 30 June 2016. The management believes that the strategy of opening new POS and increase in investment in e-commerce channels continues to be the major revenue drivers for the Group in the coming year.



***I am a slow walker ,
but I never walk backwards.***

Abraham Lincoln



MAJOR EVENTS

Tian Wang Watch Pilot Collection

The ocean is full of infinite mysteries. One will never experience the spectacular mystery of the ocean until one sails leading the fleet.

Life is like an ocean and we are the leader sail. Inspired by the rich culture of maritime navigation, Tian Wang Pilot Collection makes its market debut with innovative design.

The creative bezel design resembles a helm that guides one to sail through life. The multicolored and fashionable dial plate with various stripes presents the masterful fusion of classical and contemporary style. The like business style displays sagacity through a minimalist design. Featured with Tian Wang's iconic and unique crown-shaped second hands, the Collection is exquisitely designed to manifest, through the light and shadows of time casted by the hands, precision, details, aesthetics and delicate handicraft as well as the bright and beautiful life.



MAJOR EVENTS

Tian Wang Watch Round Times Collection

Paddle wheels, or floating wheels, are a kind of propeller used in vessels and installed on both sides or at the stern looking like wheels of a vehicle. The outer edge of the wheel is fitted with paddle blades. An engine rotates the paddle wheel in the water to produce thrust forward. Most part of the wheel is above the water, hence named "floating wheels". Accordingly, the design of the Tian Wang Round Times Collection was inspired and initiated.

Inheriting British retro style, Tian Wang Round Times Collection recalls the golden age and recreates a new classic through simple luxury design. Diamonds gracefully studded on the dial, which, as time goes by, mark the enterprising culture of a time and carry forward the British royal and noble heritage.





MAJOR EVENTS

Sagacious • Leisurely • Time Capture 2015 Fantastic Maritime Journey of Tian Wang Watches

The 26th Shenzhen Watch & Clock Fair was regally opened and held at Shenzhen Convention and Exhibition Center from 25 to 28 June 2015. More than 400 watch & clock enterprises with over 600 brands participated the event and presented their most innovative products and technologies.

In its exhibition hall of brand new image, Tian Wang Watches showcased the self-developed 2,000-meter water resistant dive watches, high-end products under Round Times Collection, and other classic watch collections. Skillfully featured with the marine culture, Tian Wang Watches' new exhibition hall enabled watch fans to explore in a time journey of Tian Wang Watches amid the vast and mysterious ocean.





MAJOR EVENTS

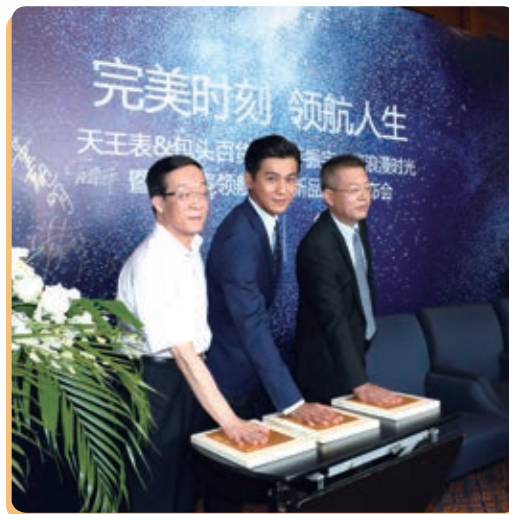




MAJOR EVENTS

The Tour of Tian Wang Pilot Collection Watches

At the 25th anniversary of our brand building last year, Tian Wang watches launched the first cultural tour in the wristwatch industry covering numerous cities across China. In this year, Tian Wang watches set off its time journey once again at the romantic Double Seventh Festival (the Chinese equivalent of the Valentine's Day) with its unique appeal.



With the presence of famous movie and television stars, including Qiao Zhenyu, Zheng Kai and Li Jiahang, the Tour of Tian Wang Pilot Collection Watches was grandly kicked-off and run through various cities such as Kaifeng (known as the "Ancient Chinese Capital of Eight Dynasties") and Daqing (known as the Oil Capital of China).





PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tung Koon Ming (董觀明), aged 64, is the founder of the Group, Chairman, executive Director and chief executive officer of the Company. Mr. Tung is the father of Mr. Tung Wai Kit, an executive Director. He was appointed as an executive Director on 21 September 2011. He is responsible for the overall direction, management and daily operation of the Group. He is also a director of all subsidiaries of the Group, except for Ye Guang Li Electronics (Meizhou) Company Limited (“Ye Guang Li”), Balco Switzerland SAGL, Time Watch Hefei, Time Watch Shanghai, Time Watch Sichuan, Time Watch Chengdu, Shenzhen Time Watch, 深圳市半小時商貿有限公司 (Shenzhen Half Hour Trade and Commercial Limited) (“Half Hour Trade and Commercial”) and 深圳市壹寸金科技有限公司 (Shenzhen Yi Cun Jin Technology Co. Limited) (“Yi Cun Jin Technology”).

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

Mr. Hou Qinghai (侯慶海), aged 66, was appointed as an executive Director on 10 January 2013. Mr. Hou is responsible for the Group’s daily operation and production of Tian Wang watches. He is currently a director and general manager of Ye Guang Li, a director, deputy general manager of Tian Wang Electronics (Shenzhen) Company Limited (“Tian Wang Shenzhen”) and a director of Suzhou Paragon.

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



PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Tung Wai Kit (董偉傑), aged 41, was appointed as an executive Director on 21 September 2011. Mr. Tung Wai Kit is the son of Mr. Tung Koon Ming, the Chairman, executive Director and chief executive officer of Company. Mr. Tung Wai Kit is the Group's marketing and administrative controller and is responsible for the marketing, production and administration of the Group's brand of Balco. Mr. Tung Wai Kit has over 16 years of experience in sales and marketing. He is currently a director of Ye Guang Li, Time Watch Hefei, Time Watch Shanghai, Time Watch Sichuan, Time Watch Chengdu, Shenzhen Time Watch, Shenzhen Time Watch Management Consulting Limited, Half Hour Trade and Commercial and Yi Cun Jin Technology. Mr. Tung Wai Kit is currently a director of Time Watch Singapore, an associate of the controlling shareholders (within the meaning of Listing Rules) of the Company.

Mr. Deng Guanglei (鄧光磊), aged 45, was appointed as an executive Director on 15 October 2014. Mr. Deng graduated in 安徽財貿學院 (Anhui Finance and Trade College) (for identification purpose only) in June 1994. He has over 15 years of experience in sales and marketing. He joined 天王電子有限公司 (Tian Wang Electronics Co., Ltd.) ("Tian Wang Electronics") in 1996 as a regional manager of its sales department in which he was responsible for the sales and marketing of Tian Wang brand of watches and left in 1998. By the end of 1998, when he rejoined Tian Wang Electronics after a temporary departure, he was promoted to be the sales manager of its marketing department. Starting from 2004, he started to be assistant general manager and the person-in-charge of the sales and marketing department of 天王電子(深圳)有限公司 (Tian Wang Electronics (Shenzhen) Co., Ltd.) ("Tian Wang Shenzhen"), a wholly-owned subsidiary of the Company. He has been the general manager of the sales and marketing department of Tian Wang Shenzhen since September 2007. Mr. Deng is a director of Time Watch (Zheng Zhou) Property Management Company Limited, a company indirectly owned as to 84% by a controlling shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ma Ching Nam, J.P. (馬清楠), aged 62, was appointed as an independent non-executive Director on 10 January 2013.

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

Mr. Ma currently serves as directors of Heptacontinental group of companies, Ma Kam Ming Company Limited, Tai Sang Bank Limited, Ma's Enterprises Company Limited and Ma Kam Ming Charitable Foundation. Mr. Ma was the president of the Hong Kong Society of Notaries from 2007 to 2013. He has been a director and vice chairman of Po Leung Kuk since 2009 and 2014 respectively. He has also been appointed a member of Political and Consultative Conference in Hunan Province, the PRC and a visiting professor of the China Agricultural University.



PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong Wing Keung Meyrick (王泳強), aged 56, was appointed as an independent non-executive Director on 10 January 2013.

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

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

Mr. Choi Ho Yan (蔡浩仁), aged 39, was appointed as an independent non-executive Director on 10 May 2013. Mr. Choi obtained a degree of Bachelor of Arts in Accounting from the University of Hertfordshire in July 1998. He has over 17 years of experience in auditing, accounting, corporate finance and investors relations. Mr. Choi worked in Ernst and Young as an accountant, and subsequently a senior accountant, from September 1998 to August 2004. Mr. Choi was an assistant company secretary and a director of Gold Tat Group International Limited (formerly known as Mobile Telecom Network (Holdings) Limited), a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8266), until his resignation as both assistant company secretary and director on 1 September 2015.

SENIOR MANAGEMENT

Mr. Li Yu Zhong (李育忠), aged 49, is the factory general manager of Tian Wang Shenzhen and the head of the manufacturing and assembly department of the Group. He is responsible for the manufacturing and assembly department of the Group. Mr. Li has more than 20 years of experience in the watch manufacturing business. In 2007, he obtained the qualification of watch repair examiner issued by Shenzhen Occupational Skill Testing Authority. He graduated from Guangdong Boluo Province Botong Agricultural Vocational School in 1984. Starting from 2008, he becomes a committee member of Materials and External Watch Parts Subcommittee on National Technical Committee on Watches of Standardisation Administration of China.



PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Cheung Mei Chu, Clara (張美珠), aged 41, is the chief financial officer of the Group with effect from 1 March 2014. Ms. Cheung is a Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants and a Fellow Member of The Association of Chartered Certified Accountants in the United Kingdom since 2000. She has obtained a Master Degree in Business Administration from The Hong Kong University of Science and Technology in 2006. Prior to joining the Company, she was the Chief Financial Officer and Finance Director of Regent Pacific Group Limited which is a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 575), since March 2002 and January 2004 respectively. She has also gained extensive experience in auditing and accounting during her service with Deloitte Touche Tohmatsu from 1997 to 2002.

Ms. Wong Siu Yu Rachel (黃少如), aged 45, is the financial controller of the Group. She is responsible for overseeing the Group's financial matters and the accounts of the PRC subsidiaries and the joint venture companies of the Group. She is also a director of Time Watch Shanghai, Time Watch Chengdu, Zhengzhou Time Watch, Shenzhen Time Watch, Shenzhen Time Watch Management Consulting Limited, Half Hour Trade and Commercial and Yi Cun Jin Technology. She has more than 10 years of experience in accounting and finance. She obtained Bachelor of Business (major in accounting and manufacturing management) from the Swinburne University of Technology in 1999.



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board and the Company are always committed to maintaining high standards of corporate governance. Apart from adopting the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “CG Code”) as the Company’s corporate governance code, the Company has also established a corporate governance committee (the “CG Committee”) with corporate governance functions set out in code provision D.3 of the CG Code. The Company and the CG Committee periodically review the Company’s corporate governance practice to ensure its continuous compliance with the CG Code. During FY2015 and up to the date of this annual report, save as disclosed below, the Company has complied with the code provisions set out in the CG Code.

CODE PROVISION A.2.1

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all the Directors, the Company is satisfied that and the Directors confirmed that they have fully complied with the required standard set out in the Model Code and the Company’s code of conduct regarding directors’ securities transaction during FY2015 and up to the date of this annual report.

BOARD OF DIRECTORS

The Board has a balance of skills and experience and a balanced composition of executive and independent non-executive Directors. As at 30 June 2015, the Board comprised seven Directors, four of whom are executive Directors and three of whom are independent non-executive Directors as set out below:

Executive Directors

Mr. Tung Koon Ming (*Chairman and chief executive officer*)
Mr. Hou Qinghai
Mr. Tung Wai Kit
Mr. Deng Guanglei



CORPORATE GOVERNANCE REPORT

Independent non-executive Directors

Mr. Ma Ching Nam
 Mr. Wong Wing Keung Meyrick
 Mr. Choi Ho Yan

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

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

The Company maintains appropriate liability insurance to indemnify its Directors for their liabilities arising out of corporate activities.

DIRECTORS' ATTENDANCE AT BOARD MEETINGS AND GENERAL MEETINGS

During FY2015, the Company had held seven board meetings and one general meeting which was the annual general meeting for FY2014. The attendance of each of the Directors at these board meetings and general meeting, by name, is set out below:

Directors	Attendance/ Number of board meetings held	Attendance/ Number of general meetings held
Executive Directors		
Mr. Tung Koon Ming (<i>Chairman</i>)	7/7	1/1
Mr. Lo Wing Sang (resigned on 15 October 2014)	3/3	Nil
Mr. Hou Qinghai	6/7	1/1
Mr. Tung Wai Kit	7/7	1/1
Mr. Deng Guanglei (appointed on 15 October 2014)	4/4	1/1
Independent non-executive Directors		
Mr. Ma Ching Nam	6/7	1/1
Mr. Wong Wing Keung Meyrick	7/7	1/1
Mr. Choi Ho Yan	6/7	1/1

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

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



CORPORATE GOVERNANCE REPORT

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

TERMS OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

Pursuant to Code Provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. Each of the Directors have been given relevant guideline materials to ensure that they are apprised of the latest changes in the commercial, legal and regulatory requirements in relation to the Company's businesses, and to refresh their knowledge and skills on the roles, functions and duties of a listed company director.

New Directors, on appointment, will be given an induction package containing all key legal and Listing Rules' requirements as well as guidelines on the responsibilities and obligations to be observed by a director. The package will also include the latest published financial reports of the Company and the documentation for the corporate governance practices adopted by the Board.

The Company also continuously updates Directors on the latest developments regarding listing rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are also issued to Directors where appropriate to ensure their awareness of best corporate governance practices.



CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the “Remuneration Committee”) of the Board pursuant to a resolution of the Directors passed on 11 January 2013 with written terms of reference in compliance with Rule 3.25 of the Listing Rules. The primary functions of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review performance based remuneration and ensure none of the Directors determine their own remuneration. During FY2015, the Remuneration Committee reviewed the remuneration policy and packages of the Directors and the senior management.

The Remuneration Committee currently comprises three independent non-executive Directors. One Remuneration Committee meeting was held during FY2015. Members of the Remuneration Committee and the attendance record of each member are set out below:

Members	Attendance/ Number of meetings held
Mr. Wong Wing Keung Meyrick (<i>Chairman</i>)	1/1
Mr. Ma Ching Nam	1/1
Mr. Choi Ho Yan	1/1

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) of the Board pursuant to a resolution of the Directors passed on 11 January 2013 with written terms of reference in compliance with Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and material advice in respect of financial reporting and oversee the internal control procedures of the Company. During FY2015, the Audit Committee has reviewed with the management of the Company, the accounting principles and practices adopted by the Group and discussed the audit, internal control and financial reporting matters in relation to the annual report of the Group for the year ended 30 June 2015.

The Audit Committee currently comprises three independent non-executive Directors. Three Audit Committee meetings were held during FY2015. Members of the Audit Committee and the attendance record of each member are set out below:

Members	Attendance/ Number of meetings held
Mr. Choi Ho Yan (<i>Chairman</i>)	3/3
Mr. Wong Wing Keung Meyrick	3/3
Mr. Ma Ching Nam	3/3



CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

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

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

- Integrity, objectivity, and intelligence of the person, with reputations for sound judgment and open mind, and a demonstrated capacity for thoughtful group decision-making;
- Qualification and career experience; and
- Understanding of the Company and its corporate mission.

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

The Board has adopted a board diversity policy with effect from 1 September 2013 and a written resolution passed on 15 October 2014, setting out the approach to diversity of members of the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The following measurable objectives have been set for implementing the board diversity policy:

- (a) at least 50% of the members of the Board shall have attained education from university;
- (b) at least 40% of the members of the Board shall have obtained accounting or other professional qualifications;
- (c) at least 20% of the members of the Board shall have China-related work experience; and
- (d) at least 40% of the members of the Board shall be independent non-executive directors.

As at the date hereof, the above objectives have been achieved. The Nomination Committee would regularly review the policy and the measurable objectives to ensure its effectiveness to achieve diversity on the Board.



CORPORATE GOVERNANCE REPORT

The Nomination Committee currently comprises one executive Director and two independent non-executive Directors. One Nomination Committee meeting was held during FY2015. Members of the Nomination Committee and attendance record of the members are set out below:

Members	Attendance/ Number of meeting held
Mr. Tung Koon Ming (<i>Chairman</i>)	1/1
Mr. Ma Ching Nam	1/1
Mr. Wong Wing Keung Meyrick	1/1

CORPORATE GOVERNANCE COMMITTEE

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

The CG Committee currently comprises three independent non-executive Directors. One CG Committee meeting was held during FY2015 to review the policies and practices on corporate governance of the Group. Members of the CG Committee and the attendance record of each member are set out below:

Members	Attendance/ Number of meeting held
Mr. Ma Ching Nam (<i>Chairman</i>)	1/1
Mr. Choi Ho Yan	1/1
Mr. Wong Wing Keung Meyrick	1/1

AUDITOR'S REMUNERATION

The fees in relation to the audit service provided by Deloitte Touche Tohmatsu, the external auditors of the Company, for FY2015 amounted to approximately HK\$1,990,000 (2014: approximately HK\$1,837,000). No non-audit services were provided by Deloitte Touche Tohmatsu during the year under review.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the financial statements for FY2015, suitable accounting policies have been adopted and applied consistently. The financial statements for the reporting year have been prepared on a going concern basis.



CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS

The Board has overall responsibility for the effectiveness of the internal control system and monitors the internal control systems through the Group's outsourced internal auditors, Baker Tilly Hong Kong Limited ("Baker Tilly"). Baker Tilly reviews the material controls of the Group on a continuous basis and aims to cover all major operations of the Group on a cyclical basis. Overall, internal audits are designed to provide the Board with reasonable assurance that the internal control systems of the Group are sound and effective. The Board also reviews regularly the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. No material irregularities were found during FY2015.

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

As disclosed in the prospectus of the Company dated 24 January 2013 (the "Prospectus"), Mr. Tung, Red Rewarding Limited, Time Watch Investments Private Limited, Winning Metal Products Manufacturing Company Limited and Red Glory Investments Limited, being the then controlling shareholders of the Company (the "Controlling Shareholders"), through various companies controlled by them or any of them, are interested in some other different businesses, including but not limited to the (1) retail sales of multi-brand watches outside the PRC; (2) minority investments in various companies that distribute multi-brand watches; (3) minority investments in various companies that manufacture and supply third-party brands of watches and accessories on OEM basis and manufacture and supply of packaging materials for third-party brands of watches; and (4) property investment in the PRC and Hong Kong. Please refer to the section headed "Relationship with our controlling shareholders" of the prospectus for details of the excluded business, including but not limited to its management, nature, scope, size, how such business may compete with the Group's business and how the Group is capable of carrying on its business independently of, and at arm's length from such excluded business. Having made reasonable enquiry, the Directors confirm that details of the excluded business as disclosed in the Prospectus have not changed since the publication of the Prospectus.

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



CORPORATE GOVERNANCE REPORT

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

- (i) the independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the Non-compete Undertaking by the Controlling Shareholders;
- (ii) any decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Non-compete Undertaking shall be disclosed either through the Company's annual report or by way of announcement;
- (iii) how the terms of the Non-compete Undertaking have been complied with and enforced shall be disclosed in the corporate governance report of the Company's annual report;
- (iv) in the event that any of the Directors and/or their respective associates has material interest in any matter to be deliberated by the Board in relation to the compliance and enforcement of the Non-compete Undertaking, he/she may not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the articles of association of the Company; and
- (v) the Group is committed that the Board should include a balanced composition of executives and non-executive Directors (including independent non-executive Directors).

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

The Company has received the annual declaration from each of the Controlling Shareholders in respect of their respective compliance with the terms of the Non-compete Undertaking during FY2015. The independent non-executive Directors, having reviewed the annual declarations and made reasonable enquiry, are satisfied that the Controlling Shareholders have complied with the terms of the Non-compete Undertaking during FY2015.

COMPANY SECRETARY

Mr. Chen Kwok Wang resigned from the office of the Company Secretary with effect from 2 January 2015. Ms. Hui Wai Man ("Ms. Hui") has been appointed as the Company Secretary of the Company with effect from 2 January 2015 to fill the vacancy. Ms. Hui is a practising accountant in Hong Kong and is currently a director of a CPA firm and a securities firm. She is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Ms. Cheung Mei Chu, Clara, who is the chief financial officer of the Group, is the primary point of contact at the Company with the Company Secretary.

CORPORATE GOVERNANCE REPORT



SHAREHOLDERS' RIGHTS

1. Procedures for shareholders to convene an extraordinary general meeting

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

- (1) One or more Shareholders (the "Requisitionist(s)") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice (the "Requisition"), to require an EGM to be called by the Directors for the transaction of any business specified therein.
- (2) Such Requisition shall be made in writing to the Board or the Company Secretary of the Company at 27th Floor, CEO Tower, 77 Wing Hong Street, Kowloon, Hong Kong or via email at investor_relations@timewatch.com.hk.
- (3) The EGM shall be held within two months after the deposit of such Requisition.
- (4) If the Directors fail to proceed to convene such meeting within twenty-one (21) days of the deposit of such Requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

2. Procedures for raising enquiries

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

Tricor Investor Services Limited

Address: Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong

Email: is-enquiries@hk.tricorglobal.com

Tel: (852) 2980 1333

Fax: (852) 2861 1465



CORPORATE GOVERNANCE REPORT

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

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

Email: investor_relations@timewatch.com.hk

Tel: (852) 2411 3567

Fax: (852) 3585 2083

Attention: Company Secretary/Board of Directors

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

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

- 3.1 To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information at the Company's principal place of business at 27th Floor, CEO Tower, 77 Wing Hong Street, Kowloon, Hong Kong.
- 3.2 The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order and made by a Shareholder, the Board of Directors will be asked to include the Proposal in the agenda for the general meeting.
- 3.3 The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:
- (a) Notice of not less than 21 clear days and not less than 20 clear business days in writing if the Proposal requires an ordinary resolution or a special resolution of the Company in an annual general meeting of the Company;
 - (b) Notice of not less than 21 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of a special resolution of the Company in an extraordinary general meeting of the Company; and
 - (c) Notice of not less than 14 clear days and not less than 10 clear business days in writing if the Proposal requires approval by way of an ordinary resolution of the Company in an extraordinary general meeting of the Company.

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



CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

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

CONSTITUTIONAL DOCUMENTS

During FY2015 and up to the date of this report, there is no change in the Company's constitutional documents.

UPDATES ON COMPLIANCE AND REGULATORY MATTERS AS DISCLOSED IN THE PROSPECTUS

Failure to contribute to social insurance and housing provident fund

As disclosed in the Prospectus and the annual report of the Company for FY2014, Tian Wang Shenzhen failed to make full contributions into the social insurance and housing provident fund before the listing date. The Group has made up contributions for all entitled employees of Tian Wang Shenzhen in accordance with the PRC national laws and regulations since July 2012 and has incorporated an enforceable written policy for social insurance and housing provident fund contribution into its human resources management policy as stated in the Prospectus. As there is no established mechanism for enterprises to make up historical deficient contributions, particularly for those contributions which have been outstanding for a certain period of time, the Group has made provision, which cover for both of the employer's and the employee's portions of the unpaid social insurance and housing provident fund contributions, in the consolidated financial statements. As at the date of this report, the Group has not received any notification or orders from the relevant authorities in relation to the previously unpaid social insurance and housing provident fund.

Defects in relation to lease agreements of the Group

As disclosed in the Prospectus and the annual report of the Company for FY2014, the Group strives to rectify the non-compliances or defects in lease agreements (please refer to the section headed "Our business – Litigation and compliance" of the Prospectus for details of such non-compliance). As at the date of this 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 annual report because the local authorities have not provided clear registration procedures to the Group.



DIRECTORS' REPORT

The Board of Directors of the Company is pleased to present this annual report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for FY2015.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 30 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 5.1% of the Group's total turnover of the year and purchase from the Group's five largest suppliers accounted for approximately 25.7% of the Group's total purchase of the year and purchase from the largest supplier of the Group accounted for approximately 10.0% of the total purchase of the year.

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

RESULTS AND DIVIDENDS

The results of the Group for FY2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 55 of this annual report and the state of affairs of the Group as at 30 June 2015 are set out in the consolidated statement of financial position on page 56 to 57 of this annual report.

The Directors have recommended the payment of a final dividend of HK3 cents per Share for FY2015 amounting to approximately HK\$62.4 million, which is subject to shareholders' approval in the coming annual general meeting of the Company. For FY2014, the Company has paid a final dividend of HK3 cents per Share and a special dividend of HK2 cents per Share. Subject to the approval of the shareholders at the forthcoming annual general meeting (the "Annual General Meeting") of the Company to be held on 24 November 2015, the proposed final dividend will be paid to Shareholders whose name appears on the register of members of the Company at the close of business on 30 November 2015. It is expected that the proposed final dividend will be paid on or about 9 December 2015.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining members who are qualified for attending the Annual General Meeting, the register of members of the Company will be closed from 20 November 2015 to 24 November 2015 (both days inclusive), during which period no transfer of share of the Company will be effected. In order to qualify for attending the Annual General Meeting, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on 19 November 2015.



DIRECTORS' REPORT

For the purpose of determining members who are qualified for the proposed final dividend for FY2015 which is subject to approval by the shareholders, at the Annual General Meeting, the register of members of the Company will be closed on 30 November 2015, on which no transfer of share of the Company will be effected. In order to qualify for the entitlement to the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at the above address for registration no later than 4:30 p.m. on 27 November 2015.

RESERVES

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

The Directors considered that the Company's reserves available for distribution to shareholders comprise the share premium and the retained earnings which amounted to approximately HK\$585.1 million for FY2015 (FY2014: approximately HK\$678.6 million). Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

RETIREMENT BENEFIT SCHEMES

Details of retirement schemes of the Group are set out in note 27 to the consolidated financial statements in this annual report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group paid for leasehold land and buildings at a cost of approximately HK\$11.5 million, leasehold improvements at a cost of approximately HK\$11.7 million, acquired furniture and fixtures at a cost of approximately HK\$1.0 million, computer equipment at a cost of approximately HK\$5.7 million, tools, machinery, factory equipment and fittings at a cost of approximately HK\$78.8 million, yacht at a cost of approximately HK\$12.3 million and motor vehicles at a cost of approximately HK\$1.4 million.

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

SHARE CAPITAL

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

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors

Mr. Tung Koon Ming (*Chairman*)
Mr. Lo Wing Sang (resigned on 15 October 2014)
Mr. Hou Qinghai
Mr. Tung Wai Kit
Mr. Deng Guanglei (appointed on 15 October 2014)



DIRECTORS' REPORT

Independent Non-Executive Directors

Mr. Ma Ching Nam
Mr. Wong Wing Keung Meyrick
Mr. Choi Ho Yan

In accordance with article 105(A) of the Company's articles of association, Mr. Tung Koon Ming, Mr. Tung Wai Kit and Mr. Choi Ho Yan (collectively, the "Retiring Directors") will retire at the Annual General Meeting. The Retiring Directors, being eligible, will offer themselves for re-election.

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

The remuneration of the senior management by band for FY2015 is set out below:

Remuneration bands	Number of employees
HK\$ nil to HK\$1,000,000	1
HK\$1,000,001 to HK\$1,500,000	1
HK\$1,500,001 to HK\$2,000,000	1

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



DIRECTORS' 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 30 June 2015, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Name of Director	Name of Group member/associated corporation	Capacity/nature of interest	Number and class of securities (note 1)	Approximate percentage of shareholding
Mr. Tung Koon Ming ("Mr. Tung")	Company	Interest of controlled corporation (note 2)	1,436,521,000 (L)	69.07%

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 30 June 2015, none of the Directors or the chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



DIRECTORS' REPORT

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

So far as the Directors are aware of, as at 30 June 2015, the interests and short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of SFO and based on the information available 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	1,436,521,000 Shares (L)	69.07%
Ms. Tam Fun Hung ("Ms. Tam")	Interest of spouse (note 2)	1,436,521,000 Shares (L)	69.07%
Orchid Asia V, LP	Beneficial owner (note 3)	183,566,000 Shares (L)	8.83%
OAV Holdings, L.P.	Interest of a controlled corporation (note 3)	183,566,000 Shares (L)	8.83%
Orchid Asia V GP, Limited	Interest of a controlled corporation (note 3)	183,566,000 Shares (L)	8.83%
Orchid Asia V Group Management, Limited	Interest of a controlled corporation (note 3)	183,566,000 Shares (L)	8.83%
Orchid Asia V Group, Limited	Interest of a controlled corporation (note 3)	183,566,000 Shares (L)	8.83%
Areo Holdings Limited	Interest of a controlled corporation (note 3)	189,198,000 Shares (L)	9.10%
Lam Lai Ming	Interest of a controlled corporation (note 3)	189,198,000 Shares (L)	9.10%
Li Gabriel	Interest of a controlled corporation (note 3)	189,198,000 Shares (L)	9.10%



DIRECTORS' REPORT

1. The letter "L" denotes a person's long position in the Shares or underlying Shares of the Company.
2. Ms. Tam is 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 annual report.
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 30 June 2015, 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.



DIRECTORS' REPORT

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During FY2015, there was no material acquisition or disposal of subsidiaries or associated companies by the Company.

SHARE OPTION SCHEME

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

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

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

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

The total number of shares which may be issued upon exercise of all options (excluding for this purpose options which have lapsed) to be granted under the Scheme and any other share option schemes must not in aggregate exceed 200,000,000 shares, representing approximately 10% and 9.62% of shares in issue as at 5 February 2013 (the date of which the shares of the Company were listed on the Stock Exchange) and as at the date of this annual report, respectively.



DIRECTORS' REPORT

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

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

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

During FY2015, no share option was granted, exercised, cancelled or lapsed under the Scheme.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 29 to the consolidated financial statements and in the section headed "Connected transactions" in this annual report, no Director had a material interest, whether directly or indirectly, in any contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, subsisting during or at the end of the year.

Save as disclosed in note 29 to the consolidated financial statements and in the section headed "Connected transactions" in this annual report, no contract of significance had been entered into between the Company or any of its subsidiaries, and any controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During FY2015 and up to the date of this report, except for Mr. Tung Koon Ming who is one of the controlling shareholders (within the meaning of Listing Rules) of the Company currently engaging in Excluded Businesses (as defined in the Prospectus on page 240) and Exempted Business (as defined in the Prospectus at page 261), none of the Directors of the Company are considered to have direct or indirect interests in businesses which compete or are likely to compete with businesses of the Group pursuant to the Listing Rules.



DIRECTORS' REPORT

CONNECTED TRANSACTIONS

Continuing Connected Transactions

During FY2015, the Group has conducted the following continuing connected transactions which were required to be disclosed pursuant to Rule 14A.71 of the Listing Rules:

- (a) Pursuant to a tenancy agreement entered into between Winning Asia Holdings Group Limited ("Winning Asia") and the Group dated 3 July 2012, the Group agreed to lease from Winning Asia a premises located at Hong Kong as the Group's head office for a term of three years commencing from 1 July 2012 (subject to the right for the Group to terminate the agreement by serving not less than one month prior written notice) at an annual rent of HK\$4,080,000, inclusive of repairing and maintenance fee, government rent and rates, management fees, electricity and water bills and other fees in relation to the use of the premises but exclude other utility charges. During FY2015, the rent paid by the Group to Winning Asia for rental of the said premises for FY2015 was HK\$4,080,000 (FY2014: HK\$4,080,000).

As Winning Asia is a direct wholly-owned subsidiary of Red Frame Group Limited ("Red Frame") which, in turn, is wholly owned by Mr. Tung, an executive Director and substantial shareholder of the Company, Winning Asia is a connected person of the Company.

- (b) Pursuant to a tenancy agreement entered into between Zhengzhou Hengdi Investment Company Limited ("Zhengzhou Hengdi") and the Group dated 1 June 2012, the Group agreed to lease from Zhengzhou Hengdi a premises located at Zhengzhou, PRC as the Group's representative office for a term of three years commencing from 1 June 2012 (subject to the right for the Group to terminate the agreement by serving not less than one month prior written notice) at an annual rent of RMB90,000 exclusive of water, electricity, management fee and other utility charges, rates, management fees and other fees in relation to the use of the premises. The tenancy agreement has expired on 31 May 2015, and another tenancy agreement (the "**2015 Zhengzhou Tenancy Agreement**") has been entered into between Zhengzhou Hengdi and the Group on 29 June 2015 for lease of premises located at Zhengzhou, PRC. Pursuant to the 2015 Zhengzhou Tenancy Agreement, Zhengzhou Hengdi agreed to lease the premises to the Group on similar terms for a term of 13 months commencing from 1 June 2015 at a monthly rent of RMB22,727 exclusive of water, electricity, management fee and other utility charges, rates, management fees and other fees in relation to the use of the premises. The Group has an option to renew the 2015 Zhengzhou Tenancy Agreement for a successive term of one year upon expiry of the original term. Please refer to the announcement of the Company dated 29 June 2015 for further details of the 2015 Zhengzhou Tenancy Agreement and the transactions contemplated thereunder. During FY2015, the rent paid by the Group to Zhengzhou Hengdi for rental of the said premises for FY2015 was RMB105,227 (FY2014: RMB90,000).

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

- (c) Pursuant to a distribution agreement entered into between Fortune Silver Holdings Limited ("Fortune Silver") and the Group dated 19 December 2012 and which had expired on 30 June 2015, the Group agreed to sell its Tian Wang and Balco watches to Fortune Silver on consignment basis with the purchase price of each watch sold during the relevant calendar month to be determined by reference to a variable percentage discount to the recommended retail price of such watch in Hong Kong, in a sliding scale based on the quantity of watches sold during the relevant calendar month. During FY2015, the aggregate purchase price receivable from Fortune Silver amounted to approximately HK\$27.5 million (FY2014: approximately HK\$24.1 million), representing approximately 1.0% of the total revenue of the Group (FY2014: approximately 1.0%).



DIRECTORS' REPORT

As Fortune Silver is owned as to 51% by Fine Jade International Limited, a direct wholly-owned subsidiary of Red Frame which, in turn, is wholly-owned by Mr. Tung, an executive Director and substantial shareholder of the Company, Fortune Silver is a connected person of the Company.

- (d) Pursuant to a distribution agreement entered into between Time Watch Enterprise Comp any Limited ("Time Watch Taiwan") and the Group dated 13 June 2013 and which had expired on 30 June 2015, the Group agreed to sell its Tian Wang and Balco watches to Time Watch Taiwan on wholesale basis with the purchase price of each watch under each purchase order to be determined by reference to a fixed percentage discount to the recommended retail price of each watch in Hong Kong at the time of the purchase order. During FY2015, the aggregate purchase price receivable from Time Watch Taiwan amounted to approximately HK\$4.3 million (FY2014: approximately HK\$4.7 million), representing approximately 0.2% of the total revenue of the Group (FY2014: approximately 0.2%).

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

The independent non-executive Directors have, for the purpose of Rule 14A.55 of the Listing Rules, reviewed and confirmed that the aforementioned continuing connected transactions undertaken by the Group were entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. Deloitte Touche Tohmatsu, auditors of the Company, has issued a letter to the Company to confirm the matters stated in Rule 14A.56 of the Listing Rules.

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

Except for the 2015 Zhengzhou Tenancy Agreement, the agreements mentioned in this section have expired by 30 June 2015. The Group has extended relevant agreements by entering into new agreements with relevant parties. For details of the new agreements, please refer to the announcement of the Company dated 29 June 2015.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the IPO of the Company in February 2013, after the deduction of expenses, amounted to approximately HK\$742.0 million which comprise approximately HK\$640.0 million from the global offering and approximately HK\$102.0 million from the partial exercise of over-allotment option, of which approximately HK\$93.2 million, approximately HK\$139.0 million and approximately HK\$223.1 million had been utilised in FY2015, FY2014 and FY2013 respectively.

SUFFICIENCY OF PUBLIC FLOAT

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



DIRECTORS' REPORT

DONATIONS

The Group's charitable and other donations for FY2015 amounted to approximately HK\$1.6 million (FY2014: HK\$64,200), which is used to sponsor and promote the education of the youth. No donations were made to political parties.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 3 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 30 June 2015 and up to the date of this annual report.

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the management and the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including review of the audited financial statements for FY2015.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDITORS

The Company has appointed Deloitte Touche Tohmatsu as auditors of the Company for FY2015 which will retire as the Company's auditors at the end of the forthcoming Annual General Meeting of the Company, and being eligible, will offer themselves for re-appointment. A resolution to re-appoint Deloitte Touche Tohmatsu as auditors of the Company for the year ending 30 June 2016 will be proposed at the forthcoming Annual General Meeting of the Company.

On behalf of the Board

Tung Koon Ming

Chairman

Hong Kong, 22 September 2015



INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

德勤•關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

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

TO THE MEMBERS OF TIME WATCH INVESTMENTS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Time Watch Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 55 to 111, which comprise the consolidated statement of financial position as at 30 June 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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



INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2015, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 September 2015



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
Revenue	7	2,652,625	2,402,358
Cost of sales		(845,220)	(841,045)
Gross profit		1,807,405	1,561,313
Other income, gains and losses	10	6,218	15,634
Selling and distribution costs		(1,207,436)	(1,040,192)
Administrative expenses		(125,444)	(113,663)
Finance costs	11	(632)	(1,339)
Profit before taxation		480,111	421,753
Income tax	12	(147,911)	(106,689)
Profit for the year	13	332,200	315,064
Other comprehensive income (expense) which will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		4,654	(17,398)
Total comprehensive income for the year		336,854	297,666
Profit (loss) for the year attributable to:			
Owners of the Company		336,755	309,890
Non-controlling interests		(4,555)	5,174
		332,200	315,064
Total comprehensive income (expense) attributable to:			
Owners of the Company		340,973	293,878
Non-controlling interests		(4,119)	3,788
		336,854	297,666
Earnings per share	15		
– Basic and diluted (HK cents)		16.2	14.9



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Property, plant and equipment	16	166,012	117,651
Prepaid lease payment	17	37,247	–
Deposits paid for acquisition of property, plant and equipment		8,806	–
Deferred tax assets	25	25,266	27,295
		237,331	144,946
Current assets			
Inventories	18	615,452	555,961
Prepaid lease payment	17	1,284	–
Trade receivables	19	410,851	391,521
Other receivables, deposits and prepayments	19	115,219	98,194
Structured deposits	20	125,100	–
Bank balances and cash	21	550,510	660,065
		1,818,416	1,705,741
Current liabilities			
Trade payables and bills payable	22	112,243	122,623
Other payables and accrued charges	22	108,996	91,748
Tax liabilities		53,702	59,434
Bank borrowings	23	34,053	35,958
		308,994	309,763
Net current assets		1,509,422	1,395,978
Total assets less current liabilities		1,746,753	1,540,924

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
Capital and reserves			
Share capital	24	207,995	207,995
Reserves		1,422,152	1,226,775
Equity attributable to owners of the Company		1,630,147	1,434,770
Non-controlling interests		65,704	68,121
Total equity		1,695,851	1,502,891
Non-current liabilities			
Deferred tax liabilities	25	50,902	38,033
		1,746,753	1,540,924

The consolidated financial statements on pages 55 to 111 were approved and authorised for issue by the Board of Directors on 22 September 2015 and are signed on its behalf by:

Mr. Tung Koon Ming
DIRECTOR

Mr. Tung Wai Kit
DIRECTOR



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	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 2013	207,995	534,101	(234,378)	57,223	16,363	705,184	1,286,488	45,960	1,332,448
Profit for the year	-	-	-	-	-	309,890	309,890	5,174	315,064
Exchange differences arising on translation	-	-	-	(16,012)	-	-	(16,012)	(1,386)	(17,398)
Total comprehensive (expense) income for the year	-	-	-	(16,012)	-	309,890	293,878	3,788	297,666
Appropriation to reserve	-	-	-	-	11,226	(11,226)	-	-	-
Dividends recognised as distribution during the year (note 14)	-	(23,000)	-	-	-	(122,596)	(145,596)	-	(145,596)
Dividends declared by a subsidiary to non-controlling shareholder	-	-	-	-	-	-	-	(3,097)	(3,097)
Contribution from non-controlling interests	-	-	-	-	-	-	-	21,470	21,470
At 30 June 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 year	-	-	-	-	-	336,755	336,755	(4,555)	332,200
Exchange differences arising on translation	-	-	-	4,218	-	-	4,218	436	4,654
Total comprehensive income (expense) for the year	-	-	-	4,218	-	336,755	340,973	(4,119)	336,854
Appropriation to reserve	-	-	-	-	37,964	(37,964)	-	-	-
Dividends recognised as distribution during the year (note 14)	-	-	-	-	-	(145,596)	(145,596)	-	(145,596)
Dividends declared by subsidiaries to non-controlling shareholders	-	-	-	-	-	-	-	(4,257)	(4,257)
Contribution from non-controlling interests	-	-	-	-	-	-	-	5,959	5,959
At 30 June 2015	207,995	511,101	(234,378)	45,429	65,553	1,034,447	1,630,147	65,704	1,695,851

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 reorganisation 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 People's Republic of China ("PRC").



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
OPERATING ACTIVITIES		
Profit before taxation	480,111	421,753
Adjustments for:		
Allowance for obsolete inventories	15,390	25,722
Allowance for doubtful debts	11,511	1,390
Depreciation of property, plant and equipment	64,535	43,870
Loss on disposal and written-off of property, plant and equipment	9,823	6,653
Interest expenses	632	1,339
Bank interest income	(12,566)	(8,821)
Operating cash flows before movements in working capital	569,436	491,906
Increase in inventories	(72,189)	(145,985)
Increase in trade receivables	(20,165)	(56,961)
Increase in other receivables, deposits and prepayments	(25,619)	(30,367)
(Decrease) increase in trade payables and bills payable	(10,864)	18,497
Increase in other payables and accrued charges	16,914	13,193
Cash generated from operations	457,513	290,283
Bank interest received	12,566	8,821
Income tax paid	(139,121)	(83,159)
NET CASH FROM OPERATING ACTIVITIES	330,958	215,945
INVESTING ACTIVITIES		
Structured deposits placed	(125,100)	–
Withdrawal of short-term deposit	–	150,000
Purchases of property, plant and equipment	(122,293)	(100,078)
Addition of prepaid lease payment	(38,592)	–
Deposits paid for acquisition of property, plant and equipment	(8,820)	–
Proceeds from disposal of property, plant and equipment	68	89
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(294,737)	50,011



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
FINANCING ACTIVITIES		
Dividends paid	(145,596)	(145,596)
Dividends paid to non-controlling shareholders of subsidiaries	(4,257)	(6,194)
Contribution from non-controlling shareholders of subsidiaries	5,959	21,470
Interest paid	(632)	(1,339)
Borrowings raised	219,013	258,940
Repayment of bank borrowings	(220,918)	(263,493)
Repayment to a non-controlling shareholder of a subsidiary	–	(1,321)
NET CASH USED IN FINANCING ACTIVITIES	(146,431)	(137,533)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(110,210)	128,423
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	660,065	537,240
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	655	(5,598)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	550,510	660,065



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

1. GENERAL

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. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate and ultimate holding company is Red Glory Investments Limited ("Red Glory"), a company incorporated in the British Virgin Islands ("BVI") and wholly owned by Mr. Tung Koon Ming ("Mr. Tung"), a director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in the annual report.

The Company is an investment holding company. Details of the principal activities of its subsidiaries are set out in note 30.

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 ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs and a new interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle
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
HK(IFRIC) – INT 21	Levies

The application of these amendments to HKFRSs and the new interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (cont’d)

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ¹
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ¹
Amendments to HKAS 1	Disclosure initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ¹
Amendments to HKAS 27	Equity method in separate financial statements ¹
HKFRS 9	Financial instruments ²
HKFRS 15	Revenue from contracts with customers ²

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

HKFRS 15 “Revenue from contracts with customers”

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (cont’d)

HKFRS 15 “Revenue from contracts with customers” (cont’d)

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company will assess the impact on the application of HKFRS 15. For the moment, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs 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 leasehold land and buildings, 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value for the purposes of measuring inventories in HKAS 2 or value in use for the purposes of impairment assessment in HKAS 36.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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.

Service income is recognised when services are provided.

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.

Leasing

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

The Group as lessee

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leasehold land and buildings

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.

To the extent the allocation of the lease payment can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payment" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recognised at the rates of exchanges 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on 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 the Group's foreign operations 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 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 (attributable to non-controlling interests as appropriate).

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 services entitling them to the contributions.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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 bases 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 differences 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 each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Current and deferred tax are recognised in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant and equipment

Property, plant and equipment other than leasehold land and buildings are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

Any revaluation increase arising on revaluation of leasehold land and buildings is recognised in other comprehensive income and accumulated in properties revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of such leasehold land and buildings 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 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 assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, structured deposits, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Impairment of financial assets

Financial assets 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:

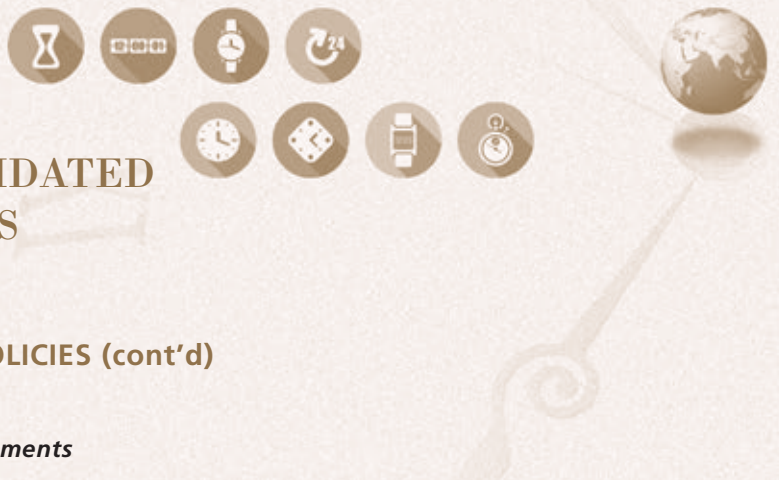
- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, 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 assets' 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 loss 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

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 entered into 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 Company 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 and bills payable, other payables and accrued charges and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

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 obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment 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. When 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 of disposal 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 immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Research and development expenditure (cont'd)

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 assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

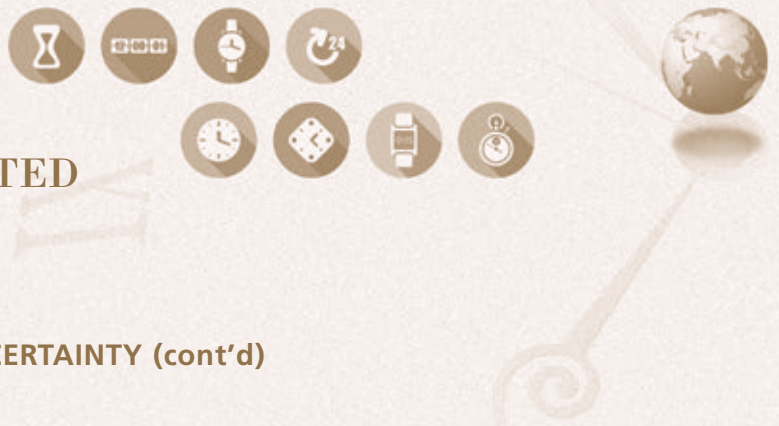
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current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

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

Allowance for obsolete 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\$15,390,000 (2014: HK\$25,722,000) was provided during the year ended 30 June 2015.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Allowance for doubtful debts

The allowance for doubtful debts of the Group is based on the evaluation of collectability and aging analysis of the receivables and on management judgement. 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 debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Allowance for doubtful debts for trade receivables and other receivables of approximately HK\$2,548,000 (2014: HK\$1,390,000) and HK\$8,963,000 (2014: nil) were made for the year ended 30 June 2015, respectively.

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 shareholders 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, net of cash and cash equivalents 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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Financial assets		
Loans and receivables (including cash and cash equivalents)	1,120,426	1,073,162
Financial liabilities		
Amortised cost	219,720	219,996

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

6. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, structured deposits, bank balances and cash, trade payables and bills payable, other payables and accrued charges and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

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

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

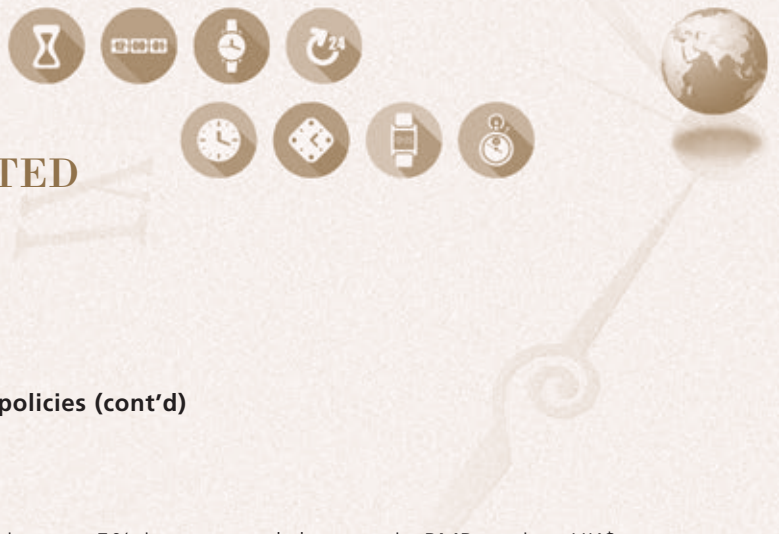
The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
HK\$	196,015	173,198	28,652	20,692
RMB	570	153	–	–
CHF	10,873	5,820	959	745

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 the relevant group entities.

	Amounts due from group entities		Amounts due to group entities	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
HK\$	613,887	755,525	373,870	541,169
RMB	12,681	40,565	8,816	11,542
CHF	39,644	23,548	–	–

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 arise.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

6. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Currency risk (cont'd)

Sensitivity analysis

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

	2015 HK\$'000	2014 HK\$'000
Increase in post-tax profit for the year	17,301	15,925

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

Interest rate risk

The Group's fair value interest rate risk relates primarily to the fixed rate bank deposits. The Group's cash flow interest rate risk relates to the bank balances as well as variable rate bank borrowings (note 23 for details of bank borrowings). The bank borrowings were mainly exposed to fluctuation of Hong Kong Interbank Offered Rate ("HIBOR").

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 the reporting period. For variable rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

6. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Interest rate risk (cont'd)

Sensitivity analysis (cont'd)

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the impact on the Group's post-tax profit for the year ended 30 June 2015 and 2014 would be:

	2015 HK\$'000	2014 HK\$'000
Decrease/increase	128	135

In the management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

Credit risk

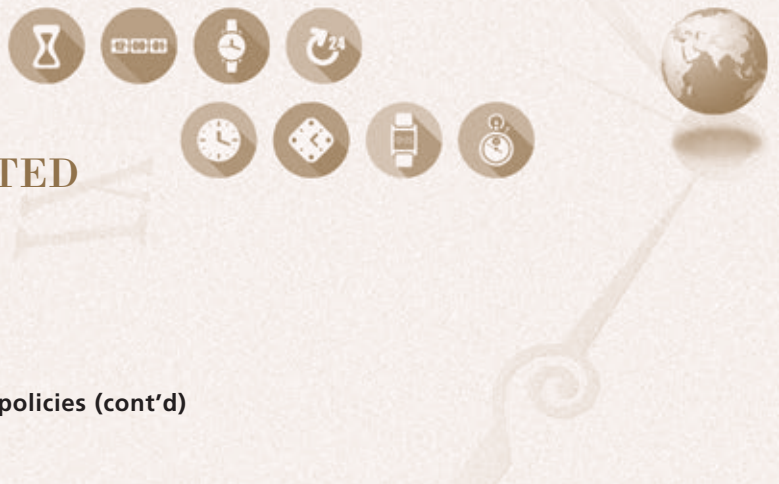
As at 30 June 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

The Group's bank balances and structured deposits are deposited with banks of high credit rating and the Group has limited exposure to any single financial institution.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

6. FINANCIAL INSTRUMENTS (cont'd)

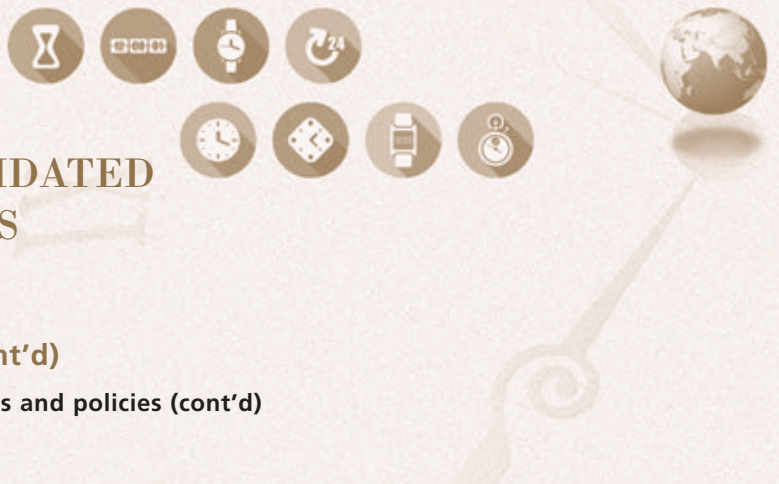
Financial risk management objectives and policies (cont'd)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment dates. 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. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 30 June 2015				
Non-derivative financial liabilities				
Trade payables and bills payable	N/A	112,243	112,243	112,243
Other payables and accrued charges	N/A	73,424	73,424	73,424
Bank borrowings	1.87	34,053	34,053	34,053
		219,720	219,720	219,720
As at 30 June 2014				
Non-derivative financial liabilities				
Trade payables and bills payable	N/A	122,623	122,623	122,623
Other payables and accrued charges	N/A	61,415	61,415	61,415
Bank borrowings	1.87	35,958	35,958	35,958
		219,996	219,996	219,996



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

6. FINANCIAL INSTRUMENTS (cont'd)

Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

Bank borrowings with a repayment on demand clause are included in the "Repayment on demand or less than 3 months" time band in the above maturity analysis. As at 30 June 2015, the aggregate carrying amount of these bank loans amounted to HK\$34,053,000 (2014: HK\$35,958,000). Taking into account the Group's financial position, management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Management of the Group believes that such bank loans of the Group will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK\$34,078,000 (2014: HK\$36,014,000).

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 HK\$'000	3 – 6 months HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Bank borrowings:					
As at 30 June 2015	1.87	34,078	–	34,078	34,053
As at 30 June 2014	1.87	35,263	751	36,014	35,958

Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

7. REVENUE AND SEGMENT INFORMATION

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

- Manufacturing, trading of own branded and retailing business of watches – Tian Wang Watch (“Tian Wang Watch Business”);
- Trading of own branded and retailing business of watches – Balco Watch (“Balco Watch Business”);
- Trading of watch movements (“Watch Movements Trading Business”); and
- Retailing business of imported watches mainly of well-known brands (“Other Brands”).

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

Segment revenue and results

Year ended 30 June 2015

	Tian Wang Watch Business <i>HK\$'000</i>	Balco Watch Business <i>HK\$'000</i>	Watch Movements Trading Business <i>HK\$'000</i>	Other Brands <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue					
External sales	1,909,829	205,981	210,165	326,650	2,652,625
Inter-segment sales	–	–	50,050	–	50,050
Segment revenue	1,909,829	205,981	260,215	326,650	2,702,675
Elimination					(50,050)
Group revenue					2,652,625
Results					
Segment results	506,195	1,922	3,493	2,246	513,856
Interest income					12,566
Central administration costs					(45,679)
Finance costs					(632)
Profit before taxation					480,111

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

7. REVENUE AND SEGMENT INFORMATION (cont'd)

Segment revenue and results (cont'd)

Year ended 30 June 2014

	Tian Wang Watch Business <i>HK\$'000</i>	Balco Watch Business <i>HK\$'000</i>	Watch Movements Trading Business <i>HK\$'000</i>	Other Brands <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue					
External sales	1,665,167	168,149	262,397	306,645	2,402,358
Inter-segment sales	–	–	96,200	–	96,200
Segment revenue	<u>1,665,167</u>	<u>168,149</u>	<u>358,597</u>	<u>306,645</u>	<u>2,498,558</u>
Elimination					<u>(96,200)</u>
Group revenue					<u>2,402,358</u>
Results					
Segment results	<u>437,739</u>	<u>3,700</u>	<u>9,131</u>	<u>5,287</u>	<u>455,857</u>
Interest income					8,821
Central administration costs					(41,586)
Finance costs					<u>(1,339)</u>
Profit before taxation					<u>421,753</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the results of each segment without allocation of corporate items, including interest income, 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

7. REVENUE AND SEGMENT INFORMATION (cont'd)

Segment assets and liabilities

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

As at 30 June 2015

	Tian Wang Watch Business <i>HK\$'000</i>	Balco Watch Business <i>HK\$'000</i>	Watch Movements Trading Business <i>HK\$'000</i>	Other Brands <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS					
Segment assets	841,398	243,583	39,691	216,042	1,340,714
Structured deposits					125,100
Bank balances and cash					550,510
Deferred tax assets					25,266
Other assets					14,157
Consolidated total assets					2,055,747
LIABILITIES					
Segment liabilities	109,700	34,565	22,976	42,962	210,203
Tax liabilities					53,702
Bank borrowings					34,053
Deferred tax liabilities					50,902
Other liabilities					11,036
Consolidated total liabilities					359,896

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

7. REVENUE AND SEGMENT INFORMATION (cont'd)

Segment assets and liabilities (cont'd)

As at 30 June 2014

	Tian Wang Watch Business <i>HK\$'000</i>	Balco Watch Business <i>HK\$'000</i>	Watch Movements Trading Business <i>HK\$'000</i>	Other Brands <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS					
Segment assets	749,400	151,966	45,360	213,342	1,160,068
Bank balances and cash					660,065
Deferred tax assets					27,295
Other assets					<u>3,259</u>
Consolidated total assets					<u>1,850,687</u>
LIABILITIES					
Segment liabilities	109,796	24,994	22,109	48,959	205,858
Tax liabilities					59,434
Bank borrowings					35,958
Deferred tax liabilities					38,033
Other liabilities					<u>8,513</u>
Consolidated total liabilities					<u>347,796</u>

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

- all assets are allocated to operating segments, other than structured deposits, bank balances and cash, deferred tax assets and certain corporate assets.
- all liabilities are allocated to operating segments, other than tax liabilities, bank borrowings, deferred tax liabilities and certain corporate liabilities.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

7. REVENUE AND SEGMENT INFORMATION (cont'd)

Other segment information

Year ended 30 June 2015

	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	77,251	22,221	10	10,561	12,250	122,293
Depreciation of property, plant and equipment	51,228	6,253	62	5,640	1,352	64,535
Loss on disposal and written-off of property, plant and equipment	9,784	-	1	38	-	9,823
Addition of prepaid lease payment	38,592	-	-	-	-	38,592
Deposits paid for acquisition of property, plant and equipment	8,701	119	-	-	-	8,820
Allowance for obsolete inventories	5,470	3,783	1,500	4,637	-	15,390
Allowance for doubtful debts	982	-	-	1,566	8,963	11,511

Year ended 30 June 2014

	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	84,935	7,948	32	3,849	3,314	100,078
Depreciation of property, plant and equipment	37,190	3,522	58	3,045	55	43,870
Loss on disposal and written-off of property, plant and equipment	6,612	-	3	38	-	6,653
Allowance for obsolete inventories	21,157	-	-	4,565	-	25,722
Allowance for doubtful debts	1,361	29	-	-	-	1,390



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

7. REVENUE AND SEGMENT INFORMATION (cont'd)

Information about major customers

There is no single customer contributing over 10% of total revenue of the Group for the years ended 30 June 2015 and 2014.

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:

	2015 HK\$'000	2014 HK\$'000
Hong Kong and others	278,672	309,072
The PRC	2,373,953	2,093,286
	2,652,625	2,402,358

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

	2015 HK\$'000	2014 HK\$'000
Hong Kong	32,077	7,397
The PRC	179,988	110,254
	212,065	117,651



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

8. DIRECTORS' REMUNERATION

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

	Mr. Tung Wai Kit HK\$'000 (Note b)	Mr. Hou Qing Hai HK\$'000	Mr. Lo Wing Sang HK\$'000 (Note c)	Mr. Deng Guang Lei HK\$'000 (Note d)	Mr. Choi Ho Yan HK\$'000	Mr. Wong Wing Keung Meyrick HK\$'000	Mr. Ma Ching Nam HK\$'000	Total HK\$'000
For the year ended 30 June 2015								
Fee	90	90	26	64	223	223	223	1,029
Salaries and allowances	3,762	735	542	668	-	-	-	6,359
Bonus (Note a)	5,000	128	195	571	-	-	-	6,207
Contributions to retirement benefit scheme	18	18	6	43	-	-	-	85
Total remuneration	8,870	971	769	1,346	223	223	223	13,680

	Mr. Tung Wai Kit HK\$'000 (Note b)	Mr. Hou Qing Hai HK\$'000	Mr. Lo Wing Sang HK\$'000	Mr. Choi Ho Yan HK\$'000	Mr. Wong Wing Keung Meyrick HK\$'000	Mr. Ma Ching Nam HK\$'000	Total HK\$'000
For the year ended 30 June 2014							
Fee	90	90	90	223	223	223	1,029
Salaries and allowances	3,645	594	1,560	-	-	-	6,367
Bonus (Note a)	5,000	113	263	-	-	-	5,561
Contributions to retirement benefit scheme	15	15	15	-	-	-	45
Total remuneration	8,750	812	1,928	223	223	223	13,002



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

8. DIRECTORS' REMUNERATION (cont'd)

Notes:

- (a) Incentive performance bonuses were determined by the remuneration committee having regard to the performance of directors and the Group's operating results.
- (b) Mr. Tung is also the chief executive officer of the Group and his emoluments disclosed above included those for services rendered by him as the chief executive officer. Based on the service contract entered into between Mr. Tung and the Company on 1 July 2012 for his appointment as the chief executive officer of the Group, Mr. Tung is only entitled to discretionary performance bonus with effect from 1 July 2013.
- (c) Mr. Lo Wing Sang resigned on 15 October 2014.
- (d) Mr. Deng Guang Lei was appointed on 15 October 2014.

During the years ended 30 June 2015 and 2014, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any remuneration in both years.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

9. EMPLOYEES' EMOLUMENTS

The five highest paid individuals include three directors of the Company for the year ended 30 June 2015 (2014: two). The emoluments of the remaining two individuals for the year ended 30 June 2015 (2014: three) are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Salaries and other benefits	2,846	3,959
Contributions to retirement benefit scheme	36	122
	2,882	4,081

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

	2015 Number of individuals	2014 Number of individuals
Nil to HK\$1,000,000	–	1
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,000,001 to HK\$2,500,000	–	1

During the years ended 30 June 2015 and 2014, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

10. OTHER INCOME, GAINS AND LOSSES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Bank interest income	12,566	8,821
Allowance for doubtful debts	(11,511)	(1,390)
Loss on disposal and written-off of property, plant and equipment	(9,823)	(6,653)
Watch repair and maintenance services income	5,603	4,563
Net exchange loss	(358)	(1,984)
Government subsidies (<i>Note</i>)	1,140	6,157
Others	8,601	6,120
	6,218	15,634

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.

11. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
The finance costs represent interests on:		
Borrowings wholly repayable within five years	632	1,339



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

12. INCOME TAX

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	1,635	2,391
PRC Enterprise Income Tax	125,905	102,290
PRC withholding tax	5,704	12,019
	133,244	116,700
(Overprovision) underprovision in prior years:		
Hong Kong Profits Tax	(423)	(308)
PRC Enterprise Income Tax	192	(1,911)
	133,013	114,481
Deferred taxation (<i>note 25</i>)	14,898	(7,792)
	147,911	106,689

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

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 the year ended 30 June 2014. 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 25.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

12. INCOME TAX (cont'd)

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before taxation	480,111	421,753
Tax at the PRC Enterprise Income Tax rate of 25%	120,028	105,438
Tax effect of expenses not deductible for tax purpose	12,178	6,259
Tax effect of income not taxable for tax purpose	(8,106)	(2,051)
Income tax on concession and preferential tax rates	(575)	(23,625)
Tax effect of tax loss not recognised	11,429	8,530
Overprovision in prior years	(231)	(2,219)
Additional tax benefit to the Group (<i>Note</i>)	(5,224)	(4,202)
Withholding tax for distributable earnings of PRC subsidiaries	18,412	18,559
Tax charge for the year	147,911	106,689

Note: Pursuant to the relevant tax rules and regulation, expenses in research nature are deductible at 150% of the cost incurred. The related tax benefit amounted to HK\$5,224,000 for the year ended 30 June 2015 (2014: HK\$4,202,000).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

13. PROFIT FOR THE YEAR

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Auditor's remuneration	1,990	1,837
Directors' remuneration (<i>note 8</i>)		
Fees	1,029	1,029
Other emoluments	12,566	11,928
Retirement benefits scheme contributions	85	45
	13,680	13,002
Other staff costs	330,825	275,392
Retirement benefits scheme contributions	41,480	34,192
Total staff costs	385,985	322,586
Depreciation of property, plant and equipment	64,535	43,870
Cost of inventories recognised as cost of sales	785,022	777,417
Research and development cost recognised as cost of sales	44,808	37,906
Allowance for obsolete inventories recognised as cost of sales	15,390	25,722
Concessionaire fee (<i>Note</i>)	556,194	485,553
Operating lease payment in respect of shop counters and shops	31,969	34,893
Operating lease payment for office premises and factories	9,501	8,255

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

14. DIVIDENDS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2015 Interim – HK2 cents (2014 Interim – HK2 cents) per share	41,599	41,599
2014 Final – HK3 cents (2013 Final – HK3 cents) per share	62,398	62,398
2014 Special – HK2 cents (2013 Special – HK2 cents) per share	41,599	41,599
	145,596	145,596

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 30 June 2015 of HK3 cents per share has been proposed by the directors and is subject to the approval by the shareholders of the Company in the forthcoming annual general meeting of the Company.

15. EARNINGS PER SHARE

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	336,755	309,890
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share	2,079,946	2,079,946

No diluted earnings per share is presented as there is no potential ordinary share outstanding for both years.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Machinery HK\$'000	Furniture and fixtures HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Light boxes HK\$'000	Yacht HK\$'000	Total HK\$'000
COST OR VALUATION									
At 1 July 2013	–	20,952	2,859	2,214	6,607	15,005	95,413	–	143,050
Exchange adjustments	–	(344)	(62)	(36)	(139)	(174)	(2,440)	–	(3,195)
Additions	–	4,450	1,297	567	3,507	6,061	84,196	–	100,078
Disposals and written-off	–	(2,579)	–	(13)	(60)	(305)	(17,269)	–	(20,226)
At 30 June 2014	–	22,479	4,094	2,732	9,915	20,587	159,900	–	219,707
Exchange adjustments	–	93	18	10	36	53	688	–	898
Additions	11,515	11,658	669	1,022	5,661	1,422	78,096	12,250	122,293
Disposals and written-off	–	–	–	(83)	(51)	(169)	(26,079)	–	(26,382)
At 30 June 2015	11,515	34,230	4,781	3,681	15,561	21,893	212,605	12,250	316,516
Comprising:									
At cost	–	34,230	4,781	3,681	15,561	21,893	212,605	12,250	305,001
At valuation	11,515	–	–	–	–	–	–	–	11,515
	11,515	34,230	4,781	3,681	15,561	21,893	212,605	12,250	316,516
DEPRECIATION									
At 1 July 2013	–	15,151	1,264	1,285	2,662	6,847	45,973	–	73,182
Exchange adjustments	–	(268)	(27)	(22)	(77)	(89)	(1,029)	–	(1,512)
Provided for the year	–	4,551	548	249	2,724	1,976	33,822	–	43,870
Eliminated on disposals and written-off	–	(2,468)	–	(2)	(23)	(274)	(10,717)	–	(13,484)
At 30 June 2014	–	16,966	1,785	1,510	5,286	8,460	68,049	–	102,056
Exchange adjustments	–	76	8	6	20	25	269	–	404
Provided for the year	–	5,599	671	394	3,516	2,680	50,654	1,021	64,535
Eliminated on disposals and written-off	–	–	–	(40)	(32)	(152)	(16,267)	–	(16,491)
At 30 June 2015	–	22,641	2,464	1,870	8,790	11,013	102,705	1,021	150,504
CARRYING VALUES									
At 30 June 2015	11,515	11,589	2,317	1,811	6,771	10,880	109,900	11,229	166,012
At 30 June 2014	–	5,513	2,309	1,222	4,629	12,127	91,851	–	117,651

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

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

Depreciation is charged to write off the cost of property, plant and equipment less residual value, if any, on a straight-line basis, at the following rates per annum:

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

The Group's interests in leasehold land and buildings that are situated in Hong Kong are held under medium-term lease. The leasehold interest in land cannot be allocated reliably between the land and buildings elements and is accounted for as property, plant and equipment.

Fair value measurement of the Group's land and buildings

At 30 June 2015, the fair value of the Group's leasehold land and buildings in Hong Kong was valued by the directors using direct comparison method.

The fair value of the leasehold land and buildings located in Hong Kong has been determined based on the market comparable approach that reflects recent transaction prices for similar properties, adjusted for differences in the location and conditions of the properties under review. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The Group's land and buildings at revalued amounts are categorised into level 3 of the fair value hierarchy.

The following table shows the valuation techniques used in the determination of fair values and unobservable inputs used in the valuation models.

Description	Fair value		Valuation techniques	Unobservable inputs	Significant inputs	Relationship of inputs to fair value
	2015 HK\$'000	2014 HK\$'000				
Land and buildings in Hong Kong	11,515		- Comparison approach	Market price per square feet	Adjusted price of HK\$4,615 (2014: nil) per square feet in average	The higher the market price, the higher the fair value

Had the leasehold land and buildings at 30 June 2015 been carried at cost less accumulated depreciation and accumulated impairment losses, its carrying value would have been HK\$11,515,000.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

17. PREPAID LEASE PAYMENT

The Group's prepaid lease payment comprises leasehold interest in a land in the PRC with medium-term lease and released over the term of lease of 30 years. The Group is in the process of obtaining the land use right certificate.

The amount is analysed for reporting purpose as:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current asset	1,284	–
Non-current asset	37,247	–
	38,531	–

18. INVENTORIES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Raw materials and consumables	87,779	59,242
Work in progress	12,589	12,816
Finished goods	515,084	483,903
	615,452	555,961

19. TRADE AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables from third parties	402,925	389,499
Trade receivable from a fellow subsidiary	–	2,660
Trade receivables from related companies	9,272	704
Less: allowance for doubtful debts	(1,346)	(1,342)
	410,851	391,521
Other receivables, deposits and prepayments	115,219	98,194
	526,070	489,715



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

19. TRADE AND OTHER RECEIVABLES (cont'd)

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

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 to 60 days	334,903	340,821
61 to 120 days	44,592	29,172
121 to 180 days	10,677	13,366
Over 180 days	11,407	4,798
	401,579	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, at the end of the reporting period:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 to 60 days	–	1,913
61 to 120 days	–	747
	–	2,660



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

19. TRADE AND OTHER RECEIVABLES (cont'd)

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 to 60 days	9,272	698
61 to 120 days	–	6
	9,272	704

As at 30 June 2015, included in the Group's trade receivables were debtors with a carrying amount of HK\$66,676,000 (2014: HK\$47,336,000), which were past due at the end of the reporting period for which the Group did not provide for impairment loss as there were subsequent settlement or no historical default of payments by the respective customers and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables as at 30 June 2015 is 115 days (2014: 114 days).

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
61 to 120 days	44,592	29,172
121 to 180 days	10,677	13,366
Over 180 days	11,407	4,798
	66,676	47,336

Movement in the allowance for doubtful debts

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Balance at beginning of the year	1,342	433
Exchange adjustments	4	(16)
Allowance for doubtful debts	2,548	1,390
Amounts written off as uncollectible	(2,548)	(465)
Balance at end of the year	1,346	1,342

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

19. TRADE AND OTHER RECEIVABLES (cont'd)

Movement in the allowance for doubtful debts (cont'd)

Included in the allowance for doubtful debts are impaired trade receivables with a balance of HK\$2,548,000 (2014: HK\$1,390,000) which were past due and considered not recoverable.

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

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
CHF	9,500	4,554
HK\$	519	540

20. STRUCTURED DEPOSITS

The structured deposits are interest rate-linked principal protected deposits entered with a bank in the PRC with maturity less than one year. The counterparty bank guaranteed 100% of the invested capital and the returns of which are determined by reference to the fluctuation of London Interbank Offered Rate of United States dollars' bank deposits and the effective interest rate of these deposits is 4.3% per annum.

21. BANK BALANCES AND CASH

Bank balances and cash comprise cash and short-term deposits with original maturity of three months or less and carrying interest at average market rates of 0.9% (2014: 1.2%) per annum.

At 30 June 2015, the bank balances and cash of HK\$326,391,000 (2014: HK\$462,084,000) are denominated in RMB, which are not freely convertible into other currencies.

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
HK\$	195,496	172,658
CHF	1,373	1,266
RMB	570	153



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<i>Trade payables and bills payable:</i>		
Trade payables	96,341	109,264
Bills payable	8,557	3,067
Trade payables to entities owned by non-controlling shareholders of subsidiaries	7,345	10,292
	112,243	122,623
<i>Other payables and accrued charges:</i>		
Other tax payables	35,572	30,333
Accrued directors' remuneration	6,003	6,029
Accrued advertising expenses	881	1,601
Accrued staff related costs	13,569	11,631
Other payables and accrued charges	49,218	38,419
Amount due to a non-controlling shareholder of a subsidiary	3,753	3,735
	108,996	91,748
	221,239	214,371

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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 – 30 days	50,871	63,966
31 – 60 days	16,866	20,686
61 – 90 days	6,047	9,249
Over 90 days	22,557	15,363
	96,341	109,264



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

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

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 invoice date at the end of the reporting period:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 – 60 days	–	10,108
Over 90 days	7,345	184
	7,345	10,292

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

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

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
HK\$	28,652	20,692



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

23. BANK BORROWINGS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trust receipts loans	34,053	27,958
Bank loans	–	8,000
	34,053	35,958

The trust receipts loans and bank loans are unsecured and repayable on demand and within one year.

The bank borrowings that are denominated in foreign currency of the relevant group entities are set out below:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
CHF	959	745

Trust receipts loans and bank loans are arranged at floating rates at interest rates ranging from HIBOR plus 1.25% to 1.75% (2014: 1.25% to 2.00%), and the average interest rate is approximately 1.87% per annum as at 30 June 2015 (2014: 1.87% per annum). Thus the Group exposes to cash flow interest rate risk.

24. SHARE CAPITAL

	Number of shares <i>'000</i>	Share capital <i>HK\$'000</i>
<i>Ordinary shares of HK\$0.1 each</i>		
<i>Authorised:</i>		
At 1 July 2013, 30 June 2014 and 2015	100,000,000	10,000,000
<i>Issued:</i>		
At 1 July 2013, 30 June 2014 and 2015	2,079,946	207,995

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

25. DEFERRED TAXATION

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

	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 2013	(7,207)	(4,816)	533	30,020	18,530
(Credited) charged to profit or loss	(8,635)	(6,637)	940	6,540	(7,792)
At 30 June 2014	(15,842)	(11,453)	1,473	36,560	10,738
(Credited) charged to profit or loss	(1,897)	3,926	160	12,709	14,898
At 30 June 2015	(17,739)	(7,527)	1,633	49,269	25,636

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Deferred tax assets	25,266	27,295
Deferred tax liabilities	50,902	38,033

The Group had unused tax losses of approximately HK\$133,878,000 as at 30 June 2015 (2014: HK\$88,162,000). No deferred tax assets have been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

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:

	2015 HK\$'000	2014 HK\$'000
Within one year	21,295	23,731
In the second to fifth year inclusive	18,166	12,802
Over five years	4,347	–
	43,808	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.

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 before 1 June 2014 and HK\$1,500 per month thereafter, and charged to profit or loss as they become payable in accordance with the rules of MPF Scheme. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

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

As at 30 June 2015 and 2014, there were no outstanding contributions payable to the schemes.

28. SHARE OPTION SCHEME

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. The adoption of the share option scheme became unconditional upon the listing of the Company on 5 February 2013. No share option has been granted since the adoption of the scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

29. RELATED PARTY TRANSACTIONS

Other than trade receivables from a fellow subsidiary and related companies and trade payables to entities owned by non-controlling shareholders of subsidiaries as disclosed in notes 19 and 22, respectively, the Group had the following related party transactions during the year:

	2015 HK\$'000	2014 HK\$'000
Sales to a related company (Note d & e)	27,511	24,129
Sales to a related company (Note a & e)	4,336	4,677
Sales to an entity controlled by a non-controlling shareholder of a subsidiary	1,338	–
Sales commission paid/payable to a related company (Note d)	359	950
Purchases from entities owned by non-controlling shareholders of subsidiaries	10,033	26,722
Rental expense paid/payable to a related company (Note b & e)	132	114
Rental expense paid/payable to a related company (Note d & e)	4,080	4,080
Service fee paid/payable to non-controlling shareholders of subsidiaries	–	5,070
Refund of service fee received/receivable from non-controlling shareholders of subsidiaries	3,757	–
Royalty income received/receivable from a non-controlling shareholder of a subsidiary	860	–
Promotion fee paid/payable to a fellow subsidiary	–	496
Promotion fee paid/payable to a related company (Note c)	120	335
Consultancy fee paid/payable to a fellow subsidiary	–	420
Consultancy fee paid/payable to a related company (Note c)	180	360
Dividends paid/payable to non-controlling shareholders of subsidiaries	4,257	3,097



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

29. 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 fee and consultancy fee paid to a related company in which Mr. Tung has control.
- (d) The relationship with these entities changed from fellow subsidiaries to related companies. These entities were wholly owned and controlled by Mr. Tung during the year.
- (e) The related party transactions are also defined as continuing connected transactions under the Listing Rules.

Compensation of key management personnel

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

	2015 HK\$'000	2014 <i>HK\$'000</i>
Short-term benefits	17,136	18,157
Post-employment benefits	165	224
	17,301	18,381

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

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	Country/ Place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group As at 30 June		Principal activities
				2015	2014	
Directly:						
Immense Ocean Investments Limited	BVI	Hong Kong	1 share of US\$1	100%	100%	Investment holding
Indirectly:						
Win Source Trading Limited 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 International Limited 捷新國際有限公司	Hong Kong	Hong Kong	1 share of HK\$1	100%	100%	Trading of watches
Gold Joy Investments Limited 金愉投資有限公司	Hong Kong	Hong Kong	1 share of HK\$1	100%	100%	Investment holding
Sky Sun Investments Limited 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 Electronics (Meizhou) Company Limited 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 Company Limited ² 蘇州寶利辰表行有限公司	PRC	PRC	RMB20,000,000	51%	51%	Sales of watches
Tian Wang Electronics (Shenzhen) Company Limited ¹ 天王電子(深圳)有限公司	PRC	PRC	HK\$99,000,000	100%	100%	Assembling and trading of own branded watches
Time Watch (Hefei) Timepieces Company Limited ² 時計寶(合肥)鐘表有限公司	PRC	PRC	RMB14,000,000	51%	51%	Sales of watches
Time Watch (Shanghai) Timepieces Company Limited ² 時計寶(上海)鐘表有限公司	PRC	PRC	RMB14,000,000	51%	51%	Sales of watches
Balco Switzerland SAGL	Switzerland	Switzerland	20 shares of CHF1,000 each	100%	100%	Sales of watches



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

30. PARTICULARS OF SUBSIDIARIES (cont'd)

Name of subsidiary	Country/ place of incorporation/ establishment	Country/ Place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group As at 30 June		Principal activities
				2015	2014	
Shenzhen Time Watch Management Consulting Limited ³ 深圳時計寶管理諮詢有限公司	PRC	PRC	RMB6,000,000	100%	100%	Marketing and consulting
Time Watch (Sichuan) Company Limited ("Time Watch Sichuan") ² 時計寶(四川)鐘表有限公司	PRC	PRC	RMB20,000,000 (Note)	51%	51%	Sales of watches
Shenzhen Time Watch Trading Company Limited ³ 深圳時計寶商貿有限公司	PRC	PRC	RMB5,000,000	70%	70%	Sales of watches
Time Watch (Chengdu) Company Limited ² 時計寶(成都)鐘表有限公司	PRC	PRC	RMB20,000,000	51%	51%	Sales of watches
Zhengzhou Time Watch Company Limited ² 鄭州時計寶鐘表有限公司	PRC	PRC	RMB20,000,000	51%	51%	Sales of watches
Shenzhen Half Hour Trade and Commercial Limited ³ 深圳市半小時商貿有限公司	PRC	PRC	RMB1,000,000	70%	–	Sales of watches
Shenzhen Yi Cun Jin Technology Co., Limited ³ 深圳市壹寸金科技有限公司	PRC	PRC	RMB1,000,000	70%	–	Sales of watches

¹ Established in the PRC in the form of wholly foreign-owned enterprise.

² Established in the PRC in the form of sino-foreign equity joint venture.

³ Established in the PRC in the form of domestic-invested enterprise.

Note: As at 30 June 2015, capital contribution from non-controlling shareholder of Time Watch Sichuan of HK\$3,628,000 (2014: HK\$3,611,000) has not been received.

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

In the opinion of the directors, the Group has no material non-controlling interests and the summarised financial information about these subsidiaries is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

31. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets		
Unlisted investments in subsidiaries, at cost	132,477	132,149
Amounts due from subsidiaries	478,621	407,846
	611,098	539,995
Current assets		
Other receivables	113	24
Amounts due from subsidiaries	16,820	131,820
Bank balances	174,940	157,483
Dividend receivable from a subsidiary	–	58,700
	191,873	348,027
Current liabilities		
Accrued charges	1,029	1,029
Amounts due to subsidiaries	3,100	–
	4,129	1,029
Net current assets	187,744	346,998
Total assets less current liabilities	798,842	886,993
Capital and reserves		
Share capital	207,995	207,995
Reserves	590,847	678,998
Total equity	798,842	886,993



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

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

Reserves of the Company

	Share premium <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2013	534,101	15,710	66,240	616,051
Profit and comprehensive (expense) income for the year	–	(15,343)	223,886	208,543
Dividend recognised as distribution during the year (<i>note 14</i>)	(23,000)	–	(122,596)	(145,596)
At 30 June 2014	511,101	367	167,530	678,998
Profit and comprehensive income for the year	–	5,430	52,015	57,445
Dividend recognised as distribution during the year (<i>note 14</i>)	–	–	(145,596)	(145,596)
At 30 June 2015	511,101	5,797	73,949	590,847

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years, as extracted from the published audited financial information and consolidated financial statements, is set out below.

	For the year ended 30 June				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Results					
Revenue	2,652,625	2,402,358	1,912,235	1,524,779	1,189,325
Profit for the year attributable to owners of the Company	336,755	309,890	213,551	184,093	134,603
	At 30 June				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Assets and liabilities					
Total assets	2,055,747	1,850,687	1,620,275	972,423	940,721
Total liabilities	(359,896)	(347,796)	(287,827)	(557,475)	(472,293)
	1,695,851	1,502,891	1,332,448	414,948	468,428
Equity attributable to the owners of the Company	1,630,147	1,434,770	1,286,488	377,119	452,015
Non-controlling interests	65,704	68,121	45,960	37,829	16,413
	1,695,851	1,502,891	1,332,448	414,948	468,428

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

The financial information for the years ended 30 June 2013, 2014 and 2015 is extracted from the consolidated financial statements in the annual report for the year ended 30 June 2014.

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



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Tung Koon Ming
(Chairman and chief executive officer)
Mr. Lo Wing Sang
(resigned with effect from 15 October 2014)
Mr. Hou Qinghai
Mr. Tung Wai Kit
Mr. Deng Guanglei
(appointed with effect from 15 October 2014)

Independent non-executive Directors

Mr. Ma Ching Nam
Mr. Wong Wing Keung Meyrick
Mr. Choi Ho Yan

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

Mr. Chen Kwok Wang
(resigned with effect from 2 January 2015)
Ms. Hui Wai Man, Shirley
(appointed with effect from 2 January 2015)

AUDITOR

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

LEGAL ADVISERS

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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183 Queen's Road East
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REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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STOCK CODE ON THE HONG KONG STOCK EXCHANGE

2033

INVESTOR INFORMATION

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

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Email: investor_relations@timewatch.com.hk

WEBSITE

www.timewatch.com.hk

CORPORATE CALENDAR

Annual general meeting	24 November 2015
Payment of final dividend	On or about 9 December 2015
Announcement of interim results for six months ended 31 December 2015	February 2016
Announcement of final results for year ended 30 June 2016	September 2016